Current vs Future payments to ***Nursing Facilities***

April 15, 2017

Presented by NH Health Care Association and Cheshire County

Nursing Facilities currently provide quality, value, efficiency, innovation and savings for NH

Traditional Fee for Service (FFS) "beliefs":

- Rewards quantity over quality
  - ie. In primary care; the more services you provide under FFS, the more billing codes, the more reimbursement….becomes financially driven

Why the urge to move away from Fee for Service (FFS) models?

- This is based on the belief that our health care system is high volume but not high value
- The more you spend does not equate to the healthier a recipient becomes
- costly FFS includes hospital stays and ER visits

Traditional FFS:

- Sept 2012 "Alternatives to FFS Payments in Health Care. Moving from volume to value" Maura Calsyn + Emily Oshima Lee
- …FFS does nothing to encourage low-cost, high value services such as preventive care or patient education….many patients….enter hospitals needing acute care when their conditions could be managed with better preventive disease management…."

Such broad statements can **not** be applied to all health care service delivery areas – such as

Nursing Homes

CMS has a goal* to reduce FFS states (*not a mandate)

- Options include;
  - **Bundled Payments** = healthcare facilities are paid a **single payment** for all the services performed to treat a patient undergoing a specific episode of care, for a defined period of time. *nursing homes can't bill many additional components (dental, psychiatry, meds) ***we pay***
  - **Medical Home** = The Patient-Centered *Medical Home* (PCMH) is when patient **treatment is coordinated** through their primary care physician to ensure they receive the necessary care when and where they need it, in a manner they can understand. *NH's already coordinate

Options cont…

- **Managed Care** - *Managed Care* is a health *care* delivery system organized to manage cost, utilization, and quality. … By contracting with various types of MCOs to deliver Medicaid program health *care* services to their beneficiaries, states can reduce Medicaid program costs and better manage utilization of health services* **not yet proven in nursing homes**
  - Again, an overgeneralization that can be true for traditional Medicaid recipients who live in a home but don't have their care managed so that they utilize ER's for needs
    - **NOT the case in Nursing Homes where we have REGULATIONS**

Provider concerns with MCO's:

- How the MCO's will be funded?
- Complicated contracts with ever changing stipulations
- Unknown impact on Pro-Share funds to Counties*

*this is both a payer and provider concern

MCO concerns, cont….

- Decision involvement may delay care, increase our admin burden, plus add unfunded mandates due to our Federal operating rules
  - Ie. 42 CFR 483.30(c) *Frequency of physician visits*
    - *(1) The residents must be seen by a physician at least once every 30 days for the first 90 days after admission, and at least once every 60 thereafter*

  the transition from FFS to MCO's managing transportation has increased Maplewood's admin burden and puts us at risk for delays in care and has caused non-covered service bills to be sent to us.

CMS:

- Believes that FFS is high volume and low quality:

Therefore, CMS suggests to move to:

