LeadingAge Florida
Prospective Payment Recommendations

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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.

PPS Payment Plan Recommendation 2

- 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.

PPS Payment Plan Recommendation 3

- 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:

$$\frac{\textit{(Quality Score – Quality Score Median) * 0.10 * CNHOP}}{\textit{(Quality Score Maximum – Quality Score Median)}}$$

    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 * CNHOP * (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:

  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.