City and County of San Francisco
Edwin M. Lee
Mayor

San Francisco Department of Public Health
Barbara A. Garcia, MPA
Director of Health

MEMORANDUM

DATE: April 29th, 2015

TO: Dr. Edward Chow, Health Commission President, and Members of the Health Commission

THROUGH: Barbara A. Garcia, MPA, Director of Health

THROUGH: Colleen Chawla, Deputy Director of Health and Director of Policy & Planning

FROM: Sneha Patil, Health Program Planner, Office of Policy and Planning

RE: May 5th, 2015 Proposition Q Hearing on the Closure of Skilled Nursing Facility Beds at St. Mary's Medical Center

SUMMARY

As background for the Health Commission's Proposition Q hearing on May 5, 2015 on the reduction of skilled nursing facility (SNF) beds at St. Mary's Medical Center, this memo provides a summary of the proposed changes at St. Mary's, an overview of long-term care and skilled nursing facilities in San Francisco, and home and community based services and supports for the senior population.

On March 16th, 2015, St. Mary's Medical Center issued correspondence to the Secretary of the Health Commission informing the Health Commission of the closure of its Skilled Nursing Unit effective June 21st, 2015 (copy attached). This correspondence cites shifts in health care reimbursement for hospital-based programs, and substantial and prolonged losses of the Skilled Nursing Unit as reasons for closure.

San Francisco's population is aging, and the need for skilled nursing care for residents will likely grow as older adults develop chronic health conditions. Home and community based services are increasingly being utilized to deliver long-term care services outside of institutional settings, however, a decrease of any long-term care services is likely to have a detrimental impact for the residents of San Francisco.

PROPOSITION Q

Proposition Q, passed by San Francisco voters in November 1988, requires private hospitals in San Francisco to provide public notice prior to closing a hospital inpatient or outpatient facility, eliminating or reducing the level of services provided, or prior to the leasing, selling or transfer of management. Upon such notice, the Health Commission is required to hold a public hearing during which the hospital shall be afforded an opportunity to present any information relating to its proposed action and to respond to matters raised by any other persons during that hearing. At the conclusion of the public hearing the Health Commission shall make findings based on evidence and testimony from the public hearings and any submitted written material that the proposed action will or will not have a detrimental impact on health care services in the community.

CLOSURE OF SKILLED NURSING UNIT AT ST. MARY'S MEDICAL CENTER

St. Mary's will be closing its Skilled Nursing Unit on June 21, 2015. St. Mary's states that due to the significant financial shortfalls of the Skilled Nursing Facility Unit, closure of the unit is necessary to sustain the hospital as a whole.

St. Mary's Medical Center is currently licensed for 32 SNF beds on its campus. All patients in the unit are post-acute meaning they are short-term stays recovering from surgery. In the past year, St. Mary's has had an average daily census of 6 patients with an average length of stay of 12.6 days. The number of staffed beds is roughly equivalent to the daily census, mean that staffing changes as patients are admitted or discharged from the unit. Current patients in the Skilled Nursing Unit will be transferred to other skilled nursing facilities, such as Jewish Home, or will be discharged to their home. In Fiscal Year (FY) 2015, SNF patients at St. Mary's were covered by Medicare (79%), Medi-Cal (7.5%), or private insurance (13%). St. Mary's has indicated that the decline in admission rates to the SNF unit across FY 13, FY 14, and FY 15 is due to financial considerations and decreased patient demand.