- Higher quality for lower cost

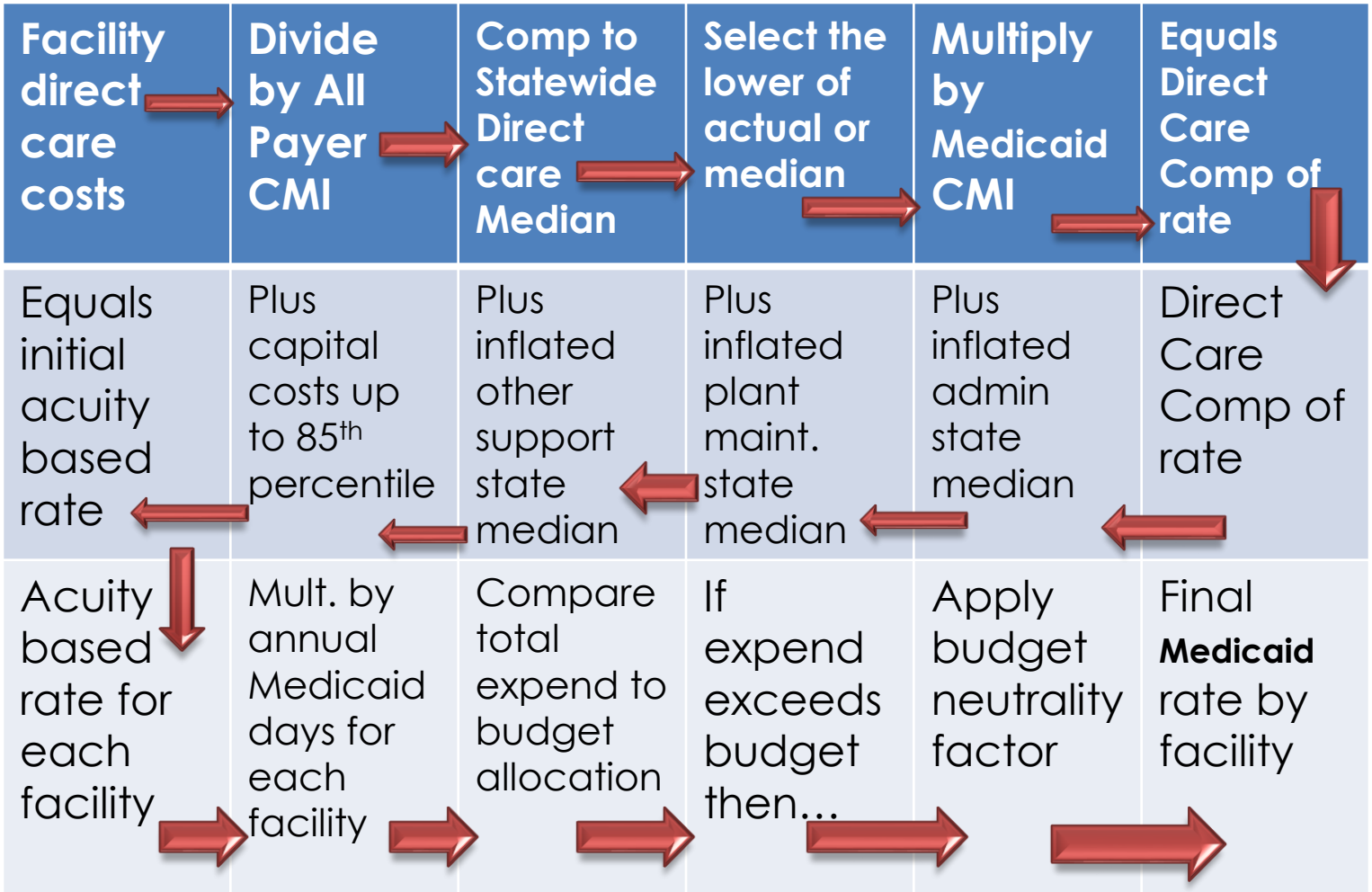
First, let's examine our current Nursing Home data for the state of New Hampshire:

What about our cost?

- According to an annual publication of Medicaid costs per state:
  - ELJAY report for 2016:
    - NH has **3rd worst** Medicaid rates
    - Average gap = $**50.16**/day

- Late 1990's changes began in our payment structure/formula
- Maplewood up to that point had been a break even operation
- Rates structure is **VERY** complex now….

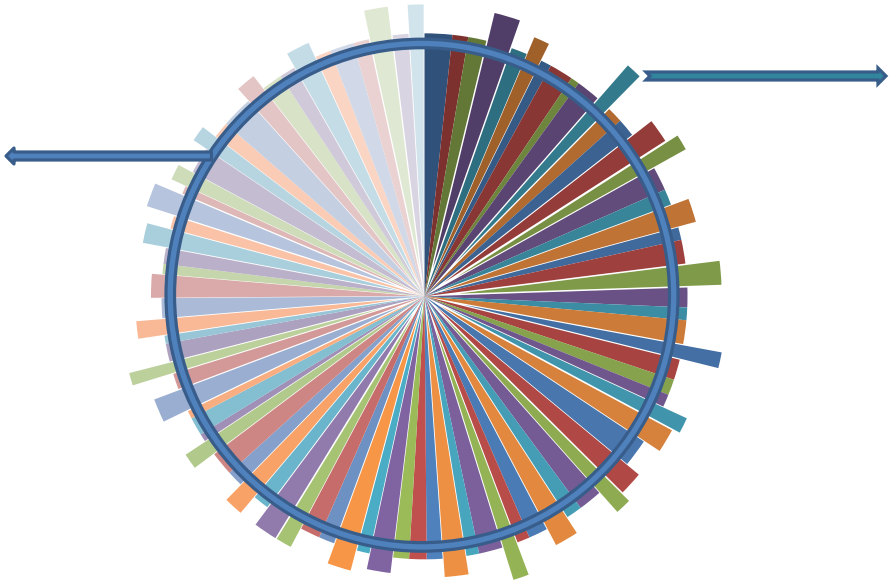
Acuity-based rate calculations



LTC Historical Funding:

