

Updated State Risk Summary Grid
(Print Version [here](#))

State Risk Category	Facility Characteristics	Risk Mitigation to Consider
Medicaid Waivers (1915(c)) & Medicaid State Plan Option (1915(i)) – Final Home and Community-Based Services (HCBS) Settings Rule - high Medicaid Census & combos including SNF beds	<ul style="list-style-type: none"> • Non-SNFs with very high Medicaid Census (e.g., $\geq 80\%$) • Combined SNF/ALFs that rely on Medicaid for non-SNF residents whose DSCR falls below 1.0 with a minimal decline in Medicaid Census or Rate <p>(NOTE: CMS will require combined SNF/ALF settings to undergo "heightened scrutiny")</p>	Indicate whether facility is at risk of being unable to comply with the HCBS Settings Rule. <ul style="list-style-type: none"> • Refer to the Statewide Transition Plan (here), CMS responses to or approval of the Plan, State requirements (either enacted or proposed) and/or State Medicaid Agency Input (including documentation of a setting survey or evidence of "heightened scrutiny" having been conducted) indicating the likelihood of compliance. • If unable to determine from the above, discuss the facility's compliance with HCBS Settings requirements (here). <p>If facility appears unable to comply, or will be out of compliance for a time, demonstrate one or more of the following:</p> <ul style="list-style-type: none"> • Subject facility's ability to operate without Medicaid Waiver residents, including a demonstrated market and capacity for serving a different resident mix, more private pay residents, etc.; • Long-term operating and Debt Service Escrow in an amount that adequately mitigates risk of being out of compliance for a time, a demonstrated market for private pay and a demonstrated capacity to eventually come into compliance; and/or • Project's ability to convert to a viable alternative residential care facility type, that a market exists and Certificate of Need process would allow for such a conversion, and the operator has financial capacity to withstand such a transition if it is anticipated that coming into compliance will not be possible.
Medicaid Reimbursement Delays	SNFs that will not have AR Financing, but that are in a state with a history of reimbursement delays	Provide evidence of a recent history (e.g. last six months) of timely payments (e. g. payments made in 60 days)? If unable, demonstrate one or more of the following: <ul style="list-style-type: none"> • Accounts Receivable Financing will be required for the project as a condition for firm commitment; • Long-Term Debt Service Escrow in an amount that adequately mitigates risk of future payment delays; or

		<ul style="list-style-type: none"> Project's ability to handle delayed payments without AR Financing, as evidenced by available sources of liquidity compared with the project's material accounts receivable aged over 120 days.
State Budgetary Risk (SNFs susceptible to possible future cuts)	<p>Projects with SNF beds whose DSCR falls below 1.0 with:</p> <ul style="list-style-type: none"> a minimal decline in Medicaid Census or Rate (e.g. $\leq 5\%$), a moderate decline (e.g. $\leq 10\%$) in Medicaid Census or Rate and very high reliance on Medicaid (e.g. $\geq 80\%$) 	<p>Demonstrate the project state's anticipated commitment to funding skilled nursing care through Medicaid, as evidenced by: recent rate increases, anticipated budget increases, etc. If unable, Lender should demonstrate one or more of the following:</p> <ul style="list-style-type: none"> Project's ability to reduce its reliance on Medicaid (increasing capacity for short term rehab & Medicare patients, marketing to private pay residents, etc.); Long-Term Debt Service Escrow in an amount that adequately mitigates against the risk of future rate decreases; and/or Reduced Mortgage Amount.
State Budgetary Risk (SNFs susceptible to forthcoming cuts)	<p>Projects with SNF beds in states with proposed cuts to Medicaid provider rates whose DSCR falls below 1.0 with:</p> <ul style="list-style-type: none"> a moderate decline in Medicaid Census or Rate (e.g. $\leq 10\%$), or high reliance on Medicaid (e.g. $\geq 70\%$) 	<p>Demonstrate project's ability to withstand funding cuts, as evidenced by: outline of previous instances where the project, or project participants at a different facility, successfully implemented a strategy to respond to rate decreases, or a significant decline in occupancy; or documentation verifying prospective new sources of revenue, etc. If unable, Lender should demonstrate one or more of the following:</p> <ul style="list-style-type: none"> Project's ability to reduce its reliance on Medicaid (increasing capacity for short term rehab & Medicare patients, marketing to private pay residents, etc.); Long-Term Debt Service Escrow in an amount that adequately mitigates against the risk of pending and future rate decreases; and/or Reduced Mortgage Amount.
Rebalancing Initiatives - Money Follows the Person (individuals with mental illness)	<p>Projects with a current or historical concentration of MI/DD residents* (e.g., $\geq 25\%$)</p>	<p>Some states intend to focus their rebalancing efforts toward moving significant numbers of mentally ill individuals to home and community-based settings.</p> <p>Confirm the percentage of MI/DD residents the subject facility currently serves and has historically served.</p> <p>If Lender can provide evidence that the subject facility does not serve a significant MI/DD resident population, then no further</p>

