DEPARTMENT OF HUMAN SERVICES

Nursing Facility Rate Payment Overview

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Continuing Care for Older Adults Administration

Nursing Facility Background

Both the Department of Human Services (DHS) and the Department of Health (MDH) have responsibilities for nursing facilities.

- DHS purchases services through the Medical Assistance program ("Medicaid") and is also responsible for developing and interpreting policy concerning nursing home services, quality of care and payment rates.
- MDH is responsible for licensing and inspecting nursing facilities as well as investigating allegations of neglect and maltreatment of residents who live in nursing facilities.

What Services are Covered in Nursing Facilities

- Services are bundled into a comprehensive package of room, board and nursing services.
- In Minnesota, private-pay rates are equalized to Medicaid's rate.
  - With some exceptions for private rooms.
- The package does not include costs for:
  - Prescription Medication
  - Hospitalization and physician services
  - Physical, occupational and speech therapy

How is a person admitted to a nursing facility?

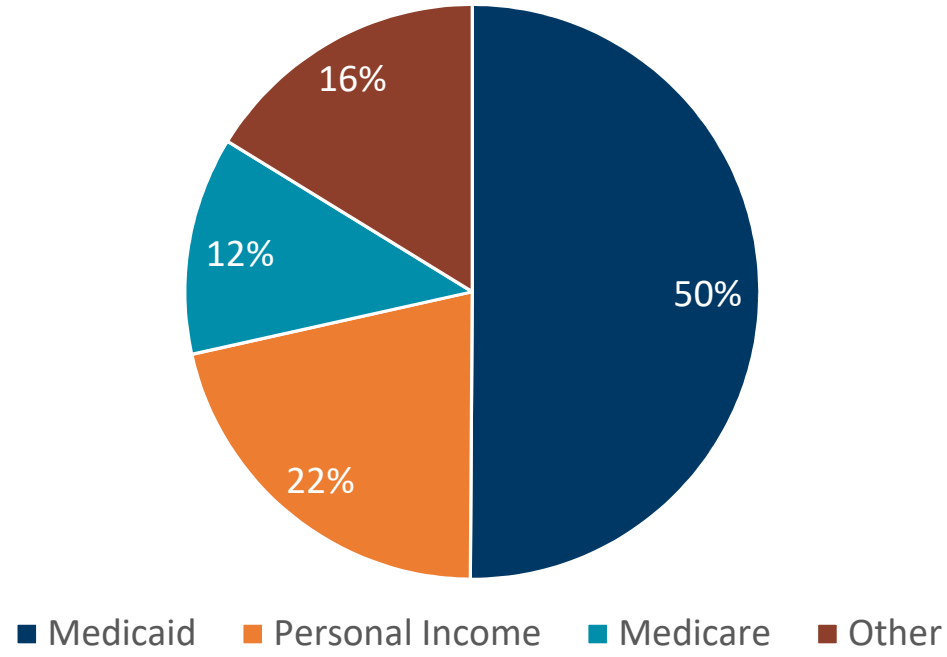
Anyone seeking admission to a Medicaid certified nursing facility must be assessed to determine if they need nursing facility level of care.

Most admissions to nursing facilities occur following a hospitalization.

In 2019: there were approximately 65,000 admissions to MN nursing facilities, of those over 60% stay less than 30 days.

Nursing Facility Funding Sources

Approximately $2.5 billion is spent annually on nursing home care in Minnesota



Medicaid Average Payment Rates are Increasing

January 1, 2018	$246.52 per day	$7400 per month	$89,000 per year
January 1, 2019	$262.11 per day	$8000 per month	$96,000 per year
January 1, 2020	$270.79 per day	$8200 per month	$99,000 per year

Forecast Projects Significant Growth in Nursing Facility Costs

- Annual Medicaid payments to nursing facilities are projected to grow by 74 percent over ten years -- from $808 million in Fiscal Year 2016 to $1.4 billion in 2025
- Medicaid is a state and federal partnership (State General Fund usually pays approximately 50 percent)
- The number of residents served will decrease by 6 percent (14,665 people in 2016, dropping to 13,738 in 2025)

Current Reimbursement Rate Structure

Value-Based Reimbursement (VBR)

- Established by the Legislature in 2015
- Over $400 million investment in the first 4 years
- Rates paid based on costs reported by facilities.
- MN Medicaid cost-based reimbursement is unique to NFs.
- Uses a quality score to set care-related spending limits.

Value-Based Reimbursement - Primary Goals

Address workforce shortages

- Low wages
- Poor benefit packages
- Recruitment
- Retention

Increase Medicaid reimbursement targeted to direct care and care-related services.