Nursing Homes sent in their cost reports and our Medicaid rates were based on allowable average costs of daily care

Circle represents the allowable average cost of daily care

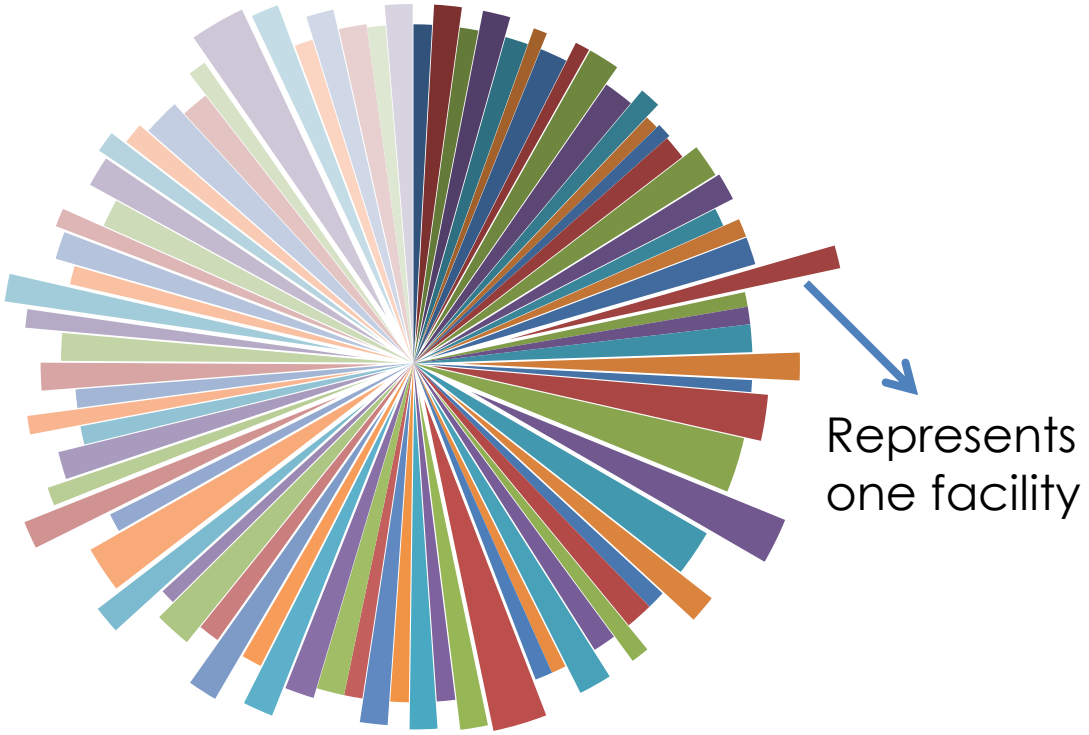


Pie piece = Cost report of one nursing home ppd

Current NH payments:

