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COUNTY NURSING HOME FUNDING

The Department of Health and Family Services provides reimbursement for care provided to Medical Assistance recipients in 417 skilled nursing facilities with approximately 40,000 residents. In fiscal year (FY) 1998-99, the State's Medical Assistance budget for skilled nursing care was \$698.1 million, including \$229.9 million in general purpose revenue (GPR) and \$468.2 million in federal funding. The State provides Medical Assistance funding to all certified nursing homes through the nursing home reimbursement formula, and additional funds directly to county-owned nursing homes through the Intergovernmental Transfer (IGT) program.

In 1998, county governments owned 47 of the 417 skilled nursing facilities and provided care to 16.3 percent of the residents. Administrators of county-owned facilities have expressed concern that current Medical Assistance funding is not sufficient to cover their costs, resulting in deficits that totaled \$66.6 million in FY 1998-99. County officials have argued that county-run facilities are especially disadvantaged because they serve a disproportionate share of residents who, in addition to their other medical needs, present challenging behaviors that are not directly recognized as a basis for reimbursement in the nursing home formula. These include wandering and aggressive behavior.

Residents of County-Owned Facilities Present More Behavioral Challenges

The best available data suggest that county-owned facilities do provide care to residents who present more behavioral challenges, in addition to their other needs, than residents of privately owned facilities do. We found that 41.9 percent of residents in county-owned facilities were reported to exhibit challenging behaviors, compared to 27.1 percent of residents in privately owned facilities.

The Department of Health and Family Services has recognized the challenging behaviors presented by residents in nursing facilities and has undertaken initiatives to address them. For example, in 1990, the Department established a funding supplement for facilities that serve mentally ill residents who need specialized services; payments from this supplement amounted to \$1.8 million in 1998. While not all facilities that qualify for the supplement have applied for it because the process is cumbersome, 60.8 percent of the funds were provided to county facilities.

Challenging Behaviors of Residents Are Associated with High Staffing Levels

If differences in resident behaviors affect skilled nursing facilities' costs, then the challenging behaviors posed by the larger proportion of residents in county-owned facilities would require more staff or the provision of additional services. We found that county-owned facilities have higher nurse-to-resident ratios than privately owned facilities do. On average, county-owned facilities employed 6.24 nursing staff for every 10 residents, compared to 5.65 staff in privately run facilities.

However, we also found that county costs are higher because of higher staff wages and fringe benefits. On average, annual compensation is approximately \$7,300 higher—\$2,600 in wages and \$4,700 in fringe benefits—for nurse aides in county rather than privately owned facilities. However, some of this difference is the result of longer tenure among nursing staff in county-owned facilities and required participation in the Wisconsin Retirement System.

County Nursing Home Deficits Are Not Fully Covered

The Legislature created the IGT program in FY 1993-94 to generate additional federal funding for Medical Assistance costs in nursing homes and to support county-owned facilities that were experiencing deficits. Although the State has

used some IGT funds to provide additional reimbursements that help to offset county deficits, county administrators have raised concerns about the equity of IGT disbursements. County deficits increased from \$43.1 million in FY 1993-94 to \$66.6 million in FY 1998-99. During this same period, the percentage of the county deficits covered through IGT payments decreased from 86.1 percent to 55.7 percent. In contrast, the amount available to fund the State's share of nursing home costs increased from \$5.4 million to \$58.3 million.

Because the State's ability to claim IGT funds is based on the size of the deficits generated by county-owned facilities, county officials believe a greater percentage of IGT funds should be provided to counties that generate deficits. Some county officials have suggested that if the State's current reimbursement practices continue, counties may choose to either sell or close their facilities. The Legislature could consider increasing reimbursement to county-owned facilities and to any facilities that provide care to a disproportionate share of individuals who exhibit challenging behaviors. However, doing so would reduce revenue available to pay the State's share of nursing home costs for Medical Assistance recipients and would require appropriation of additional GPR to cover these costs.

[full report, PDF file \(224KB\)](#)