Table 1: St. Mary's SNF Unit Utilization, Fiscal Years 2012- 2015

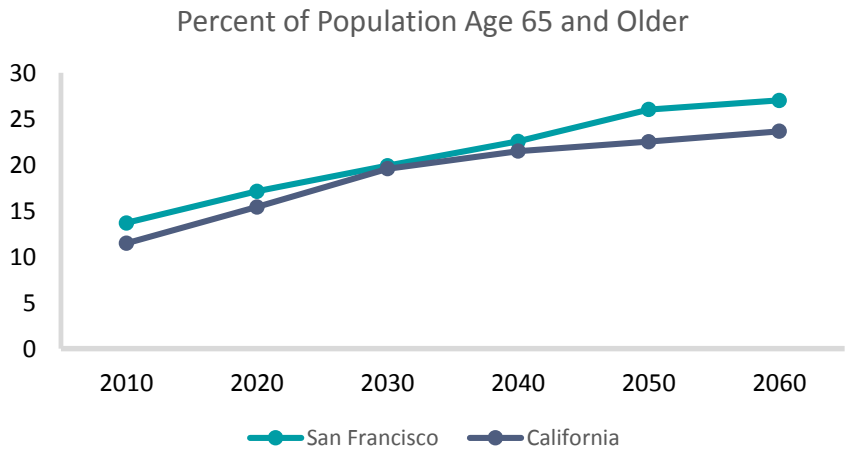
St. Mary's SNF Unit	FY 12	FY 13	FY 14	FY 15 (YTD*)
Admits	602	562	353	137
Patient Days	6,733	6,383	3,873	1,732
Avg. Daily Census	18.45	17.49	10.61	6.32
Avg. Length of Stay	11.18	11.36	10.97	12.64
Occupancy Rate	57.5%	54.6%	33%	22%

*FY 15 YTD based on 9 months (7/1/14-3/31/15)

BACKGROUND INFORMATION

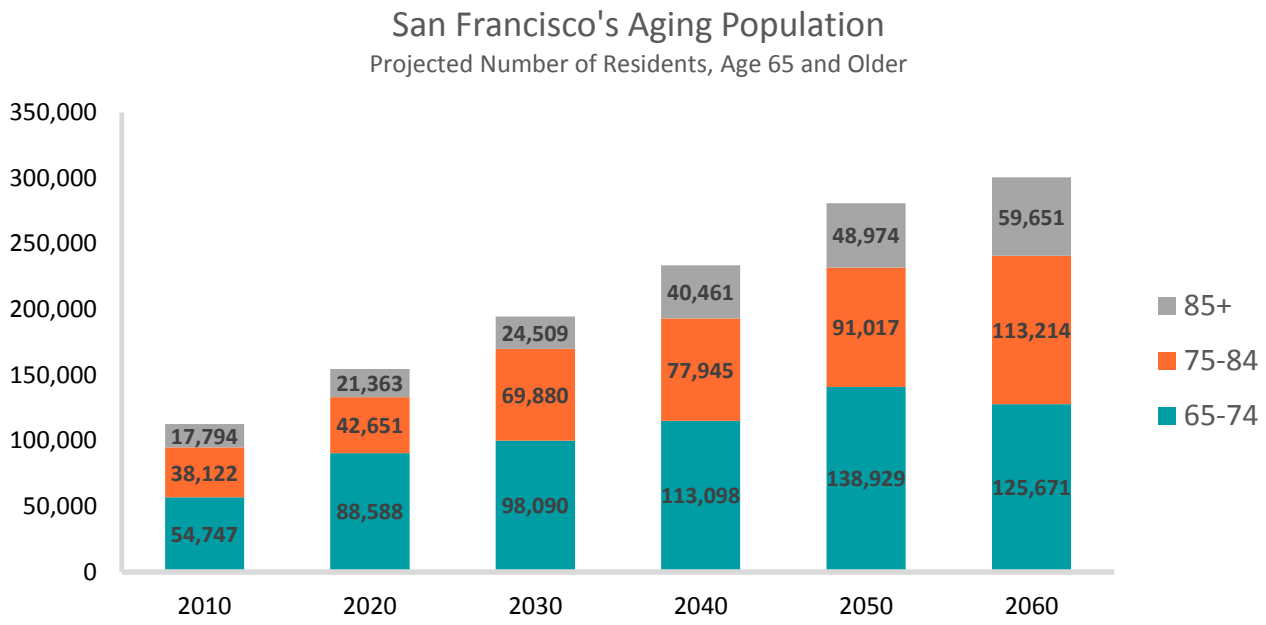
San Francisco's Population is Aging and is Older than California's

San Francisco, like California, has a growing aging population. San Francisco, however, is generally older than California and proportion of adults over age 65 is expected to grow from 14% to more than 25% of the population by 2050.



Source: California Department of Finance, 2014

In the next two decades, San Francisco's population over 75 is expected to increase by two-thirds and will increase from 7% to 11% of the city's population. Shifting age demographics increase the need to accommodate and care for the growing senior population to enable them to live with dignity, choice, and independence.



