Medicaid Prospective Payment Update

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Presentation Outline

- I. Where We Have Been
- II. Where We Are
- III. Where We Are Going
- IV. Resources
- V. Questions

Where We Have Been

- Current Reimbursement Methodology was developed in the 1980's
- "Gainesville Plan" over the course of a couple of years
- Provider Specific and cost report based
- Subject to Audit

Current System - Costs

- Cost Components
  - Operating: Administrative, Housekeeping, Liability Insurance, Laundry, Plant Operations, Utilities
  - Patient Care: Split into indirect and direct care in 2002
    - Direct Care: RN, LPN, CNA
    - Indirect Care: Activities, Dietary, Social Work, Med Recs, Nsg Admin, Supplies, Therapy (allocated & limited)
  - Property: Cost Based or Fair Rental Value (FRV)
    - Overwhelming Majority paid on the FRV model

Current System- Rates

- Prospective Rates with Retrospective Adjustment/Settlement
- Until 2015 rates were set twice a year, January 1 and July 1
  - Effective September 1, 2015 switched to an annual rate setting
- Per Diem costs are calculated and inflation adjusted
- Rate Limitations
  - Operating
    - Cost based and target class ceilings
    - Provider specific and new provider target limits
  - Direct
    - Cost based and target class ceilings
  - Indirect
    - Cost based and target class ceilings
    - Provider specific and new provider target limits
  - Property
    - FRVS and Statewide ceilings

Nursing Facility Quality Assessment

- Created in 2009 during state budget shortfalls s. 409.9082 F.S.
- Allows nursing facilities to contribute money to AHCA that is used to draw down federal matching funds and return to providers
- Quality assessment matching funds are used to enhance rates through 3 parts currently
  - Medicaid Share Return
  - Operating Add-on
  - Restore rate reductions effective on or after January 1, 2008
  - For state fiscal year 2016-17 providers contribute $419 million and receive that plus an additional $632 million in federal matching funds

Where We Are Going

- Medicaid Transitioned to Managed Care in 2013
- Complications surrounding rate adjustments for managed care companies
- Hospital Inpatient (DRG) and Hospital Outpatient (EAPG) have already transitioned
- Funding a study to transition nursing facilities has been discussed each of the last few years

SPECIFIC APPROPRIATION 186 OF THE 2016 GENERAL APPROPRIATIONS ACT

From the funds in Specific Appropriation 186, $500,000 in nonrecurring funds from the Medical Care Trust Fund is provided to the Agency for Health Care Administration to contract with an independent consultant to develop a plan, collaboratively with all interested stakeholders, to convert Medicaid payments for nursing home services from a cost based reimbursement methodology to a prospective payment system. The study should recommend a payment system that promotes quality, ensures access, and reflects simplicity and equity. The study should outline steps for a phase in process to ensure providers have time to adjust to payment changes. The study shall identify steps necessary for the transition to be completed in a budget neutral manner. Additionally, the report shall address the impact of a prospective payment system on Medicaid reimbursement rates for Hospice providers. The report shall be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives no later than January 1, 2017.

AHCA Study Guidelines

- Independent Consultant
  - Hired Navigant Consulting who helped the state with developing hospital inpatient and outpatient reimbursement systems
- Work collaboratively with all interested stakeholders
  - They have already met with several group and will continue to do so during the process
  - Also holding public hearings- August 18, September 22, and October 20
- Prospective Payment System
  - Need to eliminate the retroactive rate adjustments that are currently causing problems for everyone involved

AHCA Study Guidelines

- Quality, Access, Simplicity, and Equity
  - Guiding Principles
- Phase in process
  - Gives providers time to adjust their business model to a different revenue stream
- Budget Neutrality
  - Elephant in the room during every conversation
- Due date January 1, 2017
  - Report shall be given to the Governor, President of the Senate, and Speaker of the House of Representatives

Guiding Principles

- **Quality**
  - Does the methodology promote and reward high quality long-term care provision?
- **Access**
  - Does the methodology promote and maintain access to care for people who require long-term care, including hard to serve patient populations?
- **Equity**
  - Does the methodology promote equity in payment across providers for care and properly address various cost centers?
- **Predictability**
  - Does the methodology improve the ability for AHCA and providers to adequately plan and budget?
- **Simplicity**
  - Is the methodology easy to understand and replicate?

