

June 18, 1999

Dear State Survey Agency Director:

On May 7, 1999, I sent you a letter which expressed HCFA's concern regarding the financial difficulties that some nursing home chains are reporting publicly and the potential adverse impact this may have on the quality of care residents receive in chain facilities. As you know, in addition to owning nursing homes, many of these chains also own hospitals, home health agencies, ESRD facilities, etc. When a chain begins to experience financial difficulty in one area (i.e., nursing homes) this can quickly spread to others.

HCFA and the State Survey Agencies need to be prepared to address the possibility that some of the national chains, due to financial difficulties, may not be able to make payroll or pay their suppliers which in turn could create situations which adversely affect resident/patient care. Some providers may decide to withdraw from the Medicare and Medicaid programs. While public attention has focused on chain providers, we cannot forget that any facility, whether a chain provider or not, can also experience a sudden financial downturn that would directly affect patient care. Regardless of the situation, we need to be prepared to ensure that the health and safety of residents remain protected in all cases. We must pay attention to such situations if they should develop, and a timely response is critical.

Because of these concerns, we asked you to provide us with information relating to your contingency plans in the event of a large scale disruption or failure of health care operations in your State. While many states have submitted plans, some have not yet indicated what plans they have in place. For the most part, the plans we did receive were limited in scope and detail. Based upon this review, we recognized the need to give the states more guidance in terms of what the plan should address.

Your contingency plan should address problems that might arise from natural disasters, economic difficulties and other potential crises (e.g., labor force strike). The plan should be broad enough in scope to be useable for a variety of situations which could affect the health and safety of patients in Medicare/Medicaid participating health care facilities (i.e., SNFs/NFs, hospitals, ESRDs, home health

agencies, etc.). The following items should be addressed in your plan:

- Assessment of residents' care needs; and the provision of appropriate services
- Plan for communicating with staff/unions
- Continuation of appropriate staffing levels and pay checks at the involved facility or facilities;
- Provision of requisite supplies and identification of supply sources
- Identification of available beds/facilities should resident transfers be necessary
- Assessment of the quality of care rendered by alternate facilities
- Process for relocation of patients and residents
- Operation/management of the facility (e.g., use of Trustees, receivers, temporary managers, other management staff, where applicable)
- Role/responsibility of the facility's Administrator and/or replacement
- Oversight of those managing the facility
- Role of other organizations (e.g., law enforcement, legislature, Governor)
- Sources of supplemental funding (e.g., use of CMP monies, Trust Funds, surety bonds, etc.) to assist in keeping a facility open until it can be sold or the residents can be safely transferred
- Plan for communicating with residents and families
- Plan for communicating with the press and/or general public

- Plan for communicating with elected officials (e.g., Governor, legislature)
- Plan for communicating with other interested parties (e.g., Regional Director, Medicaid Director, HCFA Regional Office)

- Role of the Administration on Aging/Ombudsman for SNF/NF and other ombudsman programs as appropriate for other facilities/providers (e.g., psychiatric hospitals)

- Identification of new owners who will provide high quality care

- Assessment of potential impact on other work of the survey agency should there be widespread problems or closure of health care facilities

- Safety of state agency surveyors, when those surveyors are asked to go into an area or facilities where there may be hazards which pose risks to their health and/or safety.

You will be contacted shortly by the HCFA Regional office to follow-up on this information and determine what steps may be necessary to complete your plan. Please feel free to contact me or your HCFA Regional Administrator if you require any additional information.

Sincerely,

Sally K. Richardson
Director

cc: State Medicaid Directors
HCFA Regional Administrators
HCFA Associate Regional Administrators for
Medicaid and State Operations