Source: California Department of Finance, 2014

Long-term Care Provides Support to People with Limitations in Their Ability to Care For Themselves

As our senior population grows, San Francisco must be prepared to provide care for adults as their likelihood of developing chronic health conditions increases along with their need for assistance with daily activities of living. Typically this type of care is called long-term care. Long-term care (LTC) is a broad range of services delivered by paid or unpaid providers to support people who have limitations in their ability to care for themselves due to a physical, cognitive, or chronic health condition that is expected to continue for an extended period of time[1]. Long-term care can be provided in a variety of settings including the home, community, residential care settings, or institutional settings. When services are provided outside of an institutional setting, they are considered home and community based services (HCBS).

In general, LTC includes assistance with activities of daily living (ADLs) such as bathing, dressing, eating, or transferring, and instrumental activities of daily living (IADLs) such as meal preparation, money management, house cleaning, medication management, and transportation.

[1] Senate Select Committee on Aging and Long-Term Care. *A Shattered System: Reforming Long-Term Care*, 2014.

Skilled Nursing Facilities Provide Nursing Care and/or Rehabilitation Care for Individuals who are Disabled, Injured, or with Chronic Health Conditions

Skilled nursing facilities are one setting for providing long-term care. Skilled nursing facilities are health-care institutions that meet federal criteria for Medicaid and Medicare reimbursement for nursing care, including the supervision of care of every patient by a physician, the employment of at least one registered nurse full-time, and other specified criteria. In general, nursing and rehabilitation services are labeled "skilled" if they are (1) ordered by a physician, (2) require the skills of professional personnel (i.e. registered nurse, physical therapist), and (3) are provided by or under the supervision of such personnel[2].

Distinction between Licensed, Available, and Staffed Beds

The number of licensed, available, and staffed beds can impact a patient's ability to receive care in a skilled nursing facility.

- **Licensed beds** - the maximum number of beds for which a hospital holds a license to operate.
- **Available beds** - beds that are physically existing and actually available for overnight use, regardless of staffing levels. Available beds would include beds that can be placed back into service within 24 hours.
- **Staffed beds** - beds that are set up, staffed, equipped and in all respects ready for use by patients remaining in the hospital overnight.

Though hospitals commonly have fewer available beds than licensed beds and fewer staffed beds than available beds, a high occupancy rate or a smaller number of staffed beds may contribute to a lower availability of SNF care.

Short-term and Long-term Stays

Skilled nursing facilities may be oriented toward short-term or long-term stays or a combination thereof. Facilities oriented toward long-term stays are often considered home by residents while facilities oriented toward short-term stays often focus on rehabilitation after illness or injury. Table 2 below illustrates differences between short and long-term stays in skilled nursing facilities.

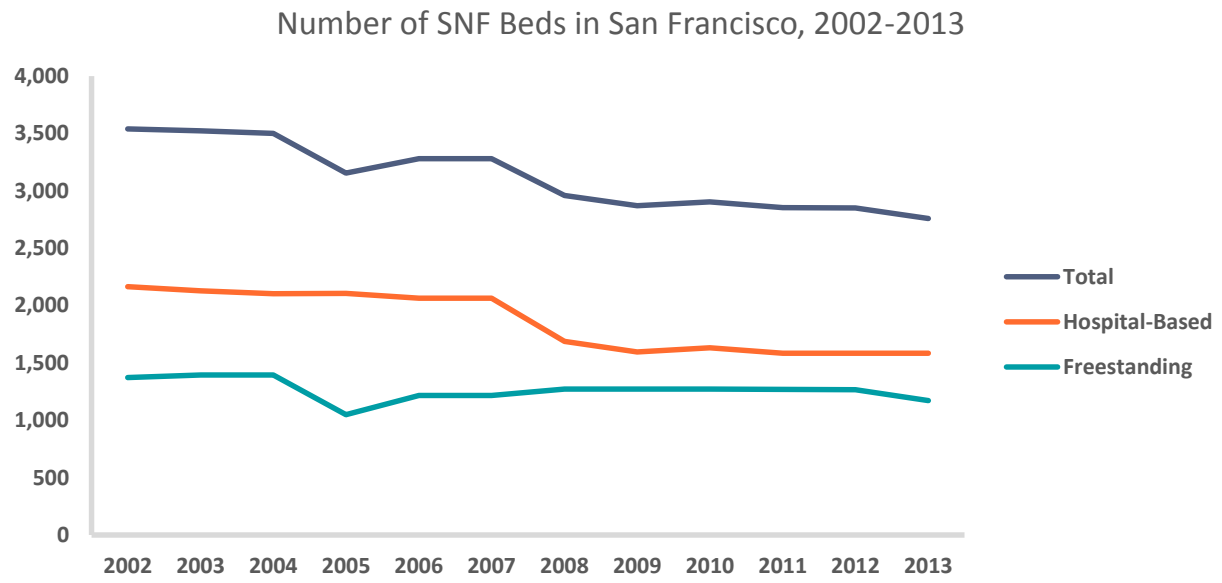
Table 2: Short-term and Long-term SNF Stays