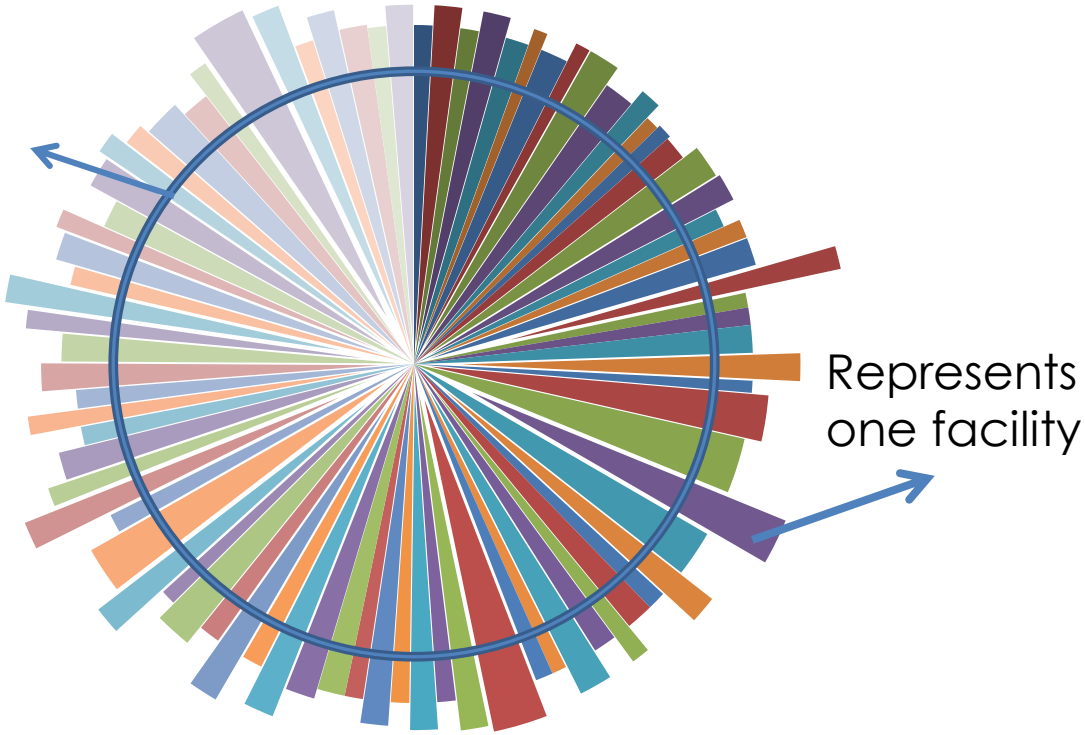
- Considered Fee for Service (FFS) and they are based on:
  - Cost reports (allowable costs then determined)
  - Minimum Data Set (MDS)
    - Case Mix Index (**CMI**) determined **(size of piece)**
  - Rate components considered
  - MINUS **Budget Neutrality Factor (size of pie)**
    - Fluctuates = nearly 30% reduction

CMI = size of slice of each of the 82 homes



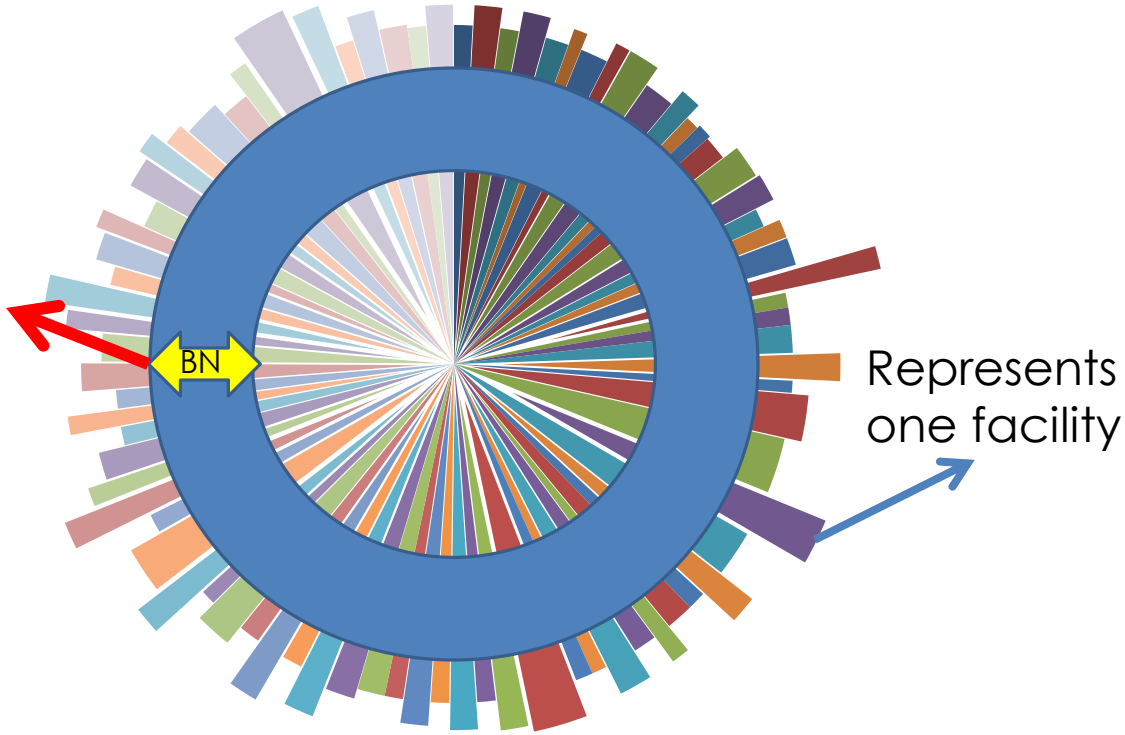
Allowable costs is the first level of payment reduction

