

# Nursing Home Contract Staffing Costs & Medicaid Rates

Department of Disabilities, Aging, and Independent Living  
Department of Vermont Health Access

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# Overview

Throughout the last year, the Agency of Human Services and its Departments have collaborated with the nursing facility industry on several fronts:

- COVID Health Outbreak Prevention Response (HOPR)
- Emergency Staffing Pool Contract
- SNF Bed Capacity Grants
- VHCA "Bed Board" Grant
- Extraordinary Financial Relief (EFR) & COVID Relief Funds Grants
- SFY22 BAA (Act 83) - To date, AHS, DVHA and DAIL have engaged in multiple meetings with the VHCA representative and accountant to discuss the impact of high-cost contracted staff, Medicaid rate methodology strategy and data.

# Guiding Language from Act 83, State Fiscal Year 2022 Budget Adjustment Act

*On or before March 1, 2022, the Agency of Human Services shall report to the House and Senate Committees on Appropriations on a plan to address costs associated with contract staffing for nursing homes. The plan shall include a methodology for addressing costs incurred for State fiscal year 2022, as well as a timeline for implementation. The plan shall include a timeline to address the rate setting process for future ongoing base costs starting in State fiscal year 2023.*

# Key Principles

- In order to receive federal match, funding must be incorporated into Medicaid nursing home rates.
- In order to change Medicaid rates, Nursing Home Rate Setting Rule provisions that allow for adjustment must be identified.
- In order to change Medicaid rates, there must be data available to substantiate the need and justify additional Medicaid funding.

# Evaluation of SFY 2022 Contract Staffing Costs

- The Division of Rate Setting's rules (Section 5.8 (c)) require an additional 1% to be added to the annual inflation factor for the Nursing Care rate component. The Nursing Care rate component is based on all base year nursing costs--contract and salaried--as well as the quarterly average case mix score for each facility and the inflation factor. With an emergency rule change, this existing framework in the rule and rate setting model shall be used to add an additional defined percentage to the Nursing Care inflation factor for SFY 2022.
- Analysis is ongoing regarding the amount by which the factor would be adjusted (and the associated fiscal impact).
  - Data from the facilities from the first 6 months of CY 2021 **did not** show that contract nursing costs allocable to Medicaid days were in excess of the 9.65% nursing care inflation included in the existing SFY 2022 Medicaid rates.
  - AHS received additional data for the remainder of CY 2021 this week; analysis is underway.
- In the event this approach is not supported by data, Extraordinary Financial Relief is being reviewed as an alternative for the facilities most impacted by contract nursing costs.

# SFY 2022 Options

## Nursing Care Cost Inflation Adjustment

- Advantages
  - Can be retroactive to 7/1/2021
  - No applications needed from facilities
- Challenges
  - Would require emergency rulemaking
  - Not reflective of variation in costs by facility

## Supporting Specific Facilities to Pursue Extraordinary Financial Relief

- Advantages
  - Can be targeted to facilities most affected by contract nursing costs
  - Mechanism is available in the existing rate setting rule
- Challenges
  - Requires facilities to be at risk of financial failure

# SFY 2022 Timeline Considerations

- Timeline considerations are dependent on the option that is identified as being most appropriate.
- Nursing Care Cost Inflation Adjustment
  - Additional data is being reviewed by the Division of Rate Setting to substantiate the appropriateness of this adjustment.
  - If it is deemed appropriate to change the inflation factor and increase SFY 2022 rates, emergency rulemaking and rate adjustment activity will occur in the final quarter of SFY 2022. This would include retroactive reprocessing of SFY 2022 claims submitted to date to reflect modified rates.
- Extraordinary Financial Relief
  - Applications can be submitted at any time.
  - Requests are processed on an expedited basis as received.
  - Once approved, Medicaid rates are adjusted to reflect the approved amount of funding.

# SFY 2023 Options

- AHS is evaluating options for addressing ongoing, increased costs for SFY 2023 as a bridge to the next nursing cost rebase for rates in SFY 2024. Two options under consideration include:
  1. An adjustment to the nursing care cost component inflation factor;
  2. An off-cycle nursing cost rebase.
- Timeline considerations will vary depending on the recommended course.
  - Further provider input and AHS analysis is required to understand the operational feasibility of the second option.
  - Any additional funding required for rate increases shall be addressed in SFY 2023 BAA.



# SFY 2023 Options

## Nursing Care Cost Inflation Adjustment

- Advantages
  - Could be calculated to be in effect 7/1/2022
  - No applications needed from facilities
- Challenges
  - Would require emergency rulemaking
  - Not reflective of variation in costs by facility

## Off-Cycle Nursing Cost Rebase

- Advantages
  - Would reflect variations in costs by facility
- Challenges
  - HIGHLY dependent on timely submission of finalized, audited documentation from facilities
  - Limited ability to forecast how much of an increase would result

# SFY 2023 Planning – Next Steps

- Surveying all nursing facilities to ascertain willingness to consider an off-cycle nursing cost rebase and their ability to commit to providing the required financial information in a timely manner.
- Reviewing most up-to-date inflation factors, available late April.
- Evaluating the potential to implement other adjustments (e.g., a reduction in minimum occupancy requirements) along with the next nursing cost rebase.