

AHCA NURSING HOME PROSPECTIVE PAYMENT SYSTEM

3RD NPPS PUBLIC MEETING

SEPTEMBER 22, 2016

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GUIDING PRINCIPLES

When designing the new PPS methodology, Navigant will evaluate each option based on the following guiding principles:

Quality

- Does the methodology promote and reward high quality long-term care provision?

Access

- Does the methodology promote and maintain access to care for people who require long-term care, including hard to serve patient populations?

Equity

- Does the methodology promote equity in payment across providers for care and properly address various cost centers?

Predictability


- Does the methodology improve the ability for AHCA and providers to adequately plan and budget?

Simplicity

- Is the methodology easy to understand and replicate?



Budget Neutrality – Goal for Design is to be Budget Neutral



SECTION 1:
DRAFT QUALITY
MEASUREMENT
MODEL

QUALITY MEASURES USED IN DRAFT MODEL

Process Measures

Percent of Residents Assessed and Appropriately Given the Seasonal Influenza Vaccine

Percent of Residents Who Received an Antipsychotic Medication

Percentage of long-stay residents who were physically restrained

Outcomes Measures

Percentage of long-stay residents with a urinary tract infection

Percentage of high risk long-stay residents with pressure ulcers

Percentage of long-stay residents experiencing one or more falls with major injury

Percentage of long-stay residents who have depressive symptoms

Percent of long-stay residents whose need for help with Activities of Daily Living has increased

Structure Measures

Combined Direct Care Staffing Hours (plus Social Work and Activity Staffing Hours when metrics are available)

Five-Star Quality Rating

Governor's Gold Seal Award

QUALITY MODEL METHODOLOGY

Process Measures:	.5 Points	1 Point	2 Points	3 Points	Maximum Points per Facility
Flu Vaccine	20% year-over-year improvement. In first year, improvement is calculated as the change from the year preceding the base year to the base year measurement.	Above 50th Percentile	Above 75th Percentile	Above 90th Percentile	3
Antipsychotic		Below 50th Percentile	Below 25th percentile	Below 10th Percentile	3
Restrained		Below 50th Percentile	Below 25th Percentile	Below 10th Percentile	3
Outcomes Measures:	.5 Points	1 Point	2 Points	3 Points	Maximum Points per Facility
UTI	20% year-over-year improvement. In first year, improvement is calculated as the change from the year preceding the base year to the base year measurement.	Below 50th Percentile	Below 25th Percentile	Below 10th Percentile	3
Pressure Ulcers		Below 50th Percentile	Below 25th Percentile	Below 10th Percentile	3
Falls		Below 50th Percentile	Below 25th Percentile	Below 10th Percentile	3
Depression		Below 50th Percentile	Below 25th Percentile	Below 10th Percentile	3
ADLs		Below 50th Percentile	Below 25th Percentile	Below 10th Percentile	3
Structure Measures:	No Points Awarded To Those Under Median	2 Points	4 Points	6 Points	Maximum Points per Facility
Combined Direct Care Staffing (Includes RN, LPN, CNA) plus Social Work and Activity Staffing (when available)	N/A	Above 50 th Percentile	Above 75th Percentile	Above 90th Percentile	6
Five-Star Quality Rating	N/A	3 Stars	4 Stars	5 Stars	6
Florida Gold-Seal	N/A	N/A	Awarded	N/A	4

QUALITY MODEL METHODOLOGY


Measure Category	Maximum Points per Facility
Process Measures	9
Outcomes Measures	15
Structure Measures	16
Total Available Points	40

To calculate facility payments, the points that are awarded across all providers are summed. Then, divide the total quality set-aside amount* by the total number of points awarded to come up with an “incentive value” per point. Each provider would get that amount multiplied by the number of points they were awarded followed by an adjustment for Medicaid utilization.

**Tentative quality incentive amount is 7% of historical Direct, Indirect, Operating and Supplemental Payment components of the per diem*

QUALITY MEASURE DECISIONS

- What thresholds should be used for each measure?
- How will quality funds fluctuate from year to year?
- How will new facilities, who lack historical performance data needed to demonstrate improvement, be scored?
- How will new measures be implemented when related data becomes available?
- Should the thresholds be constant over time or updated annually based on newer information?




