

December 31, 2010

Dear CEO/CFO/Nursing Home Administrator:

Section 2801-e of the Public Health Law (PHL) authorizes the Commissioner of Health to establish a voluntary residential health care facility Rightsizing Demonstration Program in order to temporarily decertify or to permanently convert nursing home beds to other levels of care, not to exceed 5,000 residential health care facility beds.

Approximately 1,807 residential health care facility beds are currently authorized under this program. The Department has remaining authority to approve an additional 3,193 beds. The purpose of this letter is to offer an additional opportunity for soliciting applications from nursing homes interested in rightsizing their facilities and participating in this demonstration program. This letter explains the Rightsizing Demonstration Program and includes an application for requesting such approvals. All applications are due to the Department of Health by March 31, 2011.

Rightsizing Demonstration Program

This demonstration program is designed to promote the development of alternative levels of care, discourage inappropriate nursing home placements, encourage the reduction of beds, generate Medicaid savings and assist nursing homes in maintaining viability during a period of declining occupancies.

The Department is soliciting applications from residential health care facilities to temporarily decertify beds or to permanently convert beds to alternative levels of long term care.

1. Facilities may seek to **temporarily decertify beds** for up to five years.
 - Although these beds will remain on the facility's license, they may not be reactivated without prior approval of both the Commissioner and the Director of Budget.
 - Temporarily decertified beds will remain counted in the existing resource for purposes of bed need.
 - The facility's capital cost reimbursement, peer group assignment for indirect costs, and vacancy rate will be calculated on the basis of the reduced bed capacity.
 - Although the vacancy rate will be based upon the reduced bed capacity, payments for reserved bed days will be limited to 50% of the otherwise applicable payment for such beds.
2. Facilities may permanently convert beds to less restrictive long-term care beds units or slots, on a one-to-one basis. Available options for such conversions may include, but are not necessarily limited to, assisted living programs (ALP) beds, adult day health care programs (ADHCP), and/or long term home health care program (LTHHCP) slots.
 - Beds converted to another level of care will be permanently removed from the facility's nursing home license.
 - Any proposal to permanently convert beds to a program or service for which the facility or its sponsoring organization is not currently licensed to provide, will require additional licensure approval pursuant to applicable law.

Rightsizing Demonstration Application Process

Applications must accompany the demonstration option the operator is applying for with a description illustrating the local and facility factors supporting the chosen option. This description should include the impact decertification of beds will have on other resources in the community and describe how the facility involved the nursing home community and the local community in the development of the Rightsizing plan. The applicant must provide the estimated amount of savings projected for the Medicaid Program and the impact of the proposed action on the financial viability and sustainability of the applicant.

Please use the attached application form, (Attachment A – RHCF Rightsizing Application) to respond to this solicitation. (Please note any application for conversion to alternative levels of care must include all necessary programmatic, financial, and architectural information needed to define the proposal).

Within 60 days following award notification, providers will be required to submit an appropriate certificate of need application for services or programs for which the facility is not currently licensed to provide.

For more information please refer to the Department of Health's web page at www.nyhealth.gov . All applications must be received by the Department of Health no later than March 31, 2011.

Applications should be sent to the attention of:

Guy Warner, Deputy Director
Division of Assisted Living
Office of Long Term Care
New York State Department of Health
161 Delaware Avenue
Delmar, New York 12054

For further details we are attaching the statute, PHL 2801-e (Attachment B).