Allowable costs defines outer edge of pie

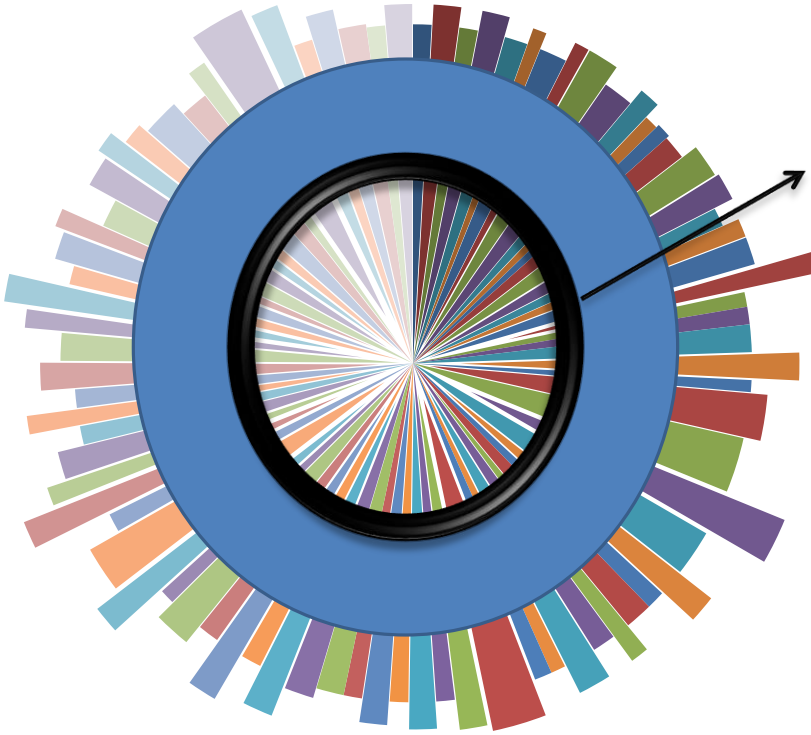


Effects of Budget Neutrality:

Budget neutrality defines gap between allowable costs and what final daily Medicaid rate is per facility



MCO funding from where?



Will MCO payments end up cutting our wedges even smaller?

