# NAVIGATING CMS AND STATE REIMBURESMENT CHALLENGES

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# Agenda – Today’s Discussion

- State Specific Risk – Top 3 States
- Risk Management 101
- CMS Star Rating System
- Industry Questions
- Audience Q&A
- Wrap Up

HMC

# Overview of State Reimbursement

- Most Concerning States
  - Connecticut
  - Illinois
  - Texas

# Overview of State Reimbursement

## Connecticut

- Medicaid Rates have been relatively flat except for very limited FRV increase.
- 2.0% wage enhancement as of 10/1/2018
  - 2018 increase is less restrictive than the 2015 wage increase so for many facilities they will get the full increase without an actual corresponding wage increase
- Future Changes – taking a serious look at converting to a case mix system (still conception)
- Money Follows the Person "MFP"
  - MFP funding expired on 9/30/16 but states can used unspent funds through 9/30/20
  - Mostly impacts younger disabled individuals, not the traditional elderly long-term patient

Connecticut Medicaid Spending

| | Total LTSS | | Nursing Homes | | MFP | |
|---|---|---|---|---|---|---|
| 2016 | 3,461,097,728 | 3.0% | 1,214,232,226 | 1.5% | 36,384,668 | 19.2% |
| 2015 | 3,359,332,524 | 4.8% | 1,196,603,002 | -1.7% | 30,512,586 | 15.4% |
| 2014 | 3,204,812,792 | 2.0% | 1,217,243,251 | -2.7% | 26,444,969 | 19.9% |
| 2013 | 3,142,614,252 | | 1,250,852,152 | | 22,065,044 | |

# Overview of State Reimbursement

## Illinois

- Medicaid rates are cost based, case adjusted
- Medicaid rates unchanged since 7/1/2014
- Traditionally slow to approve Medicaid eligible residents
- Traditionally slow to pay nursing homes

# Overview of State Reimbursement

## Texas

- IGT/UPL and now Quality Incentive Payment Program “QIPP”
- IGT/UPL ended 8/31/16, QIPP Started 9/1/17,
- In FY18 about 514 participate, averaging $348,642 per facility
- Payments are subject to quality measures, which will probably change
- Funding for FY 19 will be about $420, which is a little more than FY 18 ($400 million)
- Possible expansion of the program to allow for more private owned facilities
- Market Reaction