Quality Incentive

- State will pay more for higher quality

Rate Components

Direct Care	• Nursing care and medical supplies
Other Care	• Residents' activities, social services, religious/personnel and food.
Other Operating	• Administrative costs, dietary, housekeeping, laundry and maintenance and plant operations costs.
External Fixed Costs	• Miscellaneous adjustments such as pass-through costs, surcharge and licensure fees.
Property	• Costs associated with the use of the physical property.

Rates are Case Mix Adjusted

- Each NF has their own set of unique rates.
- Each resident's rate will vary depending on the resources necessary to meet the needs of each resident.
- Resident care needs determined by a federally mandated clinical assessment.
- Example: An operating rate may vary between a low of $165.10 to a high of $523.25 per day, depending on the resident's needs.

Total Payment Rate - Example

Value Based Reimbursement - Quality Incentive

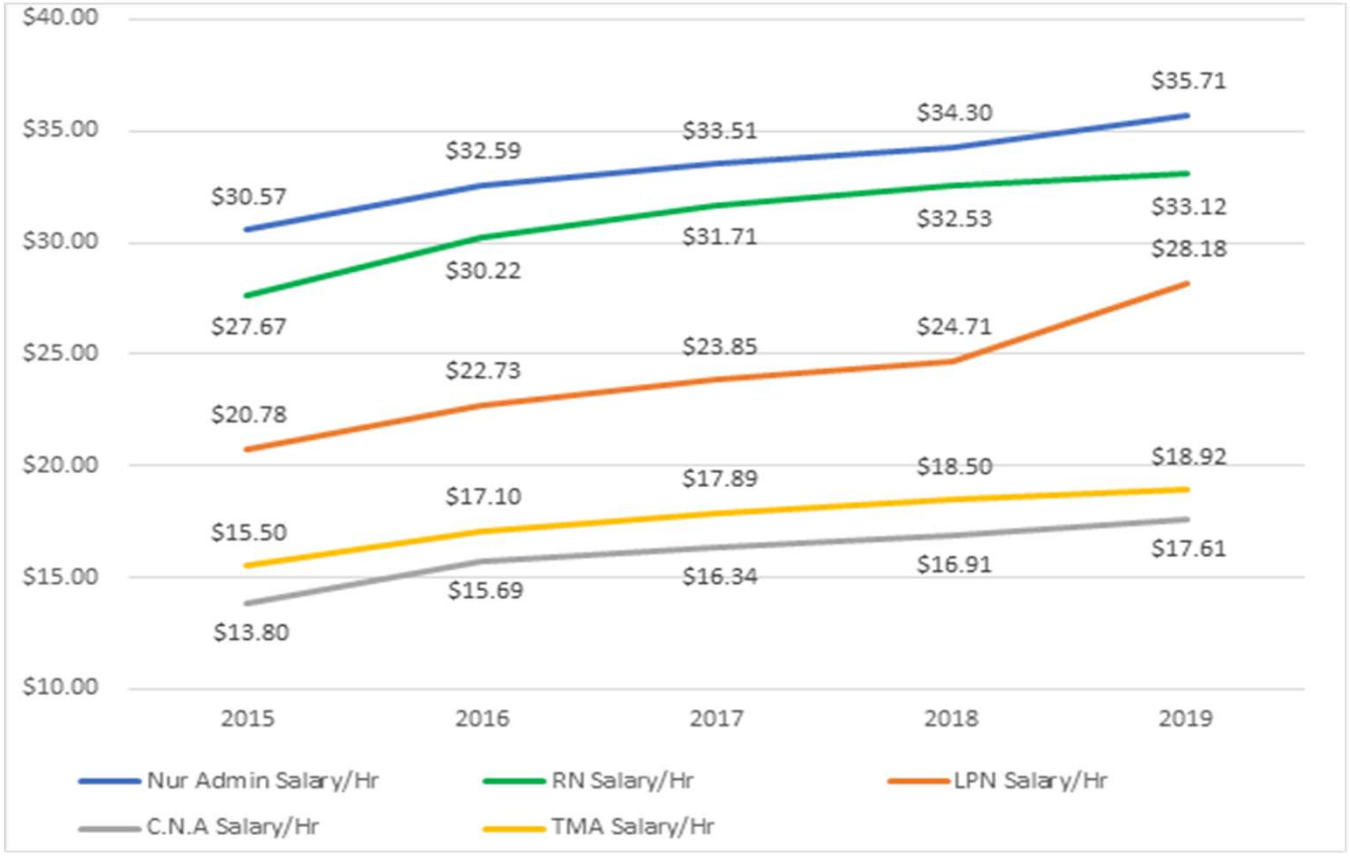
- The limit calculation begins with the 7-county metro median care-related costs.
- The limit moves above or below the metro median depending on the facility's quality score.
- A comprehensive quality score is based on a mixture of short-stay and long stay quality measures.
- Under the current formula, less than a handful of NFs are limited.