	Short-term Stay	Long-Term Stay
Example Reasons for Stay	• Rehabilitation from a hospital stay • Recovery from illness • Recovery from injury • Recovery from surgery • Terminal medical condition	• Chronic medical conditions • Chronic severe pain • Permanent disabilities • Dementia • Ongoing need for help with activities of daily living • Need for supervision
Payment	• If patient is discharged from a hospital, Medicare will pay for short-term SNF stays up to 100 days	• Medi-Cal (if patient's liquid assets are $2,000 or less) • Patient's personal funds

[2] Congressional Research Service, *Medicare's Skilled Nursing Facility Primer: Benefit Basics and Issues*, November 2014.

Total Number of SNF Beds in San Francisco Have Declined Over the Past Decade

Skilled nursing care can be provided in a hospital or in a freestanding facility. Combining the number of hospital-based and freestanding facility beds, San Francisco has a total of 2,759 licensed skilled nursing beds. While San Francisco hospital-based SNF beds have been declining and are projected to decline further in the next few years, freestanding SNF beds have remained relatively stable since 2008. Since 2002, the number of hospital-based SNFs has fallen 27% (from 2,166 in 2002 to 1,586 in 2013), while freestanding SNFs have fallen at roughly half that rate at 15% (from 1,374 in 2002 to 1,173 in 2013). The total number of SNF beds has declined 22% (from 3,540 in 2002 to 2,758 in 2013).



Source: OSHPD 2002-2013

Results from the San Francisco Human Services Agency – Department of Aging 2012 needs assessment affirms concern regarding San Francisco's ability to meet the long-term care needs of seniors and adults with disabilities.[3] According to the report, the number of Medi-Cal-funded beds in the city's SNFs has dropped dramatically. As a result, many seniors and persons with disabilities who require long-term care are forced to move outside the city, away from family and friends, becoming socially and culturally isolated in the later years of their lives.

Hospital-based SNF Beds in San Francisco are Declining

Currently there are six hospital-based SNF units in San Francisco hospitals. In 2013, there were a total of 1,586 beds with a licensed bed occupancy rate on 79.32%. Roughly, this means that on any given day, 1,258 beds are occupied in San Francisco hospital SNF units. The average length of stay for residents across all hospitals was 110 days in 2013. The average length of stay was much higher for Jewish Home (169 days) and Laguna Honda Hospital (321 days) in 2013, indicating that these two institutions serve a large number of long-term stay patients.

[3] San Francisco Human Services Agency-Department of Aging and Adult Services, Office on the Aging. *Assessment of the Needs of San Francisco Seniors and Adults with Disabilities, Part II: Analysis of Needs and Services.* April 12, 2012.

Table 3 below summarizes the number of licensed SNF beds in San Francisco hospitals in 2013, 2014, 2015, and the projected number of licensed SNF beds in 2020. San Francisco is projected to lose 369 licensed hospital-based SNF beds from 2013 to 2020, leaving Jewish Home, Laguna Honda Hospital, and San Francisco General as the only remaining hospitals with skilled nursing facilities.