# Risk Management

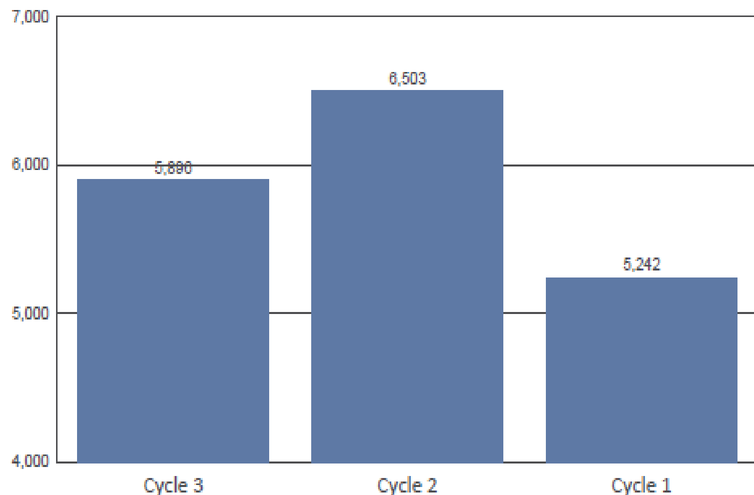
# Overview of Risk Management

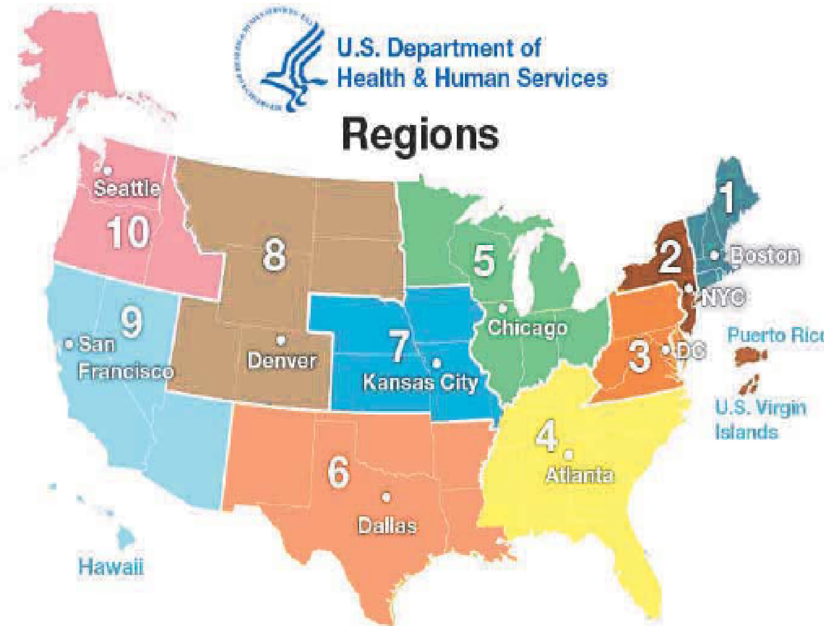
- Where are we and what has changed?
- Regulatory
  - Requirements of Participation (1st change since 1991)
    - 3 phases started 11/28/16. Last phase 11/28/19
    - Emergency Preparedness
- Reimbursement; 2019 SNF PPS Final Rule
  - 2.4% increase 10/1/18
  - SNF VBP 10/1/18 (RTH)
  - PDPM (Patient Driven Payment Model) 10/1/19
- Reporting
  - PBJ (Payroll Based Journal)
  - Focus on Outcomes and Quality
  - CMS Star Ratings (New considerations)

