

Summary of Impact on Nursing Facilities of Governor's Proposals
February 24, 2011

Several changes have been proposed:

1. **2% ATB** Across the board rate reduction of 2% of operating payment rates
2. **25% PA1** Reduce payments for lowest needs individuals (PA1) by 25% of operating payment rates
3. Non-rate payment reductions
 - a. **PCRA** No new planned closure rate adjustments
 - b. **SBI** No new single bed incentive rate adjustments
 - c. **Bed Hold** Bed holds reduced from 60% to 30% and eligibility increased from 93% to 96%
 - d. **Enhance Rates** Enhanced rate of first 30 days of a stay reduced from 20% to 10%
 - e. **Singles** MA payment for single bed room reduced from 11.5% to 5.5%
4. **Surcharge** increase by \$635/yr/bed on 7/1/11 plus \$350 on 10/1/11, with associated payment increases of \$2.17 and \$1.20

PROPOSAL	MA IN 2010	RESIDENTS AFFECTED	CONSIDERATIONS
2% ATB	\$833 million	All Ma & PP	
25% PA1		12.7%	<ul style="list-style-type: none"> • These residents are quite independent • Of those nursing home residents who would no longer qualify for nursing facility services under the new LOC, all were classified as PA1. • This proposal provide a strong incentive to divert the more independent elderly to community settings
PCRA	\$10 million	0	<ul style="list-style-type: none"> • MN is approaching the time where focus needs to begin to shift from being over-bedded to ensuring access. • With this proposal, the total annual cost will slowly decrease as further bed closures occur.
SBI	\$4.7 million	0	
Bed hold	\$3.9 million	NA	<ul style="list-style-type: none"> • The intent of the bed hold policy is to promote continuity of care • Research suggests bed holds payment encourage avoidable hospitalizations • Of 382 nursing facilities, 195 (51%) currently do not meet the eligibility test, under increased standard, 100 facilities will become ineligible to charge for bed holds. MA will pay only 87 (23%) facilities for bed holds.
Enhanced rates	\$4.6 million	NA	Enhanced rate payments are believed to encourage the provision of short stays
Singles	\$23.6 million	3000	The reduction in 2009 did not appear to slow the trend toward increasing numbers of private room authorization requests.
Surcharge		25.5%	

What is the effect of these proposals on nursing facility's revenues?

	Effect on MA & Private-Pay Revenue (millions)	Smallest Percentage Reduction	Average Percentage Reduction	Greatest Percentage Reduction	Smallest Dollar Reduction	Greatest Dollar Reduction
PCRA	(\$0.5)	-0.01%	-0.21%	-1.23%	(\$307)	(\$62,121)
SBI	(\$0.8)	-0.03%	-0.57%	-3.27%	(\$1,344)	(\$90,047)
2% ATB	(\$23.5)	-0.03%	-1.15%	-1.84%	(\$2,465)	(\$346,423)
PA1	(\$28.0)	0.00%	-1.54%	-11.08%	\$0	(\$510,356)
Bed-hold	(\$3.2)	0.00%	-0.13%	-2.06%	\$0	(\$162,065)
Enhanced rates	(\$2.1)	0.00%	-0.10%	-0.98%	\$0	(\$65,592)
Singles	(\$12.3)	0.00%	-0.54%	-6.80%	\$0	(\$612,541)
Surcharge	(\$0.4)	0.66%	-0.02%	-1.25%	\$38,217	(\$83,415)
Total	(\$70.8)	-0.70%	-3.30%	-14.20%		

*Proposal is for no new adjustments. 2010 data is used here to approximate the impact. Facilities not getting an adjustment are not counted as zeros. PCRA and SBI values shown are MA only.

What is the distribution of cumulative effects?

Distribution of cumulative effects		
<u>At</u> <u>Least</u>	<u>Not more</u> <u>Than</u>	<u>Facility</u> <u>Count</u>
0%	-2%	43
-2%	-3%	122
-3%	-4%	100
-4%	-5%	57
-5%	-6%	33
-6%	-8%	17
-8%	-10%	3
-10%	-12%	2
-12%		2
		379

How big is this?

- State share of MA spending on nursing facilities will be reduced by 6.1%.
- The increases in benefit to the general fund from the bed surcharge are equivalent to 4.9% of current state share of MA spending.
- Facility revenues reductions from MA and private pay will be 3.3% of all revenues. (Median 3.1%; mean 3.5%)