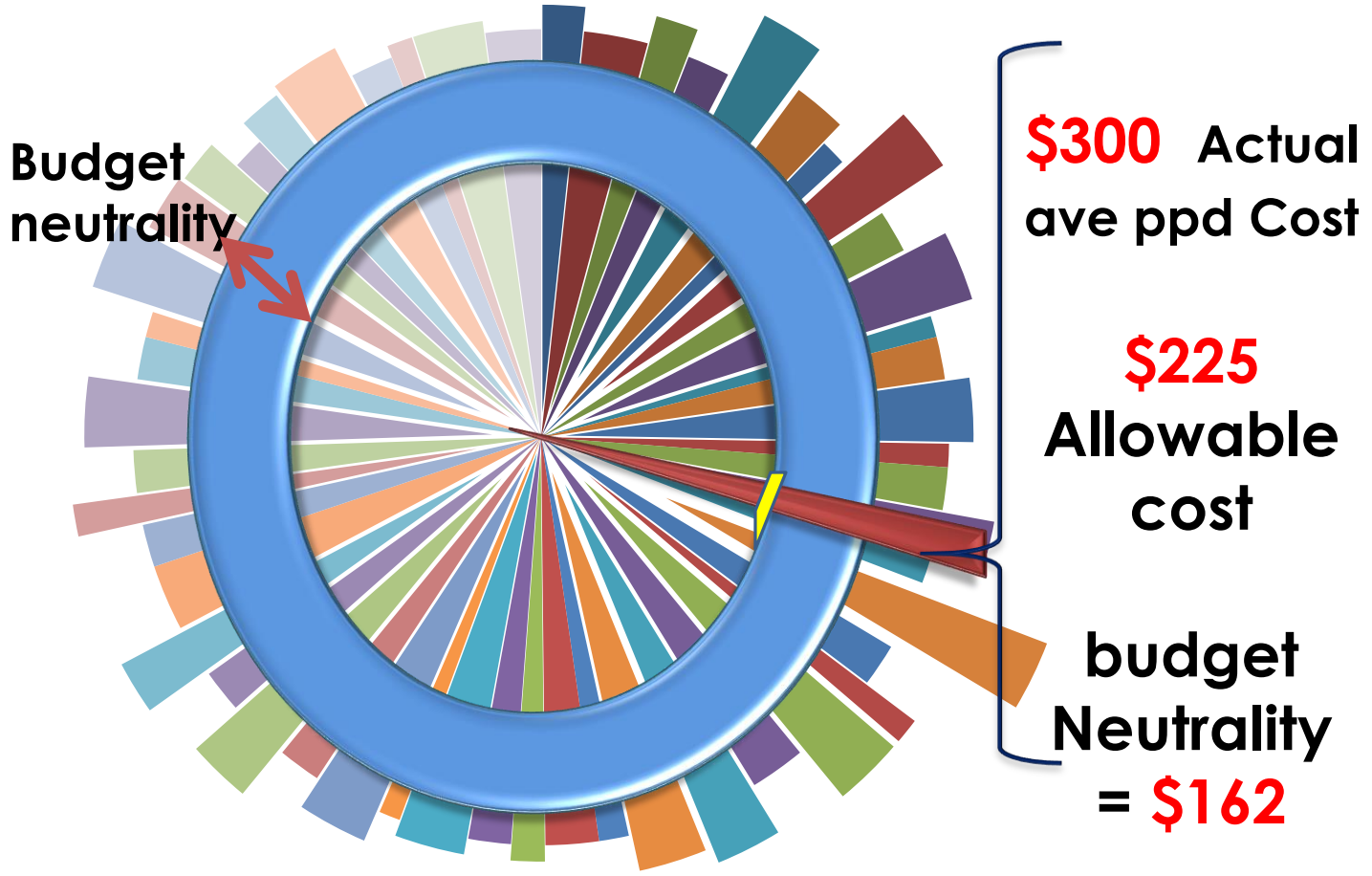
Historical Budget Neutrality:

Budget Neutrality Factor first appeared on rate sheets 10/2001 and was **2.75%**

2002 @ **5.96%**, 2/2003 @ **6.39%**, 8/2003 @ **14.69%** ….. 1/2014 **25.12%**

January 1,2017 @**28.11%**

Cost reports : budget neutrality



Rate Calculation; allowable costs example:

- Plant Maintenance $15.08
- Patient Care +$119.18
- Capital +$10.16
- Administration +$38.71
- Other Support +$43.28
- Total Full Acuity Based Rate =**$226.41**
- **Budget Neutrality of -28.11** **-$63.64**
- **Medicaid Payment Rate** **$162.77**

In combination with the multitude of rules governing long term care:

This funding mechanism challenges all providers to be efficient and innovative.

Where does our Medicaid funding come from? Who fills the $ bucket?

Nursing home bed tax

Federal Match

MQIP

NO State General funds

State General Funds: 3%

County Tax $:

Federal Match $:

