

# Financing Household Models and Physical Plant Improvements

Nursing homes are people's homes. The buildings themselves should achieve the comfort, safety, privacy and dignity embodied in that word. The Coalition will actively promote policies in one or more states and with one or more federal agencies to introduce incentives for and investments in nursing home physical plant improvements and conversion to household models.

## Guiding Recommendation from NASEM's The National Imperative to Improve Nursing Home Quality

"Nursing home owners, with the support of federal and state governmental agencies, should construct and reconfigure (renovate) nursing homes to provide smaller, more home-like environments and/or smaller units within larger nursing homes that promote infection control and person-centered care and activities."  
(Recommendation 1E, p. 507)

"Federal agencies such as the U.S. Department of Housing and Urban Development (HUD), the Internal Revenue Service (IRS), and the Centers for Medicare and Medicaid Services (CMS) could help promote the development of smaller nursing homes with private rooms by providing incentives for new construction of smaller homes or renovations for smaller units within larger homes." (p. 341)

*The Coalition thanks the  
Financing and Person-Centered Care Committees  
for writing this Action Plan.*

## Purpose

Nursing homes must be redesigned to promote privacy, well-being, safety, and a sense of home for each resident. The COVID-19 pandemic shed light on the need for significant improvements in nursing home structures and quality to provide residents with the safe, individualized, and often very complex care they need. The Biden Administration has made clear that the federal government will need to lead on these efforts with strong and innovative interventions. In particular, the Administration has identified the need to reduce resident room crowding, improve accountability of financing and ownership, enhance job quality, and move toward value-based payment approaches.

The Coalition will work to drive collaborative approaches to policies that incentivize physical plant improvements at the federal and state levels, as well as through collaborations with organizations leading household model advancement to date. That begins with convening and leading conversations with key policymakers about possibilities for inter-agency collaboration, state-based demonstrations with federal support and enabling policy or regulatory adjustments at the federal level.

The Coalition has also developed a special focus on HUD's mortgage insurance program for residential care facilities (Section 232). The program insured a majority of the \$4.9 billion in loans received by nursing homes in 2021 but does not provide incentives to drive physical plant improvements that could enable more person-centered care and better health outcomes. It is also largely disconnected from quality efforts under the Department of Health and Human Services (HHS). The Coalition recognizes that HUD is one among many agencies that can contribute to these efforts. While HUD policy changes cannot be viewed in isolation – without considering licensure, regulation, certificates of need, and reimbursement rates – the Coalition sees an opportunity to make a powerful, near-term impact through engagement with HUD on the potential of Section 232 to be a key driver of nursing home transformation through the provision of targeted financial incentives.

**Goal #1:** Support key stakeholders willing to take steps to promote and incentivize household model conversion and expansion through state and federal demonstrations, financial and regulatory incentives, and other public and private sector activities.

**Goal #2:** Convene a roundtable to discuss strategies to promote additional household-model nursing homes.

**Goal #3:** Identify and circulate specific recommended changes to HUD's Section 232 program rules, regulations and/or guidelines intended to incentivize physical plant improvements and innovations.

## Phases of Work

### Progress to Date

The Coalition has worked to identify existing efforts to incentivize household model conversions in states – including Arkansas, New York, Georgia and Michigan – and at the federal level. It has also identified proposals for state and federal policies that it will promote in the coming year.

At the same time, the Coalition has invested significant time in developing relationships with HUD and other Section 232 program stakeholders. The group has had conversations with HUD’s Office of Residential Care Facilities (ORCF) and developed a working partnership with the Healthcare Mortgagee Advisory Council (HMAC), an association of lenders working in healthcare financing, who work directly with HUD.

