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- Overview
- Recap
  - Data, modeling protocols and analytic plan
  - RUGs IV v. PDPM nursing component
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HFS proposes a structured and transparent approach to develop, deliberate, adopt and implement nursing home payments to achieve improved outcomes and increased accountability with an emphasis on patient-centered care. HFS believes the rate mechanism, funding model, assessment, quality metrics, and staffing requirements can and should be updated in conjunction with any new or additional appropriated funding. Further, additional federal funding should be captured to improve these areas through an increase in the current nursing home bed tax.
Building blocks in a comprehensive NF payment:

- Staffing (3 meetings)
- Quality (2 meetings)
- Physical Infrastructure (2 meetings)
- Rebalancing (2 meetings)
- Capacity (2 meetings)
- Case Mix, Equity and Demographics (3 meetings)
- Modeling (multiple meetings)

Note: COVID has had a profound impact on long term care. Infection control is assumed to be an integral component of each building block.
• Transparent, outcome driven, patient-centered model with increased accountability
• Transition away from RUGS to federal PDPM case-mix nursing component
• Modify the support and capital rate into a set base rate similar to Medicare non-case-mix rate
• End the $1.50 bed fee and increase the occupied bed assessment to create a single assessment program which maximizes federal revenue
• Directly tie funding/rates/incentives to demonstrable and sustained performance on key quality reporting metrics
• Documentation to support, review and validation of level of care coding and appropriateness, outliers, actual patient experiences, etc.
• Align regulation and payment incentives to the same goals
• Ensure appropriate incentives for community placement, including both uniform and MCO-specific incentives
• Recalibrate/rethink payment for nursing home infrastructure to support emerging vision for the industry in the wake of the COVID-19 crisis, including single-occupancy rooms, certified facilities
• Integrate emerging lessons and federal reforms related to the COVID pandemic
• Improved cooperation, support and follow up, data sharing and cross-agency training from other agencies (OIG, IDPH, DoA)
• Build in flexibility to evolve as the industry evolves and establish ongoing channels of communication for new, proposed, or upcoming changes
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Data Used in RUGs v. PDPM Analysis

• Expense and Day information: Primary Source 2019 Medicare Cost Report Information - from Healthcare Cost Report Information System (HCRIS) public use files. Includes a small number of 2018 Medicare CRs for those not in 2019 database, and HFS Medicaid CRs for those that are not Medicare certified.
• All Payer CMI (for cost normalization) - Q3 2017 - Q4 2019
• Medicaid CMI: (PDPM and RUG) - Q4 2020 preliminary MDS records
• Special Population Add-on Resident Counts - Q4 2020 preliminary MDS records
• Medicaid Days: 2019 HFS Cost Reports
• Regional Wage Adjustment Factors: Current values
Aligning on Data Sharing and Modeling Protocols

Collaborative Approach to Modeling

• Identify data sources, inclusion criteria, and timeframes on ongoing basis
• Provide HFS-only data upon request
  • IDPH licensure data on room numbers
  • CMIs
  • MMIS facility type classifications
• Full disclosure of modeling rules, formulas, and specifications for model options presented by HFS
• Comprehensive set of analytics
**RUGs v. PDPM Nursing Component CMI**

**Key Comparisons**
- Cost-neutral comparison of CMIs
- CMIs versus allocated Medicaid nursing costs
- Overall net income

**Demographics**
- Regional shifts
- Medicaid payer mix

**Special Conditions**
- Alzheimer’s
- SMI
- TBI
- Overall case mix

**Emerging Policy Priorities**
- Nurse staffing levels
- Room crowding
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A shift from RUGs 48 to PDPM would collapse 43 non-Rehab groups into 25

<table>
<thead>
<tr>
<th>PDPM Group</th>
<th>PDPM HIPPS Code Identifier</th>
<th>Comparable RUG Group</th>
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From 48 RUGs to 25 PDPM groups

