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## **For Immediate Release**

### **August 19, 2008**

#### **Publicly-funded nursing home profits protected from budget cuts, while vital services are cut for seniors and people with disabilities**

A coalition of advocates for Californians with disabilities and nursing home industry watchdogs has determined that a 2004 bill (AB 1629) enacted at the last minute with minimal review by the legislature and less public scrutiny has resulted in:

- An estimated 150-200 million in annual guaranteed taxpayer-funded profits for skilled nursing facility owners, regardless of the quality of the care they deliver.
- Even the worst nursing homes in the state – found responsible for deaths and injuries of residents – received generous profits from tax dollars;
- A rise in administrators' wages by around 11%; and
- Coincided with an upsurge of abuse complaints, ranging from deaths to dangerous mistreatment.

Governor Schwarzenegger's proposed budget exempts nursing homes from budget cuts. Nursing homes will receive a rate increase this year while other services are cut substantially, and they are the only Medi-Cal providers with a guaranteed profit within their rate.

The law was intended to sunset this year, but has been extended through 2009, and the governor and legislature have recommended a two year extension, without changes.

AARP California, California Advocates for Nursing Home Reform and Protection & Advocacy, Inc. (soon to be Disability Rights California) are taking the lead in alerting the legislature, social justice groups and the public that the extension of this law must receive full public review and only be considered against other state expenditures and cuts directly affecting the survival of millions of elderly and disabled citizens.

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**Studies show immediate impact of this law**

Although supporters of AB 1629 claim that the law has led to improvements in care in nursing homes, a University of California at San Francisco study (Impact of California's Medi-Cal Long Term Care Reimbursement Act on Access, Quality and Costs) convincingly shows that since more tax dollars starting flowing to the nursing homes in the spring of 2006, quantity and quality of patient care lost ground as administrative costs and industry profits rose. For example, in 2006 at least 144 homes that did not meet minimum staffing standards for the entire year were awarded substantial increases in reimbursements and guaranteed profit.

The study, under the direction of Charlene Harrington, Ph.D of UCSF, also showed that substantiated complaints of mistreatment rose 38% since enactment of the law. Leslie Morrison, investigating attorney with Protection and Advocacy Inc., confirmed that her unit has been receiving increasing allegations of abuse of nursing home residents and has several open cases. In fact, under AB 1629, homes with histories of egregious abuses and violations are receiving the guaranteed profit, demonstrating again how the hundreds of millions of dollars in higher rates and guaranteed profits are not tied to any measures of quality of care.

**Free ride of nursing home industry during life-threatening budget cuts?**

The coalition of AARP, CANHR and PAI was assembled to alert the public and media to the outrageous inequity of guaranteeing industry profits for nursing homes without tying the profits to improved services for residents.

Deborah Doctor, PAI legislative advocate, points out that the increased rates provided to the nursing home industry, while cutbacks threaten lives of people with disabilities, shows that the funding is there but that the state chose to expend it on institutions instead of community-based services.

Michael Connors of CANHR stated that his organization is working to connect the new rates to better staffing for the residents of California nursing homes, and called for legislators and the state to require the redirection of profits to increased staffing.

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Jeannine English of AARP California notes that AB 1629 still does not contain meaningful accountability measures to ensure that Medi-Cal money is properly spent. It provides a guaranteed profit to nursing homes regardless of their record of quality of care. In a year when services for seniors and disabled face major cutbacks, the state must demonstrate fiscal responsibility for every dollar that is spent. AARP calls upon the administration and the legislature to take real action to improve this legislation so that it will achieve the goals of improved quality of care set by the original legislation.