# Region & State Trend Analysis – Health Survey Citations

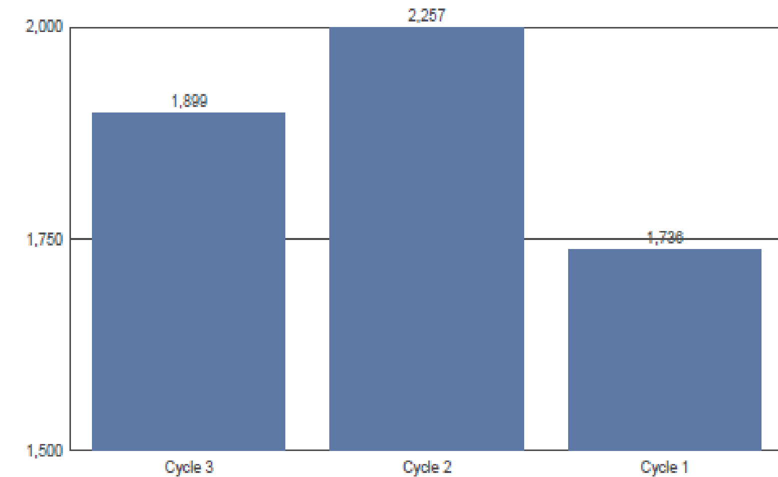
| Region Summary | # SNFs | % SNFs | Total Cites | | | Actual Harm Cites | | | IJ Cites | | | Total G+ Cites | | | Complaint Cites | | | % Providers G+ | | | % Providers IJ | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Cycle 3 | Cycle 2 | Cycle 1 | Cycle 3 | Cycle 2 | Cycle 1 | Cycle 3 | Cycle 2 | Cycle 1 | Cycle 3 | Cycle 2 | Cycle 1 | Cycle 3 | Cycle 2 | Cycle 1 | Cycle 3 | Cycle 2 | Cycle 1 | Cycle 3 | Cycle 2 | Cycle 1 |
| Region 1 | 905 | 5.8% | 5,370 | 5,733 | 6,887 | 315 | 339 | 271 | 47 | 33 | 47 | 362 | 372 | 318 | 1,311 | 1,297 | 1,068 | 21% | 22% | 20% | 3% | 2% | 3% |
| Region 2 | 985 | 6.4% | 7,054 | 7,274 | 7,226 | 105 | 55 | 41 | 71 | 63 | 30 | 176 | 118 | 71 | 747 | 819 | 540 | 10% | 7% | 5% | 4% | 3% | 2% |
| Region 3 | 1,392 | 9.0% | 17,220 | 18,422 | 19,074 | 387 | 352 | 270 | 49 | 94 | 82 | 436 | 446 | 352 | 3,269 | 4,588 | 3,351 | 22% | 20% | 15% | 3% | 5% | 4% |
| Region 4 | 2,684 | 17.3% | 21,684 | 21,259 | 20,682 | 350 | 358 | 312 | 456 | 542 | 484 | 806 | 900 | 796 | 3,593 | 4,203 | 2,891 | 10% | 10% | 10% | 5% | 5% | 5% |
| Region 5 | 3,432 | 22.1% | 38,489 | 40,389 | 43,057 | 981 | 1,023 | 1,059 | 299 | 335 | 268 | 1,280 | 1,358 | 1,327 | 7,594 | 9,211 | 8,229 | 23% | 25% | 24% | 6% | 7% | 6% |
| Region 6 | 2,095 | 13.5% | 20,885 | 20,765 | 20,807 | 488 | 645 | 366 | 634 | 688 | 471 | 1,122 | 1,333 | 837 | 4,422 | 5,169 | 4,115 | 19% | 23% | 17% | 10% | 12% | 8% |
| Region 7 | 1,495 | 9.6% | 15,043 | 16,143 | 17,099 | 440 | 452 | 313 | 163 | 238 | 142 | 603 | 690 | 455 | 2,849 | 4,071 | 3,253 | 27% | 27% | 20% | 8% | 11% | 7% |
| Region 8 | 620 | 4.0% | 6,152 | 6,040 | 6,437 | 235 | 217 | 182 | 68 | 71 | 44 | 303 | 288 | 226 | 904 | 1,149 | 1,027 | 20% | 22% | 21% | 5% | 5% | 4% |
| Region 9 | 1,447 | 9.3% | 22,367 | 21,057 | 21,031 | 358 | 314 | 330 | 91 | 88 | 77 | 449 | 402 | 407 | 3,581 | 4,162 | 3,704 | 20% | 19% | 17% | 5% | 5% | 4% |
| Region 10 | 446 | 2.9% | 5,980 | 6,571 | 8,514 | 340 | 493 | 363 | 49 | 134 | 109 | 389 | 627 | 472 | 1,436 | 2,415 | 1,758 | 37% | 47% | 45% | 5% | 13% | 13% |
| Total US | 15,501 | 100.0% | 160,244 | 163,653 | 170,814 | 3,999 | 4,248 | 3,507 | 1,927 | 2,286 | 1,754 | 5,926 | 6,534 | 5,261 | 29,706 | 37,084 | 29,936 | 19.6% | 20.4% | 17.9% | 5.7% | 6.7% | 5.3% |

National Trend - G+ Citations by Cycle




National Trend - IJ Citations by Cycle



# Operator’s Perspective

- Roles of Internal Risk Management
  - Experience of staff
  - Training
  - Continuous Improvement
- Preparing for State Health Surveys
  - G Tags and Higher
  - Obstacles on improving Star Ratings

# CMS Star Rating

# Health Inspection Scores frozen Feb 2019

- On November 28, 2017 the CMS instituted a new health inspection process along with an entirely new set of “tags”. Beginning in February 2018, for a period of 12 months, CMS will not use deficiencies cited on surveys conducted on or after November 28, 2017 in calculating the health inspection rating for the Nursing Home Compare Five-Star Quality Rating System, to allow sufficient survey results to accumulate from the new-process surveys. During that time, the health inspection rating will be based on results from the two most recent standard surveys prior to November 28, 2017, as well as deficiencies arising from complaint investigations during the two-year period prior to November 28, 2017.

