
Rate Setting in Nursing Homes

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FEBRUARY 26, 2015



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").

<http://humanservices.vermont.gov/departments/office-of-the-secretary/ahs-drs/nursing-homes/1adopted-rule-effective-9sept2013.pdf>

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

<http://www.dail.vermont.gov/dail-statutes/statutes-dlp-documents/nursing-home-regulations>



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