SECTION 2:
FRVS
IMPLEMENTATION
DETAILS

ADJUSTING FACILITY AGE BASED ON RENOVATIONS

- Is there a minimum renovation cost amount below which the renovation is not considered for adjustment of facility age? For example, Washington uses \$2,000 per bed.
- Should additions in which new beds are added affect the age determination differently than renovations that do not add new beds?
- Are there any renovations that should not count – such as improvements to the facility lobby, administrative offices, and other spaces not common or used for provision of direct or indirect care?

SURVEY OF RENOVATIONS

- A survey was performed across Nursing Homes, to obtain self-reported information on historic renovations.
- This survey was voluntary, responses were received from approximately 60% of facilities in the state.
- AHCA will be re-initiating this survey, with the goal of full industry response to finalize rates.
- Renovations in-eligible for depreciation offset
 - Additions of facility beds without a correspondent increase in facility square footage
 - Renovations with total costs less than an amount per facility bed (amount still to be determined)
 - Renovations must be fully completed



SECTION 3:
INITIAL PRICING
SIMULATIONS

NURSING FACILITY MEDICAID BUDGET

Rate Year 2017 (effective 9/1/2016)

Component	Budget
Direct	\$1,360,569,646
Indirect	\$864,266,427
Operating	\$772,445,505
Property (including ROE)	\$222,553,190
Supplemental Payments	\$402,451,838
Pediatric Add-On	\$14,391,229
Total	\$3,636,677,835

PRICING MODEL ASSUMPTIONS - 1

- Parameters from Preliminary Conceptual Design were used and then adjusters were applied to create budget neutrality for the property and non-property components
 - Direct component – 105% of median with 95% floor
 - Indirect component – 90% of median with no floor
 - Operating component – 90% of median with no floor
- No costs were shifted between components (for example, therapy is still split between Indirect and Operating)
- Fragile pediatric residents were given the same payment increase in the new models as they get in today's payment method (\$299.63 per day)

PRICING MODEL ASSUMPTIONS - 2

- Quality component
 - Total amount is \$221 million which is 7% of the sum of Direct, Indirect, Operating, and Supplemental Payment (\$8.18 per facility) components of the current per diem
 - “Funded” the \$221 million in the new pricing models with all of the supplemental payment (\$131.5 million) plus 2.96% of the Direct, Indirect, and Operating components of the current per diem (2.96% totaled \$89.5 million)
 - The quality funds were distributed proportionally across all facilities (quality model not yet applied)
- FRVS calculation
 - Renovation costs were not known; instead age of each facility was decreased to 75% of their “original age,” where “original age” is the difference between date facility opened and 1/1/2017

RSMEANS PRICE PER SQUARE FOOT

Costs per square foot of floor area

Exterior Wall	S.F. Area	10000	15000	20000	25000	30000	35000	40000	45000	50000
	L.F. Perimeter	286	370	453	457	513	568	624	680	735
Precast Concrete Panels	Bearing Walls	223.90	214.95	210.35	202.45	200.05	198.30	197.00	195.95	195.15
	Steel Frame	229.85	220.90	216.35	208.50	206.05	204.35	203.15	202.05	201.25
Face Brick with Concrete Block Back-up	Bearing Walls	214.60	206.90	202.95	196.50	194.45	193.00	191.95	191.00	190.30
	Steel Joists	221.40	213.70	209.80	203.40	201.35	199.90	198.90	198.00	197.25
Stucco on Concrete Block	Bearing Walls	209.60	202.60	199.00	193.25	191.50	190.15	189.20	188.35	187.70
	Steel Joists	216.35	209.40	205.85	200.20	198.40	197.10	196.15	195.30	194.70
Perimeter Adj., Add or Deduct	Per 100 L.F.	16.15	10.70	8.10	6.50	5.40	4.55	4.00	3.60	3.20
Story Hgt. Adj., Add or Deduct	Per 1 Ft.	3.95	3.40	3.15	2.50	2.35	2.25	2.20	2.05	2.00
<i>For Basement, add \$33.70 per square foot of basement area</i>										

The above costs were calculated using the basic specifications shown on the facing page. These costs should be adjusted where necessary for design alternatives and owner's requirements. Reported completed project costs, for this type of structure, range from \$95.75 to \$240.00 per S.F.