# Overall Quality Rating

The rating system features an Overall Quality Rating of one to five stars based on facility performance for three types of measures, each of which has its own five-star rating:

- Health Inspections - Measures based on outcomes from State health inspections. *Currently frozen until February 2019.
- Staffing - Measures based on nursing home staffing levels: Facility ratings on the staffing domain are based on two measures: 1) Registered nurse (RN) hours per resident day; and 2) total staffing (RN+ licensed practical nurse (LPN) + nurse aide hours) hours per resident per day.
- QMs - Measures based on MDS and claims-based quality measures (QMs): Facility ratings for the quality measures are based on performance on 16 of the 24 QMs

# Methodology for Constructing the Rating

- Initial rating is the Health Inspection score. Calculation based on the two most previous annual surveys, complaint surveys, and number of visits to clear, prior to November 28, 2017. This is your “jump off” star rating.
  - Points are assigned to individual health deficiencies according to their scope and severity – more serious, widespread deficiencies receive more points, with additional points assigned for substandard quality of care.
  - Deficiencies from Life Safety surveys are not included in calculations for the Five-Star rating.
  - Repeat Revisits - Number of repeat revisits required to confirm that correction of deficiencies have restored compliance: No points are assigned for the first revisit; points are assigned only for the second (50%), third (70%), and fourth (85%) revisits and are proportional to the health inspection score for the survey cycle. If a provider fails to correct deficiencies by the time of the first revisit, then these additional revisit points are assigned up to 85 percent of the health inspection score for the fourth revisit.

# Health Inspection Score

**Table 1**
**Health Inspection Score: Weights for Different Types of Deficiencies**

| Severity | Scope | | |
|---|---|---|---|
| | **Isolated** | **Pattern** | **Widespread** |
| Immediate jeopardy to resident health or safety | **J**<br>50 points*<br>(75 points) | **K**<br>100 points*<br>(125 points) | **L**<br>150 points*<br>(175 points) |
| Actual harm that is not immediate jeopardy | **G**<br>20 points | **H**<br>35 points<br>(40 points) | **I**<br>45 points<br>(50 points) |
| No actual harm with potential for more than minimal harm that is not immediate jeopardy | **D**<br>4 points | **E**<br>8 points | **F**<br>16 points<br>(20 points) |
| No actual harm with potential for minimal harm | **A**<br>0 point | **B**<br>0 points | **C**<br>0 points |

# Staffing Domain

- The rating for staffing is based on two quarterly case-mix adjusted measures:

  - Total nursing hours per resident day (RN + LPN + nurse aide hours)
  - RN hours per resident day
  - Hours are calculated per resident day and case-mix adjusted based on the same quarterly submission of MDS'.
  - Hours adjusted = Hours reported/Hours Expected
  - *National Average = Total nursing staff (Aides + LPNs + RNs) 3.2146<br>Registered nurses 0.3763

# Quality Measure Domain

- A set of quality measures (QMs) has been developed from Minimum Data Set (MDS) and Medicare claims data to describe the quality of care provided in nursing homes. These measures address a broad range of function and health status indicators. The facility rating for the QM domain is based on its performance on a subset of 13 (out of 24) of the MDS-based QMs and three MDS- and Medicare claims based measures currently posted on Nursing Home Compare. The measures were selected based on their validity and reliability, the extent to which facility practice may affect the measure, statistical performance, and importance.

# Overall Nursing Home (Composite Measure)

- Based on the star ratings for the health inspection domain, the staffing domain and the MDS quality measure domain, CMS assigns the overall Five-Star rating in three steps:
  - Step 1: Start with the health inspection rating.
  - Step 2: Add one star to the Step 1 result if the staffing rating is four or five stars and greater than the health inspection rating; subtract one star if the staffing rating is one star. The overall rating cannot be more than five stars or less than one star.
  - Step 3: Add one star to the Step 2 result if the quality measure rating is five stars; subtract one star if the quality measure rating is one star. The overall rating cannot be more than five stars or less than one star
    - If the health inspection rating is one star, then the overall rating cannot be upgraded by more than one star based on the staffing and quality measure ratings. If the nursing home is a Special Focus Facility (SFF) that has not graduated, the maximum overall rating is three stars

# Questions for Panel Members

- Polled from the Lender Community
- Audience Q&A

# Thank You