FHCA Task Force

- FHCA has formed a task force chaired by Deborah Franklin which is working collaboratively with AHCA on the PPS
- The goal is to gain broad consensus before presenting recommendations to AHCA. Some areas where work is being done include, quality metrics related to payments and an updated Fair Rental Value model
- Has representatives appointed by FHCA President, Joe Mitchell, from the Reimbursement Committee and the Quality Council
- Has held several meetings already and met with Navigant multiple times

Why Fair Rental Value?

- A well designed Fair Rental Value system will
  - Differentiate reimbursement based upon age/condition/size
  - Provide incentives to generate capital resources for renovation, improvement, and replacement
  - Impact the physical environment that can result in improvement of residents quality of life
- Fair Rental Approaches
  - Gross Fair Rental
  - Net Fair Rental
  - Hybrid

Fair Rental Value Changes

- Updating the current model that is 30+ years old
  - Adding incentive for providers to renovate existing buildings and receive appropriate reimbursement and return on their investment
- Working with national health care consultant Joe Lubarsky of Eljay LLC, who has done FRV work in other states including Georgia, Mississippi, Washington, Virginia, Tennessee, among others
- FHCA worked with AHCA to collect facility renovation/replacement data that will potentially be used in designing a new system
- Hope to have a plan approved to share with AHCA/Navigant at the meeting next week

Quality Measures

- Secretary Dudek stated that "She cannot support a system in which payment is not tied to quality"
- The Task Force has spent several meetings discussing how to measure quality and the payment incentives/disincentives to tie to it
- Have reviewed what several other states are doing
- Working with Dr. Gifford, Sr. VP for Quality and Regulatory Affairs, American Health Care Association
- Key takeaways from Dr. Gifford:
  - Don't try and invent new metrics as all metrics are flawed and yours will be also
  - More important than the measures is the link between payment and measures

Quality Measures Payment Considerations

- Incentive Methods
  - Bonus Payment
  - Adjust Base Rate
  - Adjust Annual Market Basket Increase
  - Hybrid or Combination of Above
- Other Considerations
  - Is it large enough to change practice?
  - Is it larger than cost of changing practice to achieve incentive?
  - Does incentive arrive in time to offset cost of changing practice?
  - Reward for achievement and improvement?

Quality Measures Examples

- Some examples from other states:
  - MDS Quality Measures- Antipsychotic use, Falls with Major Injury, Pressure Ulcers, Urinary Tract Infections
  - Satisfaction Surveys- Patient, Family, or Employee or combination
  - Staffing- Levels of staffing and staffing stability
- Minnesota
  - A provider can receive a time limited rate increase by undertaking a quality improvement project and achieving specified improvements
- Quality Awards
  - American Health Care Silver or Gold Awards, Governor's Gold Seal Award, etc.
- We believe that we have a structure that we will be presenting to the Board next week for approval

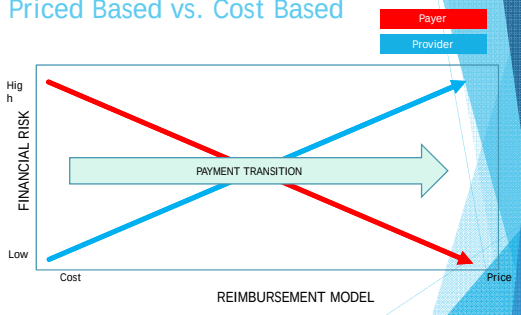
CMS 5-Star as Potential Measures of Quality

- Inspection Ratings
  - From past 3 licensure and complaint surveys during the past 3 years
- Staffing Ratings
  - Currently from CMS Form 671 and resident acuity from MDS RUG
- Quality Measures
  - A combination of short stay and long stay measures

Key Parameters Still to be Decided

- Priced Based vs. Cost Based
  - Price Based- Rates are established based on the costs of a **group of facilities**. All facilities in a group are paid the same base rate per day.
  - Cost Based- Rates are established based on each **individual facility's** reported costs.
  - As of October 2014, 12 states established prices for nursing facilities and 30 states used cost based. The remaining states use a combination of the two methods.

