



Comments Regarding the PPS Plan Presented at the September 22 Public Meeting

Following are our comments and proposals to help fashion an equitable and effective Medicaid PPS in residential LTC.

Whatever formulas may ultimately be adopted the system and its implementation must not create an upheaval in the lives of residents under care by undermining provider financial stability and viability. To that end we propose, regardless of the details of the PPS plan adopted, there be an annual limit of 5% loss or gain in the rate paid any one provider. This will eliminate the perverse result of enormous windfalls, often to underperforming providers and catastrophic losses, often to the consistently highest quality providers.

LeadingAge Florida conducted an extensive review and analysis of the PPS plan proposed during the September 22, 2016 Public Meeting. Before we get into the details of why we have significant concerns over the proposed pricing structure, let us compliment AHCA and Navigant for a reasonable approach on budget neutrality and property reimbursement. Additionally, we are comfortable with the quality point allocation scheme, but would like to recommend that it be slightly modified as follows:

- Please remove Depression from the Outcomes Measures. The inclusion of this measure with a point score of 3 may adversely impact on homes with high volume of dementia cases.
- Please reassign the 3 points removed from the Outcomes Measures to the Five-Star Quality Rating in Structure Measures. The Five-Star Quality Rating already encompasses outcome measures, including depression, so this is a reasonable alternative to retain the total 40-point maximum for the quality model. We also note that Depression, Restraints, and Flu have virtually no variations. At least for Restraints this results in every facility receiving the full 3 points allowed.
- Please clarify that amount of funds used for the quality component will remain at 7% of the available non-property related funds, as opposed to the fixed dollar amount of \$221 million in the model.

Our major concerns center around the pricing structure that is based on the medians for the three cost components of Operating, Indirect Care, and Direct Care. We believe that the proposed structure will degrade quality of care in Florida's nursing homes and adversely impact the lives of not only nursing home residents, but also staff caring for these residents. Forcing facilities to provide care at approximately the median cost will result in median quality of care. We have come too far over the last three or four decades to slide backwards now. Reduced payments will result in reductions in staffing, quality of food, and more than likely in reduced access to nursing home care by Medicaid beneficiaries. We are convinced that these are not the outcomes AHCA desires.

Other than a slightly reduced administrative burden of rate calculations, the proposed pricing structure serves no defensible public policy initiative and violates AHCA's guiding principles related to quality, equity, and access. Under the proposed pricing structure millions of dollars would be shifted from high quality but commensurately high cost nursing homes to underperforming low cost nursing homes primarily managed by large chains.

The concept of providing additional reimbursement to low cost, underperforming homes to encourage improvement in care cannot be backed up by existing data. The typical winners under the proposed price structure are the homes that are already spending less on caring for their residents than the current Medicaid rate. Nothing in the current system prevents these homes from improving their care. Additional Medicaid payments without commensurate expenditures for care will only serve to increase profits for their shareholders.

In the spirit of cooperation, we offer the pricing system described below:

- Pay property based on the FRVS system proposed in the Navigant presentation.
- Establish a Quality Add-on point system as proposed by the Navigant presentation, but modified to remove Depression, and reassign the related points to the Five-Star Quality Rating component. Allocate 7% of the sum of Operating, Indirect Care, Direct Care and Quality Assessment Add-on, to be reallocated based on the quality point system.

- Establish two geographic regions as proposed by the Navigant presentation.
- Establish five price tiers for Operating, Indirect Care, and Direct Care based on the quintiles of the component rates paid as of September 1, 2016.
- For each of the three cost components establish the Tier Price as the median of the tier.
- Assign the Tier Price to each nursing home in that tier.
- Uniformly adjust total Operating, Indirect, and Direct Care rates to achieve budget neutrality.
- Phase-in the new system
 - Year 1 – 66.7% Current Rate + 33.3% New Rate,
 - Year 2 – 33.3% Current Rate + 66.7% New Rate,
 - Year 3 – 100% New Rate.
- Annually adjust prices for inflation.
- Every three years recalibrate tiers based on inflated component costs.

The impact of both Navigant proposed and LeadingAge proposed models are attached. The attachment includes both summary data as well as facility specific results.

Because the Navigant plan as presented violates a number of our guiding principles, LeadingAge Florida cannot support it. We are, however, committed to continue to work with AHCA and Navigant to develop a sound proposal that accomplishes all of the AHCA and LeadingAge Florida priorities and guiding principles.