These $ fund base rates, then Budget neutrality is applied

County

Federal Match

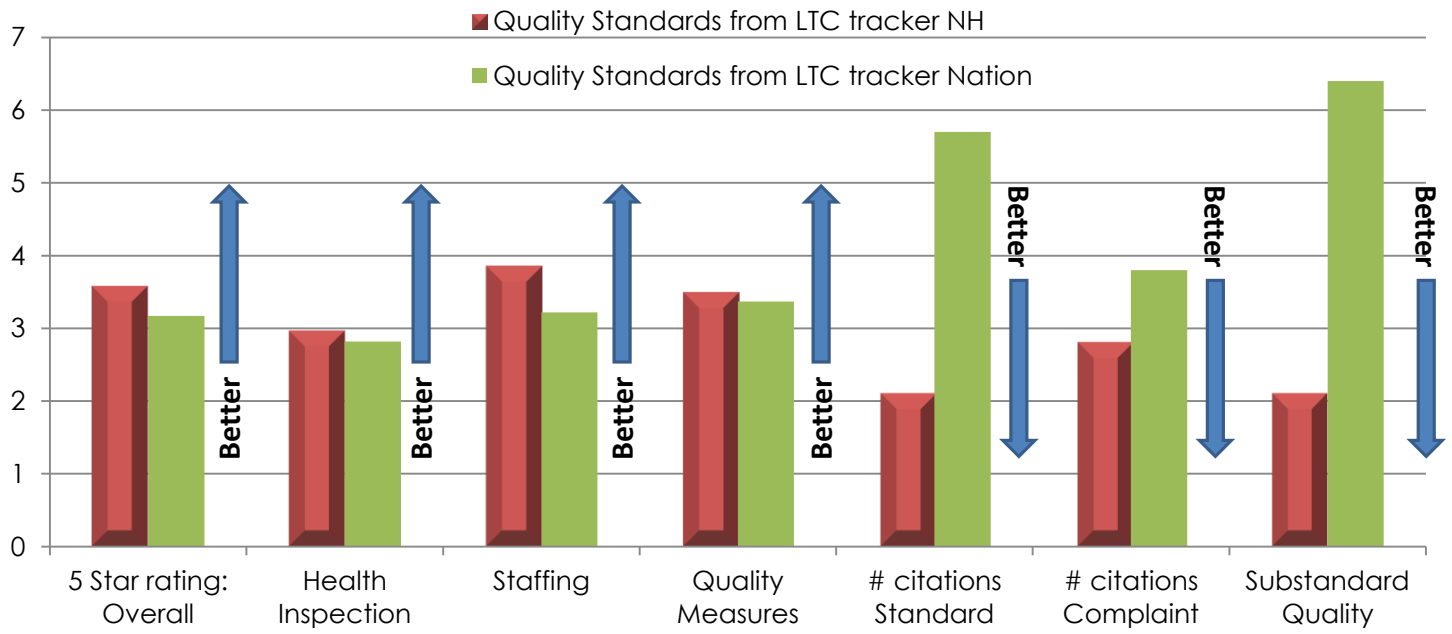
Pro-Share No State General funds

What about our quality?