Priced Based vs. Cost Based



States Using Price Based vs. Cost Based Payments

Key Parameters Still to be Decided

- Acuity Based Reimbursement
  - Approximately 40 other states are using some form of acuity adjustment
  - Adjusts rates to account for the acuity level of the residents
  - Florida last did this in the early 2000's with the case-mix add-on
  - Most use MDS data or RUG groupers to adjust a base rate
  - Acuity based reimbursement is difficult in Florida due to having some of the highest staffing requirements in the country
- Rebasing
  - Current system has rebased targets and ceilings only when Legislatively directed (last done in 2007)
  - If a pricing model is adopted it is important that rates are rebased every few years to adjust for cost increases

Key Parameters Still to be Decided

- Transition Schedule
  - AHCA has made it clear they want the new system to be fully transitioned by July 1, 2019 to coincide with the next round of managed care contracts
  - Looking at possibly transitioning using a blend of old rates and new rates
- Peer Grouping
  - Current system groups providers by geography and bed size
  - Other possibilities include grouping by wage differences, Medicaid utilization, or urban vs. rural providers
- Cost Components
  - Combine Operating and Indirect into single cost component
  - Combine DPC with nurse administration, patient assessment coordinators, staff development coordinators, quality compliance
  - Move raw food to Direct Care

Additional Areas of Consideration

- Supplemental Payments
  - Currently only patients under age 21 with complex medical needs qualify for a supplemental payment
  - Additional areas that are being discussed include ventilator/tracheostomy patients, behavioral health, and others
  - This may be something that is handled outside of the PPS as it would require new funding to best implement additional programs
- New Facilities and Changes of Ownership
  - Is there a need to treat new facilities and changes of ownership differently and if so how?
- Emergency Payments and Interim Rates
  - Ensure that the new system has a methodology in place to account for emergencies and changes in cost due to new regulations

Additional Areas of Consideration

- Rate Freeze Language
  - Current rate freeze language still exists in s. 409.908 Florida Statutes
  - If we continue under a cost based system it is imperative we get rid of it
  - If we move to a pricing system it may not matter
- Medicaid Utilization
  - Should high Medicaid providers be paid higher rates
- Pediatric Providers
  - FHCA has asked Navigant to work directly with the 3 Pediatric Nursing Facilities in the state to develop payment changes that work for them

Reminder

- This is still very much an evolving system with very little already decided
- FHCA is actively working with AHCA/Navigant to shape the new system
- We also intend to work with the Legislature and Governor's Office during the next session to make any changes we feel are necessary
- Before FHCA advances anything we are seeking broad consensus from across the Association
- Working with the Reimbursement Committee, Quality Council, and the Board of Directors
- Information will also be shared through member emails and Focus
- Budget Neutral

Resources

- AHCA has a Nursing Home Prospective Payment Website
  - http://ahca.myflorida.com/medicaid/Finance/finance/nh_rates/nhpprm.shtml
- FHCA has also created a website where meeting summaries, resources, and presentations are stored
  - http://www.fhca.org/facility_operations/prospective_payment_system
- We are happy to collect any thoughts to share with the Task Force or answer any questions, so feel free to contact us
  - tparker@fhca.org or (850)224-3907
  - lsimmons@mslcpa.com or (850)224-4407

Frequently Asked Questions

- When will the new rates system take effect?
- Will we still continue to submit annual cost reports to the state?
- Will my rate be going up or down?
- When is the next public meeting?

Questions?