An average of the 25,000 square foot rates was used → \$200.72

DESCRIPTION OF BOTH SIMULATIONS

Simulation 1

- Six Peer Groupings (Current system)
 - North Small
 - North Large
 - South Small
 - South Large
 - Central Small
 - Central Large

Simulation 2

- Two Peer Groupings
 - SMMC Regions 1-9
 - SMMC Region 10 and 11
 - 10: *Broward*
 - 11: *Miami-Dade, Monroe*

FRVS PARAMETERS

Parameter	Navigant Pricing Model
Land Percentage	10% of pre-depreciation building value
Equipment Cost Per Bed	10% of pre-depreciation building value
Depreciation Factor	1.5%
Fair Rental Rate	7.5%
Minimum Occupancy	90%
Maximum Facility Age	30 years
Minimum Square Footage Per Bed	250 sq. ft.
Maximum Square Footage Per Bed	600 sq. ft.
Facility Age Adjustor	0.75
Budget Neutrality Adjustor	1.458

FRVS parameters in Simulation 2 are the same as in Simulation 1.

SIMULATION 1 – TOTAL PAYMENTS

	Patient Care (Non Property)	Property (FRVS)	Annual Quality Assessment	Annual Supplemental Payment	Quality Rate	Total Per Diem Payment
Current RY 2016 Spending:	\$3,027,652,674	\$222,553,190	\$270,848,900	\$131,602,932	\$0	\$3,652,657,697
Current RY 2016 Spending Reduced for Quality Component:	\$2,938,107,714	\$222,553,190	\$270,848,900	\$0	\$221,147,892	\$3,652,657,697
Proposed Annual Spending:	\$2,938,098,274	\$222,612,234	\$270,848,900	\$0	\$221,147,892	\$3,652,707,302
Difference:	-\$9,440	\$59,044	\$0			\$49,605

	Budget Neutrality Multiplier	Money Added from Multiplier
Non Property	1.0341	\$100,189,151
Property (FRVS)	1.458	\$101,956,403

	Percentage	Dollars
Amount Removed from Non-Property for New Quality Component	2.96%	\$89,544,960

SIMULATION 1 – DIRECT CARE PARAMETERS

Region	Median DC	% of Median	DC Price	DC Floor			
North Small	\$80.78	105%	\$84.82	95.0%	Add-On 1 Per Diem:	\$299.63	Fragile, under 21
North Large	\$84.10	105%	\$88.31	95.0%	Add-On 2 Per Diem:	\$0.00	
South Small	\$94.83	105%	\$99.58	95.0%	Add-On 3 Per Diem:	\$0.00	
South Large	\$86.47	105%	\$90.80	95.0%			
Central Small	\$81.88	105%	\$85.98	95.0%			
Central Large	\$80.49	105%	\$84.51	95.0%			

Current Budget for Direct Component Including Add-Ons:	\$1,390,940,742		
Current Budget for Direct Component Adjusted Down for Quality Withhold:	\$1,349,802,690		
Projected Spend for Direct Component:	\$1,396,400,677	Difference:	\$46,597,987

SIMULATION 1 – INDIRECT CARE PARAMETERS

Region	Median Indirect Care Costs	% of Median	Indirect Care Price	Indirect Care Floor
North Small	\$57.63	90%	\$51.86	0.0%
North Large	\$51.44	90%	\$46.29	0.0%
South Small	\$72.35	90%	\$65.11	0.0%
South Large	\$56.77	90%	\$51.09	0.0%
Central Small	\$56.16	90%	\$50.54	0.0%
Central Large	\$50.49	90%	\$45.44	0.0%

Current Budget for Indirect Component:	\$864,266,427		
Current Budget for Indirect Component Adjusted Down for Quality Withhold:	\$838,705,139		
Projected Spend for Indirect Component:	\$808,167,265	Difference:	-\$30,537,874