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<th>PDPM v. Illinois RUGS-48 Classifications</th>
<th>Medicaid Residents</th>
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<td>Reclassed Rehab RUGs</td>
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<td>Other reclassed RUGs --&gt; higher weight</td>
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<tr>
<td>Other reclassed RUGs--&gt; lower weight</td>
<td>3,546</td>
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<tr>
<td>Not reclassed</td>
<td>21,566</td>
</tr>
<tr>
<td></td>
<td>39,654</td>
</tr>
</tbody>
</table>
From 48 RUGs to 25 PDPM groups
Distributive Impact of PDPM: Nursing Component Only

Hypothetical Shift in Cost Coverage due to Cost-Neutral Shift to PDPM

- Below 60%
- 60-69%
- 70-79%
- 80-89%
- 90-99%
- 100% and Greater

Number of Facilities (n=669)

PDPM Nursing  RUG Nursing
Distributive Impact of PDPM: Nursing Component Only

Estimated Coverage of Allocated Medicaid Nursing Costs: Current Payments

- Number of Facilities
- RUG Nursing Cost Medicaid Coverage
Change from hypothetical Cost-Neutral Adoption of PDPM Nursing Component
Distributive Impact of PDPM: Nursing Component Only

Change from hypothetical Cost-Neutral Adoption of PDPM Nursing Component

Medicaid Utilization (% of residents)

Change in CMI

Percentage point change in cost coverage

CMI  Nursing Cost Coverage
Distributive Impact of PDPM: Nursing Component Only

Change from hypothetical Cost-Neutral Adoption of PDPM Nursing Component

- Medicaid CMI Percentile (100=highest)
- Change in CMI
- Percentage point change in cost coverage

CMI
Nursing Cost Coverage
Distributive Impact of PDPM: Nursing Component Only

Change from hypothetical Cost-Neutral Adoption of PDPM Nursing Component

% Residents with Alzheimers

Count of Facilities With Range
Nursing RUG-Medicaid Cost Coverage
Nursing PDPM-Medicaid Cost Coverage

0 50 100 150 200 250 300


58 196 259 135 21

100% 110% 120% 130% 140% 150% 160% 170%
Distributive Impact of PDPM: Nursing Component Only

Change from hypothetical Cost-Neutral Adoption of PDPM Nursing Component

- Count of Facilities With Range
- Nursing RUG-Medicaid Cost Coverage
- Nursing PDPM-Medicaid Cost Coverage
Distributive Impact of PDPM: Nursing Component Only

Change from hypothetical Cost-Neutral Adoption of PDPM Nursing Component

% Residents with Traumatic Brain Injury

- Count of Facilities With Range
- Nursing RUG-Medicaid Cost Coverage
- Nursing PDPM-Medicaid Cost Coverage
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• Next Steps
Impact of PDPM on Facility Case Mix Rankings

Shifts in Relative Medicaid CMI: RUG v. PDPM CMI

Number of Facilities (n=674)

- 0-19th PDPM CMI
- 20th-39th PDPM CMI
- 40th-59th PDPM CMI
- 60th-79th PDPM CMI
- 80th-100th PDPM CMI
- 0-19th RUG CMI
- 20th-39th RUG CMI
- 40th-59th RUG CMI
- 60th-79th RUG CMI
- 80th-100th RUG CMI
Developing a Measure of Net Income

Medicare Cost Report Tabulation of SNF/NF Revenue and Costs

Free Standing Facilities, Medicare Form 2540-10: Take SNF/NF Net Patient Revenues, and remove SNF/NF Cost to arrive at SNF/NF Net Income

SNF/NF Net Patient Revenue
Take SNF/NF Routine Revenue from Worksheet G-2, Column 1, Lines 1 & 2,

Add Total Ancillary Revenue from Worksheet G-2, Columns 1 & 2, Line 6, pro-rated based on the ratio of SNF/NF Routine Revenue above to Total Revenue (less Total Ancillary Revenues) from Worksheet G-3, Column 1, Line 1

Remove Total Contractual Adjustments from Worksheet G-3, Column 1, Line 2, pro-rated based on the ratio of the sum of SNF/NF Routine Revenues and pro-rated Total Ancillary Revenues, to Total Revenues as listed above.

