

# Nebraska Nursing Facility Payment Reform – Project Update

Presented for Nursing Facility Stakeholders

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# Why is the Department Focusing on Payment Reform?

- **Current Payment methodology is codified in Chapter 12 of Title 471 of the NAC**
  - This methodology prevents the Division of Medicaid and Long-Term Care (MLTC) from adapting to marketplace dynamics – 12 to 18 Month Regulation Promulgation process
  - Inhibits innovation and flexibility - when appropriate for department to respond to provider needs or stabilize the marketplace
- **Payment methodology is very prescriptive, complicated, not transparent**
  - It can be difficult for stakeholders to understand and to predict and manage to year over year
  - It can create uncertainty for providers year to year (SFY20 contained YOY rate changes ranging from a 40% rate increase to a 28% rate decrease) despite significant appropriations increase
- **Payment methodology is based primarily on facility-specific costs and patient days**
  - This unintentionally discourages efficiency and is relative to other providers costs/days
  - This does not take into account quality of care or beneficiary experience
- **The methodology results in a significant variance in payments to providers for Medicaid beneficiaries with similar care needs and services provided**
  - Varied payments for patients at the same level of care, lack of equity
  - Current per diem base rates (LOC 115) range from \$111.56 to \$257.50

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# Case Study

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- Town of approximately 3,000 people with two Nursing Facilities

<u>Measure</u>	<u>Facility A</u>	<u>Facility B</u>
Base Rate (LOC 115)	\$127.74	\$212.65
CMS Star Rating	3 Stars	3 Stars
Occupancy Rate	96%	54%
% Medicaid	>80%	<50%

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# Chapter 12 NAC Title 471 Changes

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- MLTC Proposed Regulations removed significant portions of Chapter 12 from the Regulations
  - Payment Methodology
  - Cost Reports and Instructions
- Chapter 12 Public Hearing Scheduled for August 14<sup>th</sup>
- MLTC expects to make updates/changes to proposed regs based on feedback from the hearing
- MLTC plans to issue guidance documents to providers in lieu of sections removed (MLTC is currently drafting these guidance docs)
  - MLTC is evaluating the information that will replace the current payment language, such as:
    - Assurance to stakeholders on process for feedback for any future methodology changes
- Timeline targets promulgation of regulations by January 2020
  
- \*\*\*MLTC will also submit a new State Plan Amendment to CMS as the payment methodology will remain in the State Plan

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# New Payment Methodology Concept Development

## 1. Set a single/standard base per diem rate for all providers/facilities for each level of care

- Ensures consistent payment for services rendered
- Incentivizes and compensates efficiency
- Base per diem rate will be split 50/50 to arrive at a “case mix adjusted base rate” and a “non-case mix adjusted base rate” similar to today’s components in the rate build up (Fixed, support, direct nursing, QAA add-on)
- Creates transparency
  - Year-to-year provider stability
  - Legislative rate changes transparent - applied directly to non-QAA portion of per diems
- Implementation Plan
  - Effective on July 1, 2020
  - Based off SFY2018 Cost Reports
  - Two year phase in plan
    - Year One – 50% phase in
    - Year Two – 100% phase in
  - Undo bed-hold payment reduction/rate
  - Rebase every 3-5 years

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# New Payment Methodology Concept Development

## 2. Introduce quality into the payment methodology

- Use CMS Star Rating: a nationally recognized rating system
- Weighting factor to enhance quality facility base rates (3, 4 and 5 Star Facilities)
- Potential to use a weighting factor to reduce facility base rates (1 and 2 Star Facilities) – not being proposed in initial modeling
- Use the Quality Measures Star Rating (as opposed to Overall Rating)
- Update Quality Measure and associated payment rate weight semi-annually
  - CMS Quality Measures Star Rating published as of May 1, 2020 will be in effect for July 1, 2020 – December 31, 2020
  - CMS Quality Measures Star Rating published as of November 1, 2020 will be in effect for January 1, 2021 – June 30, 2021
- Payment weighting will be prospective in nature – paid in per diems, not “bonus” payments
- Deficiency “gateway” requirements
  - If a facility has two G Level or above substantiated deficiencies, or any single IJ substantiated deficiency in a single state fiscal year the provider will not be eligible for a Quality Measure payment weight for the following state fiscal year, even if they earn a 3, 4, or 5 Star Rating
  - Similarly, if a facility is a special focus facility, it is ineligible for quality payment

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# New Payment Methodology Concept Development

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- **Other Considerations**
  - Health Professional Shortage Areas
  - High Medicaid Providers
  - Provider Access Shortage Areas
  - Level 101 – 104 Rates
  - QAA data reporting and Modified Cost Reports
  - Special needs rates and policies (Ventilator, TBI, etc.)
  - Case Mix transition (RUGS to PDPM)
- **Next Steps**
  - Finalization of approach/model (August)
  - Begin Payment Modeling (September)

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