Rate Setting in Nursing Homes

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Background

**Beds:**
- 40 Nursing Homes
- 37 Medicaid homes
- 5 homes closed since 2002
- 3115 beds
- 438 fewer beds in 2015 than in 2002
- **2000** long-term care residents served
- Average statewide occupancy **85%**

**Utilization:**
- 66% Medicaid
- 16% Medicare
- 14% Private Pay
Background, cont...

**Provider Tax:**
- Assessed maximum allowable under federal law @ 6% revenues
- Assessed on a per bed basis @ $4,919.53
- Total SFY’16 provider tax paid $15.3 million
- Leverages FMAP for Vermont Medicaid program

**Medicaid Shortfall:**
- Difference between actual cost of care and Medicaid reimbursement
- Estimated $9 million in 2014
Governor’s SFY’16 Budget Proposal

**DAIL:**
- $3.2 million (gross) for nursing home increase

**DVHA:**
- $1.18 million (gross) budgeted for nursing home occupancy savings
- Represents reduced revenue (loss) for nursing homes due to a continued decline in Medicaid utilization at 2% (*they lose the revenue but not the cost*)
Nursing Home Rates

**How much do nursing homes get paid?**

- $215.14/day average across state for current quarter as of January ‘15 (does not include VVH)
- $8.96/hour

**What does the rate include?**

- Room & board
- 24/7 supervision
- Nursing services
- Personal care
- Social services
- Therapies (PT, OT, ST)
- Drugs
- Medical supplies
- Activities
- Transportation
- Dental
- Mental health
Rate Setting

33 V.S.A. § 901. Reimbursement objectives

Reimbursement rates for nursing homes shall reflect the following objectives:

(1) maintain an equitable and fair balance between cost containment and quality care in nursing homes;

(2) encourage nursing homes to admit persons without regard to their source of payment;

(3) provide an incentive to nursing homes to admit and provide care to persons in need of comparatively greater care;

(4) be manageable administratively for both the State and nursing homes; and

(5) prevent unnecessary cost increases.
Rate Setting

33 V.S.A. § 904. Rate setting

(a) The Director shall establish by rule procedures for determining payment rates for care of State-assisted persons to nursing homes and to such other providers as the Secretary shall direct. The Secretary shall have the authority to establish rates that the Secretary deems sufficient to ensure that the quality standards prescribed by section 7117 of this title are maintained, subject to the provisions of section 906 of this title. Beginning in State fiscal year 2003, the Medicaid budget for care of State-assisted persons in nursing homes shall employ an annual inflation factor which is reasonable and which adequately reflects economic conditions, in accordance with the provisions of Section 5.8 of the regulations promulgated by the Division of Rate Setting ("Methods, Standards, and Principles for Establishing Medicaid Payment Rates for Long-Term Care Facilities").


42 U.S.C. §1396a(a)(30)- Medicaid State Plan must provide “... payment for care and services ... as may be necessary to safeguard against unnecessary utilization of such care and services and to assure that payments are consistent with efficiency, economy, and quality of care....”
Rate Setting

- Cost based- reimbursed for “allowable costs”
  - Nursing care (i.e. RN, LPN, LNA)
  - Director of Nursing
  - Resident care (i.e. food, activities)
  - Indirect care (i.e. administrative, plant operation & maintenance, housekeeping/laundry)
  - Property (i.e. depreciation, interest, insurance)
  - Ancillary (i.e. medical supplies, incontinence supplies, therapies)

- The nursing component of the rate adjusted for resident acuity- level of care of population

- Examples of penalties
  - Occupancy below 90% (current statewide occupancy 85%)
  - Median limits for resident care & indirect
  - Nursing at 90th percentile
Rate Setting

- **70% of costs are staffing & benefits**

- Staffing levels heavily regulated. *Some examples:*
  - Have sufficient nursing staff 24/7 (DNS, charge nurses, RN, LPN, LNA)
  - Must employ qualified dietician and sufficient support staff & meet nutritional needs of residents, provide assistive feeding devices, feeding staff, meet food sanitation requirements
  - Activities director
  - Social services director
  - Housekeeping & maintenance staff
  - Medical director

Federal regs: 42 CFR Part 483, Subpart B
Rate Setting

- Rates are based on a “base year” except ancillary & property costs
  - Nursing costs rebased every 2 years
  - All other costs every 4 years

- Nursing costs current rates are set using 2011 costs as the “base year”, all other costs use base year of 2009

- Nursing homes submit detailed cost reports to Division of Rate Setting

- Rates are adjusted quarterly for nursing component of the rate

- Reimbursed today for costs that are outdated by 2-4 years

- Inflation is applied to those costs annually because the state needs to “catch up” in payments from the base year, i.e. 2011 and 2009
  - Meet staffing needs- 70% costs are staffing
  - Minimum wage increase last year
  - Fixed costs of operation
  - Regulatory compliance