LeadingAge Florida Prospective Plan Priorities

- Involve stakeholders in the development of a new plan.
- Change the current reimbursement plan only where it is absolutely necessary to eliminate retroactive rate adjustments.
- If the new plan is a pricing model, eliminate the Medicaid Trend Adjustment, restore the budget cut amounts, and rebase target rates.
- Change the current reimbursement plan to address the shortcomings of the current fair rental value (FRV) rate calculation.
  - Recognize the impact of replacements and repairs on property values,
  - Increase the per bed limitation to reflect realistic property values,
  - Implement a standard property value indexing, and
  - Recognize size and geographic location variations in property values.
- Recognize size and geographic location variations in staffing and operating costs.
- Recognize cost variations associated with high quality of care. Use existing, researched-based quality measures (i.e. the ones used in the federal Nursing Home Compare rating system).
- Establish reasonable payment limits.
- Recognize the highest possible percentage of allowable costs within funds available.
- Minimize losses and gains.
- Allow for a three to four-year phase-in.
Process

• LeadingAge Florida established a Prospective Payment Task Force to assist in the development of a new Medicaid Nursing Home payment plan that will adhere to the priorities listed on Page 2.

• Literature review was along with regression analyses of current cost/rate components, licensure survey data, and CMS Nursing Home Compare rankings data.
  – Literature indicates that RN and CNA staff levels are strongly correlated with resident quality of care and quality of life;
  – Regression analyses point to relatively strong relationship between RN and CNA staffing ratios and current non-property related payment components.
Data

• September 1, 2015 and September 1, 2016 Medicaid Nursing Home rate setting databases were used. Property related costs and rates were not included in the analyses.

• As a proxy for raw quality measure scores, the June CMS Nursing Home Compare star ratings for Quality, Surveys, and Staffing were averaged to obtain a value ranging between 1 and 5.

• Various price-based payment models were constructed and their impact on nursing home providers was analyzed.
PPS Payment Plan Recommendation 1

- Treat property and the aggregate of all other cost components as two separate pools of dollars.
  - If budget neutrality is to be observed, then funds related to care and operations should not be used to enhance property payments.
  - Property payments are already too low, so using property related funds to enhance care and operations is not prudent.
Establish, for each payment class, the Class Nursing Home Operations Price (CNHOP) as the sum of the current cost-based ceilings for the Operating, Indirect Patient Care, and Direct Patient Care components.

Prior to subsequent adjustment for quality and other factors, the current payment ceilings represent a reasonable starting point for a price-based system.
For the initial year, establish a Quality Adjustment (QA) as 10% of the CNHOP.

- Use the CMS Overall Score from the CMS Nursing Home Compare.

- Calculate the QA for each nursing home as:

\[
\text{QA} = \frac{(\text{Quality Score} - \text{Quality Score Median}) \times 0.10 \times \text{CNHOP}}{\text{Quality Score Maximum} - \text{Quality Score Median}}
\]

This adjustment rewards facilities with quality scores higher than the median quality score and penalizes facilities with quality scores below the median quality score.

In subsequent years the percentage of CNHOP used for the QA could be increased.
PPS Payment Plan Recommendation 4

• Establish a Staffing Adjustment (SA) as 5% of the CNHOP.
  – Use the direct care staff ratios reported by nursing homes.
  – Calculate the SA for each nursing home as:
    
    \[ 0.05 \times \text{CNHOP} \times (\text{Min(Staffing Ratio, 5.55)} - 3.7) / (1.85) \]
  – The SA rewards nursing homes that maintain staffing levels above the state required minimum.
PPS Payment Plan Recommendation 5

• Calculate the facility specific NHOP as:
  \[ \text{CNHOP} + QA + SA \]
PPS Payment Plan Recommendation 6

• Establish individual facility upper and lower payment corridors as 5% above and 5% below current per diem rates.
  – The payment corridors ensure that there are no unacceptably high gains and losses.
• Establish an exception process to ensure that financial viability of nursing homes with extreme absolute losses are not jeopardized.
PPS Payment Plan Recommendation 7

- After the initial year, inflate the facility NHOP with an appropriate market basket index.
- Maintain collection of cost reports.
- Every five years recalibrate the parameters of the plan.