Table 3: Current and Projected Licensed SNF Beds in San Francisco Hospitals

Hospital	2013 Licensed SNF Beds	2014 Licensed SNF Beds	2015 Projected Licensed SNF Beds	2020 Projected Licensed SNF Beds	Change from 2013-2020
Chinese Hospital	0	0	0	0	0
California Pacific Medical Center					
California Campus	101	0	0	0	-101
Davies Campus	38	38	38	38	0
Pacific Campus	0	0	0	0	0
St. Luke's Campus	79	79	79	0	-79
Jewish Home	478	478	380	380	-98
Kaiser Foundation Hospital	0	0	0	0	0
Laguna Honda Hospital & Rehabilitation Center	769	769	769	769	0
San Francisco General Hospital & Trauma Center	89	30	30	30	-59
St. Francis Memorial Hospital	0	0	0	0	0
St. Mary's Medical Center	32	32	0	0	-32
University of California, San Francisco	0	0	0	0	0
Total	**1,586**	**1,426**	**1,296**	**1,217**	**(-369)**

Source: OSPHD 2013, SFDPH Policy and Planning

San Francisco Freestanding Skilled Nursing Facilities Primarily Serve Short-term Patients

According to OSHPD, in 2013 San Francisco had 16 freestanding long-term care facilities with 1,173 licensed skilled nursing beds. Of patients entering a freestanding SNF, 92% are discharged from a hospital. The vast majority of discharges from freestanding SNFs (85%) occur within 3 months or less of the resident's admission. Medi-Cal was the primary payer source, covering 57.7% of residents. Seniors between 75 and 94 represent the highest users of skilled nursing facilities (60%) in San Francisco, and more than two-thirds of occupants are female. Table 4 below provides the number of licensed beds in freestanding SNFs 2013.

Table 4: Licensed Freestanding Skilled Nursing Facilities (2013)

Facility	2013 Licensed SNF Beds
California Convalescent Hospital - San Francisco	29
Hayes Convalescent Hospital	34
Heritage, The	32
Kindred Nursing And Healthcare	
Victorian	90
Golden Gate	120
Nineteenth Avenue	140
Lawton	68
Tunnell Center	180
Laurel Heights Convalescent Hospital	32
Mission Bay Convalescent Hospital	42
San Francisco Health Care (previously Grove Street Extended Care)	168
San Francisco Nursing Center	53
San Francisco Towers	55
Sequoias San Francisco Convalescent Hospital	50
Sheffield Convalescent Hospital	34
St. Anne's Home	46
Total	**1,173**

Source: OSPHD 2013

San Francisco's Ratio of SNF Beds to the Population is Lower than California's While Occupancy of Existing Beds is Higher

The **number of skilled nursing beds per 1,000 adults age 24 and older in San Francisco was 3.7 compared to 4.4 statewide in 2013.**[4] (Please see Table 5 below.) The long-term care occupancy rate in San Francisco was higher than that of California at 88.5 percent compared to 86.5 percent, meaning that the ability of existing providers to expand in the event of increased need is limited.

Table 5: Long-term care beds and licensed bed occupancy rates (2013)

	San Francisco	California
Beds per 1,000 adults age 24+	3.7	4.4
Occupancy rate (percent)*	88.5**	86.5

[4] Online Survey, Certification and Reporting (OSCAR) data. OSCAR is a data network maintained by the Centers for Medicare and Medicaid Services (CMS) in cooperation with state long-term care surveying agencies. www.ahcancal.org/research_data/oscar_data accessed April 2012

Source: OSHPD and OSCAR (Online Survey, Certification and Reporting)
** Occupancy Rate = (Patient Bed Days)/(Licensed Bed Days) x 100%*
*** NOTE: OSHPD does not distinguish between long-term care and rehabilitation beds in long-term care facilities. Rehabilitation beds, for which there are often vacancies, may be deflating the true occupancy rate for long-term care beds, for which there is often a wait list in San Francisco.*

Changes in SNF Reimbursement are Associated with Decline of Hospital-Based SNFs

Nursing homes are funded through a variety of sources including Medicare (for short-term stays), Med-Cal, private insurance, and out-of pocket payments from individuals and families. In California, Medi-Cal pays for approximately 65% of nursing home patients.

Medicare, which pays for the first 100 days in a nursing home, was impacted by the Balanced Budget Act of 1997 which required SNFs to be reimbursed under a prospective payment system (PPS). This system reimburses based on a daily amount after adjusting for urban or rural facility locale, case-mix, and area wage differences. Since the implementation of SNF PPS, the majority of hospital-based SNFs have had large Medicare shortfalls. The freestanding SNFs however have had the opposite experience. From 2003 to 2012, freestanding SNFs experienced Medicare reimbursement that was on average 13.8% higher than their cost[5]. This is largely because of the higher infrastructure and operations costs associated with maintaining an acute care hospital that hospital-based SNFs experience.

