

Some Issues in Bed Buying and Selling
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Introduction:

Our work group will, mostly likely, not be able to present a plan for the bed buying and selling strategy. The variables to be considered are complex. Also, the consequences of a plan will be complex and will depend greatly upon the conditions of the plan. Therefore, it seems that the best use of our time, as a work group, would be to identify the major issues and decision points. Doing so could help focus the discussion for the full sub-committee.

First, our group could identify the strengths and weaknesses of a proposed strategy. These will vary, depending on the type of model that would be proposed. Also, as Illinois may be very different from the other states using this model, understanding the impact in Illinois would be important.

Second, the plan would vary depending on the conditions for the proposed plan. The three provider organizations spent many months discussing these issues. The two presentations by representatives from the provider associations can educate us on these issues.

I have listed below the issues that I remember as an initial participant in the discussions.

Issues to Consider:

1. One major issue is the extent to which this model limits the development of new facilities. Related to this is the question of customer services; how will the market have incentives for providers to upgrade their facilities if the model limits new competition?
2. The rules for the bed buying process would affect whether beds are available. Providers usually do not want to facilitate new competition. So, the farther from the current location that the new facility will be built, the more likely the current provider will be to sell the beds.
3. How far may the beds be moved: Same county, adjacent counties, statewide, or other limitations?
4. Would the rules be different for moving beds within one company? For example, could a building with 250 beds simply build a new facility by dividing the beds between two locations? If transferring beds within one company was easy, then large organizations with many locations could very easily build new facilities. However, organizations that must buy the beds might be kept from building in the same community due to the costs of buying the beds. The additional costs of the project, possibly as much as \$1.5 million, might make projects financially unfeasible.
5. Should the current rules, allowing small expansions of 10 percent, still be permitted?
6. Should the current number of beds be frozen? Or should the option of buying beds only be allowed in markets without a bed need?
7. How would the system permit new facilities with innovative programs? What variances would be allowed? For example, would the CCRC variance still be possible? Should another variance for innovations and special clinical populations be permitted?
8. How is Illinois unique? For example, due to the low Medicaid payment levels for SNFs and the late payments, Illinois is considered one of the worst, if not, now the worst state in the nation for skilled nursing providers.
9. What if no provider in an area is willing to sell beds? If a provider believes that a need exists in a community, but no current provider will sell beds that are obviously not being used, what recourse do they have?

10. How would the application and board review process be changed for projects where the beds were purchased? Would the same rules and process be in place? Would an expansion of a current facility below a specific cost be allowed an expedited process?