### Proposed Timeline

#### Goal #1: Support Key Stakeholders

Activity	Completion Date
Convene organizations working to advance household model uptake.	October 2023
Outline a working document of important next steps to advance household conversions, considering: <ul style="list-style-type: none"> <li>• Demonstrations (including costs and anticipated outcomes);</li> <li>• Targeted Medicaid reimbursement increases;</li> <li>• Opportunities to reduce regulatory and licensing barriers;</li> <li>• Integration with affordable housing and other public benefits;</li> <li>• Mid-market affordability</li> <li>• Multi-Sector Plans on Aging;</li> <li>• Education and building conversion templates.</li> </ul>	December 2023
Continue holding conversations with identified and develop specific follow-up plans.	February 2024

#### Goal #2: Convene a Federal Inter-Agency Roundtable

Activity	Completion Date
Hold discussions with key federal agencies and leaders about the role they could play in developing financial incentives and investments for household conversions. These may include:	December 2023

<ul style="list-style-type: none"> <li>• HUD [See Activity #3]</li> <li>• Centers for Medicare &amp; Medicaid Services (CMS) – including the Center for Medicare &amp; Medicaid Integration (CMMI)</li> <li>• Administration on Community Living (ACL)</li> <li>• Congressional staff policy teams</li> <li>• Internal Revenue Service (IRS)</li> <li>• United States Department of Agriculture (USDA)</li> </ul>	
Identify a convenor for a policymaker and inter-agency leader roundtable. (The possibilities depend on the success of stakeholder conversations and the policy approaches the Coalition identifies.)	February 2024
Work with the convenor to develop roundtable materials.	May 2024

### Goal #3: HUD Section 232 Program Updates

Activity	Completion Date
<p>Identify a specific set of changes that could be made to selected rules, regulations or guidelines of the HUD Section 232 program to incentivize nursing home physical plant improvements.</p> <ul style="list-style-type: none"> <li>• Hold conversations with key stakeholders including lenders, HUD policymakers, CMS, nursing home financing experts, contractors/builders, and others.</li> <li>• Focus on topics, including changes to mortgage insurance premium rates and conditions, application queues, and debt and capital requirements.</li> <li>• The Coalition will also explore opportunities related to staff housing and other key physical plant issues.</li> </ul>	September 2023
<p>Engage HUD senior leaders to discuss potential incentives to promote physical plant transformations. This work may include:</p> <ul style="list-style-type: none"> <li>• Having conversations with policymakers at ORCF.</li> <li>• Convening a roundtable for policymakers, senior federal agency leaders, nursing home leaders, contractors and builders, and lenders to raise awareness concerning nursing home quality.</li> <li>• Responding to requests to design policy approaches or a demonstration.</li> </ul>	December 2023
Complete a working document outlining the opportunities and barriers to implementing these policy changes.	January 2024
Distribute the position paper widely and use it as a basis to respond to proposed rules – in particular those related to Section 232.	June 2024

## Additional Details

### Partners and Stakeholders

**Network of Aligned Organizations:** The Coalition will build a network of organizations working to advance household model adoption. Some of the organizations already engaged in the Coalition include the IDEAS Institute, Center for Innovation, PEAK 2.0, the Live Oak Project, LeadingAge, and American Health Care Association (AHCA). The Coalition may seek to bring some of these organizations together at key national conferences.

**Policymakers:** The Coalition has engaged with The Administration for Community Living (ACL) to raise key Coalition priorities with the Elder Justice Coordinating Council. The Coalition will continue conversations with CMS and CMMI. It will also reach out to other federal and state agencies and policy leaders.

**Healthcare Mortgagee Advisory Council:** HMAC has joined the Coalition in a series of calls to discuss policy and advocacy options. They continue to be a key partner in engaging with HUD.

### Equity

The Coalition recognizes that household models may proliferate in certain states, cities, or towns based on income levels and local leadership. Nursing homes with higher percentages of Medicaid residents are less likely to have the resources to undergo significant physical plant improvements. The Coalition is committed to identifying policy avenues that advance the equity of access to household models across communities and geographies. For example, preliminary discussions with lenders suggest that there may be opportunities to target incentives to nursing homes with high Medicaid resident censuses.