Nursing Facility Industry Trends

General Trends

- Hourly wages of direct care workers have continued to trend upwards
- High growth rate in spending on workers' health insurance benefits
- Hospital-attached nursing facilities have highest costs; government-owned and non-profit facilities have higher spending than for-profit.
- Change of ownership (CHOW) of facilities increased since 2016, facilities that experienced a new owner have generally lower quality than peers.

Average Wage Rates Increasing for all Care-Related Staff



Change of Ownership (CHOW)

Year	# of CHOWs
2014	4
2015	10
2016	12
2017	45
2018	5
2019	19
2020*	10
Total	105

Ownership type before the CHOW

23 non-profit; 7 gov't; 75 for profit

Ownership type post-CHOW

11 non-profit; 2 gov't; 92 for profit

71 Non-Metro; 34 Metro

* Based on data available on 12/31/2020

NF Closures

Year	# of Closures	Non-Metro	Metro
2014	3	3	0
2015	6	5	1
2016	3	2	1
2017	4	3	1
2018	4	4	0
2019	4	4	0
2020	3	2	1
Total	27	23	4

Evaluation of Value-Based Reimbursement

Value-Based Reimbursement - Independent Evaluation

- Legislative report to be published in February 2021
  - Prior legislative report published in February 2019
- Independent evaluation by:
  - Purdue University
  - University of MN
- Evaluators examined trends in major indicators and outcomes
- Conducted in-depth analysis of quality measures and scoring methods.

Evaluator Recommendations

Explore strategies to reduce cost investment risk for facilities that are lagging in quality metrics and are constrained by initial pre-VBR spending.

Implement strategies to hold new owners accountable for expenditures and care quality after a change of ownership

Consider modifications to quality measures such as reducing the number of indicators, revision of some of the indicators, and reforming the current scoring program.

Utilize incentive and quality measurement strategies that differentiate facilities in terms of role in the long term care system.

Next Steps and Challenges

- Facilitate stakeholder engagement and implement reform of the quality measurement system.
- Continue work to redesign the VBR quality incentive.
- Explore a reform of MN licensing standards for NFs and align with new Assisted Living license standards.
- Prepare MN payment system to transition to the modified Federal case mix system.

COVID Pandemic Response in Nursing Facilities

DHS Responses for Nursing Facilities during COVID

- Since March, DHS commissioner has used authority in state law for disasters/emergencies to provide expedited reimbursement to NFs for higher incremental costs of COVID-19. (Minnesota Statutes, section 12A.10)
- Temporary waiver of a physician's order to authorize Medicaid payment for a private room when quarantine is needed due to potential exposure to COVID
- Extended facilities' cost reporting deadline by 60 days to April 1, 2021. Allow more time for NFs to determine how to use federal CARES Act funds.
- Grants of $3,000 for each NF to purchase communication technology and $3,000 for in-person visitation aids (funded from Civil Monetary Penalties).
- On case-by-case basis, temporarily waived maximum charge amounts for supplemental nursing services agencies (SNSA) when providing staff to work in facilities with COVID-19.

12A.10 authorized reimbursement to date

- Applications approved to date:
  - $3,867,453 has already been distributed to facilities (as of Dec. 2020)
  - This reflects payments issued to 20 different facilities
- Applications submitted but not yet finalized (e.g. provider needs to submit additional information to DHS)
  - $6,087,705 in requests are pending
  - This pending amount reflects 85 applications that are currently in various stages of the application process; not all of these will qualify for funding
  - Interaction with other federal COVID relief has added complication

COVID-19 Response in Nursing Facilities
Federal Funding Sources

- Federal CARES Act general distribution Provider Relief Funds (PRF)
- Treasury, Small Business Administration (SBA) and Paycheck Protection Program (PPP)
- Federal Emergency Management Agency (FEMA) Assistance
- CARES Act – Testing funds
- Local, State, and Tribal Government Assistance (e.g. National Guard and Emergency Staffing Assistance)
- Higher federal share of states' Medicaid costs during emergency

Federal Guidance on Allowable Use of CARES Funds

- Healthcare related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse.
  - Separately billable services and the daily per diem are examples of obligated reimbursements.
- Provider Relief Fund payment amounts not fully expended on healthcare related expenses attributable to COVID-19 may be applied to patient care lost revenues.
- Interactions between COVID relief funds, 12A.10 reimbursement and future rates may need to be sorted out on a case by case basis.

Questions?

DEPARTMENT OF HUMAN SERVICES

Thank you!

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