Consistent with the decline in hospital-based Medicare reimbursement, the number of hospital-based SNFs has declined. Of the 14,978 SNFs that furnished care in 2013 in the United States, only 5% of SNFs were located in hospitals while 95% of SNFs were freestanding[6]. While the number of hospital-based SNFs has fallen by 63% in 1999 (from 2,046 in 1999 to 748 facilities in 2013), the number of freestanding SNFs has increased by roughly 10% (from 12,886 in 1999 to 14,229 facilities in 2013) leaving the total supply of SNFs relatively unchanged.

Home and Community Based Services Can Support Patients Recently Discharged and at Risk for Institutionalization

Strengthening community-based supports may decrease the need for nursing home care. Home and community based care offer the added benefit of providing persons access to the care they need in the least restrictive setting and may also be more cost-efficient than institutional care. While not an exhaustive list, following are examples of the kinds of issues that can be addressed by community-based long-term support services that can enable seniors to remain at home and decrease the risk of institutionalization:

Home or Community-Based Health Care

Seniors who live outside of an institutional setting may need continued medical services such as nursing care. Home health care, offered through Medicare, provides a wide range of health care services that can be given to homebound seniors for an illness or injury. Home health care is usually less expensive, more convenient, and as effective as hospital or skilled nursing facility care. To qualify, seniors must need, (with doctor certification) one or more of the following: intermittent skilled nursing care, physical therapy, speech-language pathology services, continued occupational therapy.

[5] Congressional Research Service, *Medicare's Skilled Nursing Facility Primer: Benefit Basics and Issues*, November 2014, pg. 10.

[6] Medicare Payment Advisory Commission*, Report to the Congress: Medicare Payment Policy*, March 2015.

Health care can also be provided in outpatient community settings such as Adult Day Health Care (ADHC) centers. ADHC centers are certified to serve Medi-Cal beneficiaries and provide outpatient, facility-based service programs including skilled nursing care, social services, therapies, personal care, family/caregiver training and support, and meals and transportation to eligible beneficiaries.

Assistance with Activities of Daily Living and Instrumental Activities of Daily Living

Seniors who need long-term care need assistance with activities of daily living to remain safely in their own homes. Funded through federal, state, and local programs, In Home Supportive Services (IHSS) provides in-home assistance to low-income adults who are over age 65 years of age, blind, or disabled, and to children who are blind or disabled. Services provided include: housecleaning, meal preparation, laundry, grocery shopping, personal care services (such as bowel and bladder care, bathing, grooming and paramedical services), accompaniment to medical appointments, and protective supervision for the mentally impaired. In addition to programs like IHSS, community-based programs that provide meal services, such as Meals on Wheels, home delivered groceries, and transportation services can support seniors' needs to live independently in the community.

Isolation

Social isolation, or having no close friends and few contacts with the outside world, is linked to poor health. It is necessary that resources are available to help reduce isolation including: senior centers; adult day programs; support groups; and church communities, for example. California Adult Day Programs (ADP) provide non-medical adult day services to elderly persons and other adults with physical and/or cognitive impairments who require personal care services, protective supervision or assistance in ADLS on a less than 24-hour basis.

Caregiver Support

Families are the major provider of long-term care, but research has shown that caregiving exacts a heavy emotional, physical and financial toll. Various community programs offer support or respite for family members who are primary caretakers of seniors needing long-term care.

Case Management

Seniors often find themselves overwhelmed by experiences such as deteriorating health or discharge from a hospital or rehabilitation facility. Case management programs help seniors navigate available supports, advocate for services to meet their needs, and follow up to ensure consistent services. Some seniors may only need short-term assistance while others need ongoing support to help them age in place safely. Individuals who are unstable due to multiple diagnoses, recent homelessness, or recent discharge from hospital or institution often require the most intense case management services.