SNF/NF Cost
Take SNF/NF Routine Cost from Worksheet B Part I, Column 18, Lines 30 & 31,

Add Total Ancillary Cost from Worksheet B Part I Column 18, Lines 40-59.xx, pro-rated based on the ratio of SNF/NF Routine Revenue above to Total Revenue (less Total Ancillary Revenues) from Worksheet G-3, Column 1, Line 1

Note: Hospital based facilities' ancillary cost centers do not appear to receive an accurate allocation of SNF expense and revenues and so will not be utilized for comparative purposes.
Distributive Impact of PDPM: Draft Measure of Net Income

Comparison of Draft Net Income Estimates

- Total Net Income for Grouped Facilities
- Total SNF/NF Income from MCR CRs
- Net SNF/NF Income as % of cost from MCR CRs
- Net income as % of cost from MCD CRs

Medicaid Utilization Percentage

- 0-19% Medicaid
- 20-39% Medicaid
- 40-59% Medicaid
- 60-79% Medicaid
- 80-100% Medicaid
Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Medicaid Utilization Percentage

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
Distributive Impact of PDPM: Draft Measure of Net Income

Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Facility Case Mix -- Current RUGs Average

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
Distributive Impact of PDPM: Draft Measure of Net Income

Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Facility Case Mix -- PDPM Average

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
Distributive Impact of PDPM: Draft Measure of Net Income

Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Facility Case Mix -- Current Alzheimers and Dementia Designation

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
Distributive Impact of PDPM: Draft Measure of Net Income

Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Facility Case Mix -- Current SMI Designation

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Facility Case Mix -- Number of Residents with TBI

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
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Distributive Impact of PDPM: Draft Measure of Net Income

Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Facility Staffing Levels v. STRIVE: Percentile Rank

- Under Current RUGS-based Payments
- After Cost-Neutral PDPM Implementation
Average Net (Medicaid-countable) Income Per Facility
(2019 MCR CRs)

Facility Dependence on 3+ Person Rooms

- 1. None (>5% slack)
- 2. Low (>0% slack)
- 3. Medium (<10% deficit)
- 4. High (≥10% deficit)

Under Current RUGS-based Payments
After Cost-Neutral PDPM Implementation
Distributive Impact of PDPM v. Potential Policy Targets

Nursing Facilities by Policy Target Classification
(n=640)

1. None (>5% slack)
2. Low (>0% slack)
3. Medium (<10% deficit)
4. High (≥10% deficit)

Dependence on 3+ Person Rooms

- 80th-100th v. STRIVE
- 60th-79th v. STRIVE
- 40th-59th v. STRIVE
- 20th-39th v. STRIVE
- 0-19th percentile v. STRIVE
Distributive Impact of PDPM v. Potential Policy Targets
Draft Measure of Net Income

Total Medicaid-Adjusted Facility Net Income by Policy Target Classification (2019 MCR CRs)
Distributive Impact of PDPM v. Potential Policy Targets
Draft Measure of Net Income
Distributive Impact of PDPM v. Potential Policy Targets
Draft Measure of Net Income

Total Annual Impact of Revenue-Neutral RUGs --> PDPM Shift by Policy Target Classification (2019 MCR CRS)

Dependence on 3+ Person Rooms

- 1. None (>5% slack)
- 2. Low (>5% slack)
- 3. Medium (<10% deficit)
- 4. High (>10% deficit)

Change in Total Annual Net Income:
- $3,316,047
- $(1,140,867)
- $490,154
- $(9,475,537)

80th-100th v. STRIVE
60th-79th v. STRIVE
40th-59th v. STRIVE
20th-39th v. STRIVE
0-19th percentile v. STRIVE
Distributive Impact of PDPM v. Potential Policy Targets
Draft Measure of Net Income

Per-Facility Annual Impact of Revenue-Neutral RUGs --> PDPM Shift by Policy Target Classification (2019 MCR CRs)

Dependence on 3+ Person Rooms

1. None (>5% slack)
2. Low (>0% slack)
3. Medium (<10% deficit)
4. High (≥10% deficit)
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