		<p>action is needed. If unable, Lender should demonstrate one or more of the following:</p> <ul style="list-style-type: none"> • Project state’s Medicaid funding for residents with mental illness is stable; • Project’s ability to reduce its reliance on Medicaid (by diversifying its Census mix or demonstrating the ability to serve other types of residents), that a market exists for this alternative resident type and that the operator has the financial capacity to withstand the transition; • Long-term operating and/or Debt Service Escrow in an amount that adequately addresses the risk of losing significant Census; • Reduced Mortgage Amount; and/or • Project’s ability to maintain healthy Debt Service Coverage with fewer beds.
<p>Rebalancing Initiatives - Money Follows the Person (individuals with mental illness in ICFs)</p>	<p>Projects with ICF beds</p>	<p>Several states intend to focus their rebalancing efforts toward moving significant numbers of mentally ill individuals out of Intermediate Care Facilities for ID/DD.</p> <p>Provide evidence of the project state’s commitment to funding ICFs, including confirmation that ICFs of comparable size (by # of beds) are considered a viable option; and demonstrate the project’s ability to sustain an Olmstead challenge, possibly resulting in a significant decrease in Census.</p> <p>If unable, Lender should demonstrate one or more of the following:</p> <ul style="list-style-type: none"> • Project’s ability to convert to a viable alternative residential care facility type, that a market exists and Certificate of Need process would allow for such a conversion, and the operator has financial capacity to withstand such a transition; • Long-term operating and/or Debt Service Escrow in an amount that adequately addresses the risk of losing significant Census; and/or • Reduced Mortgage Amount or significant reduction in Loan Term.

<p>Rebalancing Initiatives - Money Follows the Person (Non-Elderly, Physically Disabled)</p>	<p>Projects with SNF beds whose DSCR falls below 1.0 with a moderate decline in Medicaid Census or Rate (e.g. $\leq 20\%$)</p>	<p>Several states intend to focus their rebalancing efforts toward moving significant numbers of non-elderly, physically disabled individuals out of Skilled Nursing Facilities (SNFs).</p> <p>Confirm the percentage of non-elderly residents with physical disabilities the subject facility currently serves and has historically served.</p> <p>If subject facility does not serve a significant population of non-elderly with physical disabilities, then no further action is needed. If unable, then Lender should demonstrate one or more of the following:</p> <ul style="list-style-type: none"> • Project's ability to reduce its reliance on Medicaid (by diversifying its Census mix or demonstrating the ability to serve a larger population of frail elderly in need of skilled care), that a market exists for this shift in residents and that the operator has the financial capacity to withstand the transition; • Long-Term Debt Service Escrow in an amount that adequately mitigates the risk of declines in Census; • Reduced Mortgage Amount; and/or • Project's ability to maintain healthy Debt Service Coverage with fewer beds.
<p>Rebalancing Initiatives - Money Follows the Person (Elderly)</p>	<p>Projects with SNF beds whose DSCR falls below 1.0 with a moderate decline in Medicaid Census or Rate (e.g. $\leq 15\%$)</p>	<p>Several states intend to focus their rebalancing efforts toward moving significant numbers of elderly individuals out of Skilled Nursing Facilities (SNFs).</p> <p>Lender should demonstrate one or more of the following:</p> <ol style="list-style-type: none"> 1. Project's ability to reduce its reliance on Medicaid (by diversifying its Census mix, increasing capacity for short term rehab & Medicare patients, marketing to private pay residents, etc.), that a market exists for this shift in residents and that the operator has the financial capacity to withstand the transition; 2. Long-Term Debt Service Escrow in an amount that adequately mitigates the risk of declines in Census; 3. Reduced Mortgage Amount; and/or 4. Project's ability to maintain healthy Debt Service Coverage with fewer beds.