Chronic Disease/Serious Illness Management

A diagnosis of a chronic disease or serious illness such as multiple sclerosis, Parkinson's, or HIV/AIDS can be difficult in terms of long-term quality of life. Individuals living with long-term and chronic conditions often experience a range of challenges as their conditions change or progress. Palliative care is a multidisciplinary approach to helping people with serious, chronic and life-threatening illnesses better manage their conditions and symptoms and improve their quality of life. Palliative care programs are commonly provided to patients in the hospital but a growing number of palliative care programs are being expanded to chronically ill patients in community clinics and at home. There are 189 community-based palliative care programs in California, most of which are clinic-based. However, 65 involve home-based services, and another 39 provide services across different settings, which could include clinics,

nursing homes and patient homes. Health-care providers that offer community-based palliative care indicate that they have seen dramatic reductions in emergency-room visits and hospital stays among those they serve. In San Francisco, of the 5,598 deaths that occurred in 2014, it is estimated that 74% of those patients could have benefited from palliative care in the last year of life[7].

San Francisco Department of Aging and Adult Services Assesses the Needs of Older Adults

The Department of Aging and Adult Services (DAAS), San Francisco's Area Agency on Aging, conducts a community needs assessment every four years to determine the extent of need for services and to aid in the development of a plan for service delivery for older adults. The needs assessment is used to direct agency resources and, in particular, inform spending/service decisions for Older Americans Act funding (which is primarily used for home-delivered meals, congregate meals, emergency temporary home care for seniors, family caregiver support/respite, and HICAP counseling). DAAS is currently working on the 2015 Needs Assessment which will be released later this year.

CONCLUSION

Despite the focus on increasing community-based long-term care as an alternative to institutional care, demographic shifts indicate an increasing need for SNF beds in San Francisco. Though St. Mary's SNF beds have historically been utilized primarily for short-term rehabilitation rather than long-term care, the overall decline of skilled nursing beds in San Francisco, and the industry trend toward conversion of long-term beds to short-term beds, means that any reduction of SNF beds, regardless of type, creates an overall capacity risk for San Francisco and is likely to have a detrimental impact on health care services in the community. A draft resolution is attached for your consideration.

[7] California Health Care Foundation. *Mapping Palliative Care Need and Supply*, 2015. Accessible at : http://www.chcf.org/publications/2015/02/palliative-care-data

ATTACHMENT A
March 16th, 2015 Memorandum from St. Mary's Medical Center

St. Mary's Medical Center
A Dignity Health Member

Administration
450 Stanyan St.
San Francisco, CA 94117
direct 415.750.5899
fax 415.668.4531
stmarysmedicalcenter.org

March 16, 2015

Health Commission
Department of Public Health
101 Grove Street
San Francisco, CA 94102

RE: St. Mary's Medical Center Announces Closure of Skilled Nursing Unit

Dear Health Commissioners,

After considerable review, we hereby inform the Health Commission that St. Mary's Medical Center is closing its hospital-based Skilled Nursing Unit effective June 21, 2015. Therefore, per the San Francisco Health Care Planning Ordinance, St. Mary's is requesting a public hearing to share this information.

Dignity Health St. Mary's Medical Center is a non-profit hospital, faithfully serving San Francisco for over 160 years, founded by of the Sisters of Mercy in 1854. Unfortunately due to continuing shifts in health care reimbursement for hospital-based programs, the substantial and prolonged losses of our Skilled Nursing Unit have brought its subsidization under review. After an extensive internal discernment process, we have come to the conclusion that the closure of this unit is necessary to sustain the hospital as a whole.

Currently St. Mary's provides skilled nursing services to a small number of in-house patients with services that are currently available elsewhere in The City. This was due in large part to nearly 80% of patients who were either uninsured or covered by Medicare and MediCal, which do not provide adequate reimbursement for hospital-based skilled nursing facilities.

We look forward to coming before the Health Commission to publicly present our decision and to answer any questions. I have asked Abbie Yant, VP of Mission, Advocacy and Community Health Services to coordinate our commitments under Community Health Care Planning Ordinance. She can be reached at 415-353-6630 or abbie.yant@dignityhealth.org

St. Mary is proud of its legacy of service to the residents of San Francisco. We do not make this change lightly, but feel it is necessary for the long-term health and viability of the hospital to continue to provide the vital acute medical services needed in the community.

Sincerely,

Anna Cheung
President and CEO

cc: Mayor Ed Lee
Barbara Garcia
Colleen Chawla
Abbie Yant