

Nursing Home Rate Setting

Department of Vermont Health Access

Division of Rate Setting

February 15, 2024

Discussion Topics

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2. Overview of Medicaid Rate Setting for Nursing Homes
3. DAIL SFY 2025 Budget Items
4. Rule Change for Nursing Home Rate Setting

Overview of the Division of Rate Setting

- The Division of Rate Setting is a unit of accounting and finance trained staff within the Department of Vermont Health Access (DVHA).
- The Division of Rate Setting implements cost-based rate setting methodologies on behalf of other departments within the Agency of Human Services (AHS).
- One of the Division's responsibilities is setting the Medicaid rates for nursing homes pursuant to the Vermont Division of Rate Setting Rules.
- The Medicaid rates are cost-based and are different for each home.

Overview of Medicaid Rate Setting for Nursing Homes

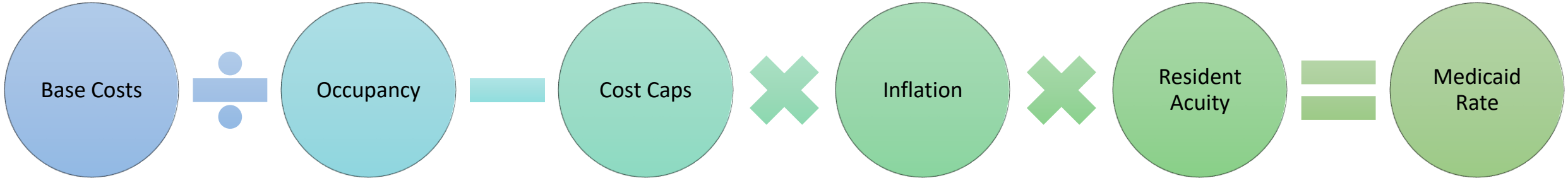
- The rates are set using historic base year costs in several cost categories. Each category has a specified rebase frequency (SFY 2024 was a base year for all cost categories), and some categories are subject to limits or caps.

Cost Category	Rebase Frequency	Cap/Limit
Nursing	Every 2 years	90 th percentile
Director of Nursing	Every 4 years	N/A
Resident Care	Every 4 years	Median + 5%
Indirect Care	Every 4 years	Median + 5%
Property	Every year	N/A
Ancillary	Every year	N/A

Overview of Medicaid Rate Setting for Nursing Homes

- Base year costs are inflated annually from the base year to the rate year using inflation factors calculated for each cost category.
- Most cost categories (excluding Nursing and Ancillary) are also subject to a 90% occupancy limit. This means that the lowest number of resident days used to calculate rates is 90% of capacity, regardless of actual occupancy.
- The Nursing component of the rate is adjusted on a quarterly basis using data for each resident to factor in the acuity of the current residents of the facility.

Simplified Rate Setting Process



DAIL SFY 2025 Budget Items

1) Statutory Nursing Home (NH) inflationary rate increase	\$ 4,908,476
2) Skilled Nursing Facilities (SNF) Rate Method Stabilization Proposal	\$ 9,900,000

- The \$4.9M for the annual inflationary increase was calculated based on the base year costs prescribed for the SFY 2025 rate period and using national inflationary factors for different cost categories ranging from approximately 17-21%

DAIL SFY 2025 Budget Items

1) Statutory Nursing Home (NH) inflationary rate increase	\$ 4,908,476
2) Skilled Nursing Facilities (SNF) Rate Method Stabilization Proposal	\$ 9,900,000

- The \$9.9M assumes two additional policy changes to the nursing home rate setting methodology:
 - Adjusting the current rule's minimum occupancy for nursing homes from 90% to 80% (in line with the recommendations contained in the Minimum Occupancy legislative report submitted in January), and
 - Increasing the current rule's cost caps for nursing, resident care, and indirect care
- Neither of these policy levers have been adjusted within the last decade

Vermont Nursing Home	Minimum Occupancy (Change threshold from 90% to 80%)	Nursing Cap (Increase cap from 90th percentile to 95th percentile)	Resident Care Cap (Increase cap from median + 5% to median + 25%)	Indirect Care Cap (Increase cap from median + 5% to median + 15%)
1	\$300,558	\$0	\$0	\$0
2	\$344,562	\$0	\$0	\$0
3	\$68,211	\$84,155	\$49,410	\$67,220
4	\$365,692	\$473,593	\$76,515	\$198,212
5	\$286,822	\$0	\$0	\$0
6	\$230,647	\$0	\$0	\$0
7	\$49,647	\$0	\$0	\$0
8	\$262,298	\$0	\$0	\$0
9	\$215,996	\$0	\$0	\$0
10	\$59,019	\$0	\$0	\$7,682
11	\$452,557	\$0	\$0	\$0
12	\$88,354	\$0	\$0	\$0
13	\$331,023	\$0	\$0	\$0
14	\$280,318	\$0	\$0	\$0
15	\$47,743	\$0	\$18,975	\$25,815
16	\$252,710	\$0	\$0	\$0
17	\$529,859	\$0	\$0	\$0
18	\$11,428	\$0	\$28,763	\$39,131
19	\$423,272	\$0	\$0	\$0
20	\$213,326	\$0	\$0	\$0
21	\$117,878	\$0	\$0	\$0
22	\$100,721	\$0	\$29,525	\$99,257
23	\$97,388	\$0	\$0	\$3,317
24	\$82,194	\$0	\$32,594	\$80,999
25	\$394,109	\$0	\$0	\$0
26	\$168,658	\$0	\$55,433	\$97,287
27	\$25,472	\$14,172	\$33,131	\$45,074
28	\$109,241	\$0	\$64,050	\$87,138
29	\$486,740	\$0	\$0	\$0
30	\$338,617	\$0	\$0	\$0
31	\$78,340	\$0	\$18,507	\$71,101
32	\$267,006	\$374,880	\$115,326	\$156,897
Total	\$7,080,408	\$946,800	\$522,229	\$979,130

Rule Change for Nursing Home Rate Setting

- Under current rules, every time DAHL or DVHA implement even a minor adjustment to the rate setting methodology, AHS must adopt amended rules. Adopting rules can take 6-12 months.
- AHS is proposing to move most of the technical details to a new reimbursement manual, which AHS can amend more easily than adopting amended rules.
- If DAHL and DVHA wish to make a change that would have a fiscal impact, AHS would still incorporate those into the state budget development process for legislative review of the change.
- Public comment on the proposed rule change ends February 15, 2024; the next step is to submit to LCAR for consideration.