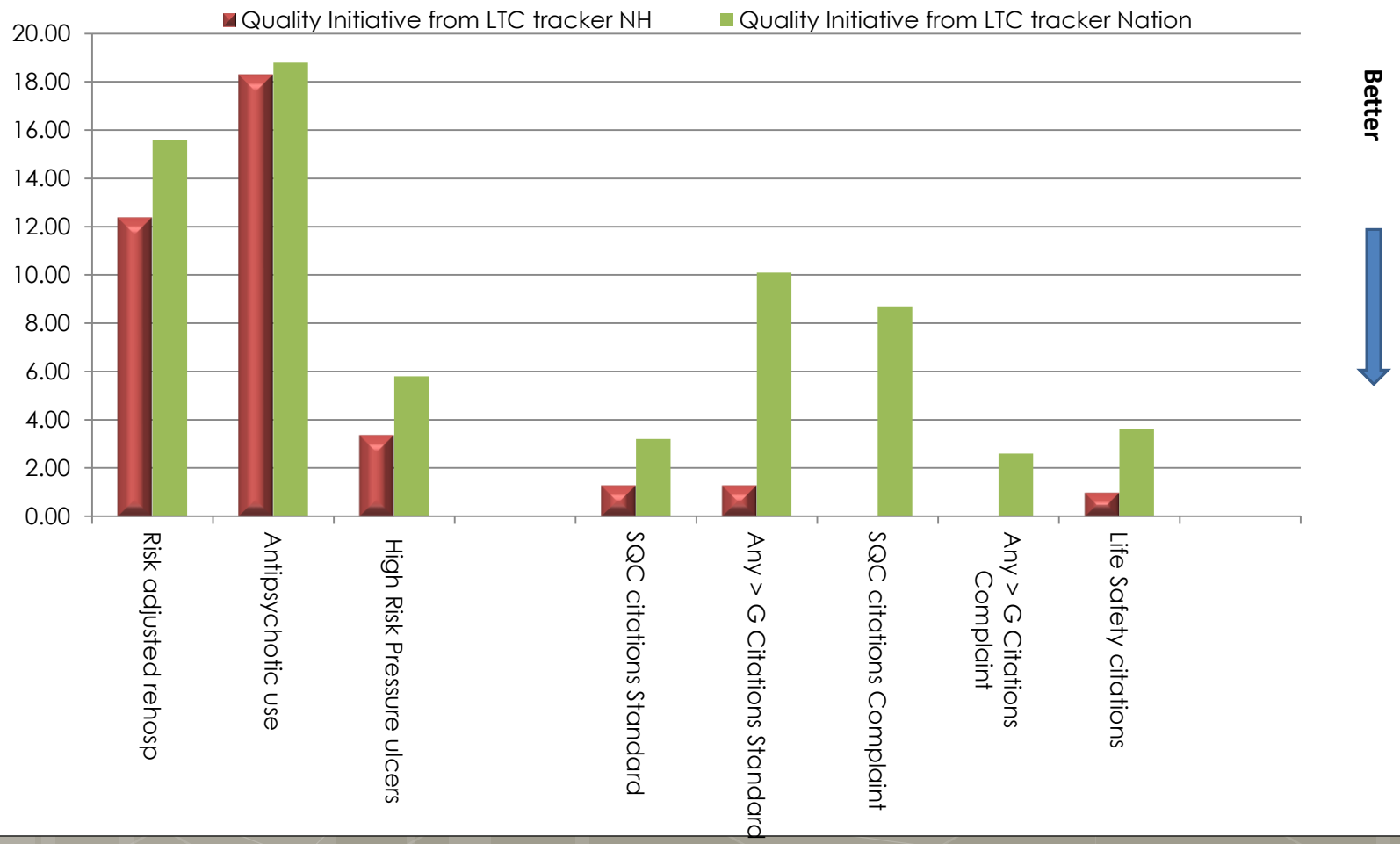
- According to annual survey and certifications that EVERY nursing home goes through:

  - Nursing Homes in New Hampshire have rated in the **top 3 Nationally** in recent years

Quality in LTC in NH –
currently Accomplished thru Efficiency and Innovation



Quality care in LTC in NH



Quality of care is paramount.

- **Highly regulated Nursing Facilities must first comply with CMS Federal Guidelines:** Skilled nursing facilities are required to be in compliance with the requirements in 42 CFR Part 483, Subpart B, to receive payment under the Medicare or Medicaid programs. The requirements for participation were recently revised to reflect the substantial advances that have been made over the past several years in the theory and practice of service delivery and safety. The revisions were published in a final rule that became **effective on November 28, 2016**.
- https://www.cms.gov/Regulations-and-Guidance/Legislation/CFCsAndCoPs/Downloads/som107ap_pp_guidelines_ltcf.pdf - to download /
- https://www.federalregister.gov/documents/2016/10/04/2016-23503/medicare-and-medicaid-programs-reform-of-requirements-for-long-term-care-facilities

Providers must first operate under CMS rules

With the changes in CMS rules this year:

1. The average costs per facility are estimated to be about $62,900 in the first year and $55,000 per year for subsequent years.

2. CMS is unable to quantify the benefits of the final rule.

Moving forward…..

- LTC provider community, private and county, is willing to partner with DHHS to determine our best option.

- If there are to be changes; we want to do it RIGHT!
  - Assure we can continue to improve the services those in our care receive;
  - Assure proper funding to support our services and our caregivers.

CMS Believes that FFS is high volume and low quality:

Therefore, CMS suggests to move to:

Higher quality for **lower cost**

If our state NH's are 3rd highest in quality but 3rd lowest in Medicaid reimbursement…

How much lower can we tolerate reimbursement and yet achieve even higher outcomes?

Next: Brendan Williams

President/CEO

New Hampshire Health Care Association

Thank you for this opportunity,
your time, and attention!