SIMULATION 1 – OPERATING PARAMETERS

Region	Median Operating Costs	% of Median	Operating Price	Operating Floor
North Small	\$51.73	90%	\$46.56	0.0%
North Large	\$46.09	90%	\$41.48	0.0%
South Small	\$61.03	90%	\$54.92	0.0%
South Large	\$51.29	90%	\$46.16	0.0%
Central Small	\$54.80	90%	\$49.32	0.0%
Central Large	\$46.80	90%	\$42.12	0.0%

Current Budget for Operating Component:	\$772,445,505		
Current Budget for Operating Component Adjusted Down for Quality Withhold:	\$749,599,885		
Projected Spend for Operating Component:	\$733,530,333	Difference:	-\$16,069,553

SIMULATION 2 – TOTAL PAYMENTS

	Patient Care (Non Property)	Property (FRVS)	Annual Quality Assessment	Annual Supplemental Payment	Quality Rate	Total Per Diem Payment
Current RY 2016 Spending:	\$3,027,652,674	\$222,553,190	\$270,848,900	\$131,602,932	\$0	\$3,652,657,697
Current RY 2016 Spending Reduced for Quality Component:	\$2,938,107,714	\$222,553,190	\$270,848,900	\$0	\$221,147,892	\$3,652,657,697
Proposed Annual Spending:	\$2,938,108,697	\$222,612,234	\$270,848,900	\$0	\$221,147,892	\$3,652,717,724
Difference:	-\$983	\$59,044	\$0			\$60,028

	Budget Neutrality Multiplier	Money Added from Multiplier
Non Property	1.028036	\$82,372,815
Property (FRVS)	1.458	\$101,956,403

	Percentage	Dollars
Amount Removed from Non-Property for New Quality Component	2.96%	\$89,544,960

SIMULATION 2 – DIRECT CARE PARAMETERS

Region	Median DC	% of Median	DC Price	DC Floor			
Regions 1-9	\$ 83.32	105%	\$87.49	95.0%	Add-On 1 Per Diem:	\$299.63	Fragile, under 21
Regions 10-11	\$ 87.83	105%	\$92.22	95.0%	Add-On 2 Per Diem:	\$0.00	
					Add-On 3 Per Diem:	\$0.00	

Current Budget for Direct Component Including Add-Ons:	\$1,390,940,742		
Current Budget for Direct Component Adjusted Down for Quality Withhold:	\$1,349,802,690		
Projected Spend for Direct Component:	\$1,388,941,331	Difference:	\$39,138,641

SIMULATION 2 – INDIRECT CARE PARAMETERS

Region	Median Indirect Care Costs	% of Median	Indirect Care Price	Indirect Care Floor
Regions 1-9	\$53.19	90%	\$47.87	0.0%
Regions 10-11	\$62.44	90%	\$56.20	0.0%

Current Budget for Indirect Component:	\$864,266,427		
Current Budget for Indirect Component Adjusted Down for Quality Withhold:	\$838,705,139		
Projected Spend for Indirect Component:	\$814,286,731	Difference:	-\$24,418,408

SIMULATION 2 – OPERATING PARAMETERS

Region	Median Operating Costs	% of Median	Operating Price	Operating Floor
Regions 1-9	\$48.43	90%	\$43.58	0.0%
Regions 10-11	\$54.20	90%	\$48.78	0.0%

Current Budget for Operating Component:	\$772,445,505		
Current Budget for Operating Component Adjusted Down for Quality Withhold:	\$749,599,885		
Projected Spend for Operating Component:	\$734,880,636	Difference:	-\$14,719,250

COST CENTER CONSIDERATION

- Are there components of the indirect care cost center that should be transitioned to the direct care cost center to incentivize investment in patient care and quality of life, anticipating direct care will adjusted upward from the median?
- Which cost components should be shifted?
 - Nutrition/Dietary Services
 - Activities/Therapeutic Recreation
 - Therapy
 - Social Services
 - Other?

QUESTIONS

For questions or comments related to this study, please contact:

Lisa Smith, Regulatory Analyst Supervisor

- Email: Lisa.Smith@ahca.myflorida.com
- Phone: 850-412-4114

Next Public Meeting scheduled for October 20th

PUBLIC COMMENT
