



Skilled Nursing Facilities

Absent Effective State Oversight, Substandard Quality of Care Has Continued

Background

Three separate state entities—the California Department of Public Health (Public Health), the Office of Statewide Health Planning and Development (Health Planning), and the Department of Health Care Services (Health Care Services)—oversee the State's skilled nursing facilities which provide elderly and disabled Californians with 24-hour inpatient care. Nursing facilities are generally operated by private companies and collect payments for the services they provide from Medicare, Medi-Cal, private insurance, and patients. Public Health licenses these facilities and inspects them to ensure they are meeting quality-of-care standards, Health Planning reviews cost information, and Health Care Services audits the data and calculates the nursing facility's Medi-Cal payment rates to pay the facility. This audit focused on the State's oversight of nursing facilities in California.

Key Recommendations

- The Legislature should require the following:
 - » Nursing facilities to demonstrate quality-of-care improvements in order to receive reimbursements of all or some of their quality assurance fee payments.
 - » Public Health to improve its licensing review process and increase citation penalty amounts annually by at least the cost of inflation.
 - » Health Planning, Public Health, and Health Care Services to collaborate in assessing information gathered from the nursing facilities to propose improvements in collecting and using the data.
- Public Health should take steps necessary to ensure that it documents adequately its licensure decisions and that it issues citations in a timely manner.

Key Findings

- Oversight at the state level has been inadequate and inefficient.
 - » Although the number of nursing facility beds industry-wide did not change significantly from 2006 through 2015, the number of substandard care deficiencies that Public Health identified increased—by a third and for the more serious deficiencies, or *immediate jeopardies*, by 35 percent.
 - » Public Health has not fulfilled many of its oversight responsibilities.
 - It issued citations for only 15 percent of its inspections that found the most serious deficiencies and, when it issued citations, it frequently did so months after identifying the deficiencies.
 - Its licensing decisions appear inconsistent because of its poorly defined review process and inadequate documentation.
 - Although required to perform relicensing inspections, it conducted only 42 percent of the nearly 1,100 inspections that it should have performed during 2015 and 2016.
 - » The three state oversight agencies have not always coordinated their efforts—their processes for collecting, auditing, and reviewing nursing facility information are duplicative and inefficient, and they have not ensured publicly available cost data is accurate and useful.
 - » Although the State collects quality assurance fees that it assesses annually on nursing facilities, Health Care Services currently returns over \$330 million to nursing facilities without condition.
- While net income for the rest of the industry in the State has decreased over the past decade, the sizes and net incomes of the three companies we reviewed have significantly increased, likely due to an increase in the number of patient beds in their facilities—other facilities experienced a decrease in the number of patient beds.
- The three companies earned additional income when their facilities obtained goods or services from other businesses that they or their families own or control (related parties), which is common, legally allowable in the industry, and in most instances, the three companies properly disclosed them.