### Sustainability and Financing

This action plan will be sustainable if the Coalition is able to meaningfully engage senior policymakers in considering regulatory or other policy updates and recognizing how they align with key Biden Administration and other priorities. Many of the changes that are recommended to the HUD 232 program have the early support of major lenders, which suggests that they are likely to remain in place even as Administrations change. Moreover, once changes are made at the agency level and are incorporated into the lenders' handbook (Healthcare Mortgage Insurance Program Handbook) they are likely to become part of standard operating procedure.

## Select References and Materials

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## Acknowledgements

The Coalition thanks the Person-Centered Care and Financing Committees.

### Person-Centered Care Committee Co-Chairs

Penny Cook  
President & CEO, The Pioneer Network

Susan Ryan  
Senior Director, The Green House Project

Tetyana Shippee  
Associate Professor, University of Minnesota  
School of Public Health

### Person-Centered Care Committee Members

Charelle Barber  
Human Resources Executive Assistant, AG  
Rhodes

Barry Barkan  
Co-Founder, Live Oak Project

Liza Behrens  
Assistant Professor, Ross and Carol Nese  
College of Nursing, Penn State University

Julie Britton  
Senior Clinical Officer, Genesis HealthCare

Rachel Broudy  
Lead Faculty Eldercare, Ariadne Labs

Sacasha Brown  
Senior Director of Health Services, East  
Ridge Retirement Village Inc

Mary Lou Ciolfi  
Senior Program Manager, University of  
Maine Center on Aging

Laci J. Cornelison  
PEAK 2.0 Coordinator, Kansas State  
University Center on Aging

Anna Fisher  
Director-Education & Quality, Hillcrest  
Health Services

Megan Hakanson  
Student, University of Minnesota

Jennie Chin Hansen  
Independent Consultant, former CEO,  
American Geriatrics Society

Peter J. Illig  
CEO, National Certification Council for  
Activity Professionals

Nancy Kusmaul  
Associate Professor, University of Maryland  
Baltimore County School of Social Work

Christina Ramsey  
Gerontological Nurse Practitioner, GAPNA  
Owner/Operator, CE Ramsey Resources, LLC

Tonya Roberts  
Associate Professor and Karen Frick  
Pridham Professor in Family-Centered Care,  
University of Wisconsin – Madison, School  
of Nursing

Charles P. Sabatino  
Aging and Law Consultant

Jamie Sanford  
Administrator, Aldersbridge Communities

Jill Vitale-Aussem  
President & CEO, Christian Living  
Communities

### Financing Committee Co-Chairs

Marc Cohen  
Co-Director, LeadingAge LTSS Center  
@UMass Boston Research Director,  
Community Catalyst

David Grabowski  
Professor of Health Care Policy, Harvard  
Medical School

### Financing Committee Members

Sheena Bumpas  
CNA, Vice-Chair, NAHCA Board of Directors

Diane Carter  
Founder and Previous CEO, American  
Association of Post-Acute Care Nursing

Richard Gamache  
CEO, Aldersbridge Communities

R. Tamara Konetzka  
Louis Block Professor, The University of  
Chicago, Department of Public Health  
Sciences | Department of Medicine

Joanne Lynn  
Health and Aging Policy Fellow Clinical  
Professor of Geriatrics and Palliative Care,  
The George Washington University

Suzanne E. Messenger  
WV State Long-term Care Ombudsman,  
NASOP

Mary K. Ousley  
Chief Strategy Officer, PruittHealth

Paul Saucier  
Director, Office of Aging and Disability  
Services, Maine DHHS



Dave Sneddon  
Licensed Nursing Home Administrator

Nora Super  
CEO, NS Ideas, LLC

Ramona Souza  
Resident, Linn Health & Rehabilitation

Rachel M. Werner  
Professor of Medicine and Executive  
Director, Leonard Davis Institute of Health  
Economics, University of Pennsylvania