<p>Olmstead Cases & Settlement Agreements (SNFs)</p>	<p>Projects with SNF beds in States with Olmstead Settlement Agreements or pending litigation, specifically serving a disabled population (CO, DC, IL) or serving a concentrated population of residents with MI/DD* (e.g., >=25%) (LA, ME, NH, TX)</p>	<p>Several states have Olmstead Settlement agreements or pending Olmstead litigation which could potentially impact residents of nursing facilities with physical disabilities, mental illness (MI) or developmental disabilities (DD).</p> <p>Confirm the percentage of MI/DD residents and non-elderly residents with physical disabilities the subject facility currently serves and has historically served.</p> <p>If Lender can provide evidence that community-based care is not appropriate for the type of residents served, then no further action is needed. If not, then Lender should demonstrate one or more of the following</p> <ol style="list-style-type: none"> 1. Sufficient evidence that the project demonstrates the ability to reduce its reliance on Medicaid (by diversifying its Census mix or demonstrating the ability to serve a larger population of frail elderly in need of skilled care), that a market exists for this shift in residents and that the operator has the financial capacity to withstand the transition; 2. Long-term operating and/or Debt Service Escrow in an amount that adequately mitigates the risk of declines in Census; 3. Reduced Mortgage Amount; and/or 4. Demonstrated ability to maintain healthy Debt Service Coverage with fewer beds.
<p>Olmstead Cases & Settlement Agreements (individuals with mental illness)</p>	<p>Projects with a concentrated population of residents with MI/DD (e.g., >= 25%) in States with Olmstead Settlement Agreements or pending litigation (FL, IL, IN, KY, NY, NC, VA)</p>	<p>Several states have Olmstead Settlement agreements or pending Olmstead litigation which could potentially impact residents with mental illness (MI) or developmental disabilities (DD).</p> <p>Confirm the percentage of residents with mental illness (MI) or developmental disabilities (DD) the subject facility currently serves and has historically served.</p> <p>If Lender can provide evidence that community-based care is not appropriate for the type of residents served, then no further action is needed. If not, then Lender should demonstrate one or more of the following:</p> <ol style="list-style-type: none"> 1. Sufficient evidence that the project demonstrates the ability to reduce its reliance on Medicaid (by diversifying

		<p>its Census mix or demonstrating the ability to serve a larger population of frail elderly in need of skilled care), that a market exists for this shift in residents and that the operator has the financial capacity to withstand the transition;</p> <ol style="list-style-type: none"> 2. Sufficient evidence that the project demonstrates the ability to convert to a viable alternative residential care facility type, that a market exists and Certificate of Need process would allow for such a conversion, and the operator has financial capacity to withstand such a transition; 3. Long-term operating and/or Debt Service Escrow in an amount that adequately mitigates the risk of declines in Census; 4. Reduced Mortgage Amount; or 5. Demonstrated ability to maintain healthy Debt Service Coverage with fewer beds.
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*NOTE: For SNFs, the number of MI/DD residents can be derived using data from CMS Form 672 related to the Mental Status of residents. Specifically, the number of residents with an intellectual and/or developmental disability and those residents with a documented psychiatric diagnosis as their *primary* diagnosis would be considered MI/DD residents.