NURSING FACILITY PAYMENT REVIEW AND REDESIGN

Modeling I: Data Selection and Interpretation

March 4, 2021
• Overview

• Recap
  ➢ RUGS v. PDPM
  ➢ Preliminary analysis of net income

• Modeling I: Data Selection and Preparation
  ➢ Exploring role of therapy in current Medicaid payments
  ➢ Considerations in tabulating net income and Medicaid days
  ➢ Missing ownership records
  ➢ Considerations in modeling the assessment

• Next Steps
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.
ORIGINAL OBJECTIVES AND PRINCIPLES FOR REFORM

- 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
Distributional Analysis of Potential Rate Changes

Key Comparisons
• Cost-neutral comparison of CMI
• CMI 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
Data Used in RUGs v. PDPM Analysis

- 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
Key Differences

Timeframe
- Section G has retrospective 7-day window
- Section GG has a 3-day window at the beginning of a PPS stay

Content
- Section G assesses ADLs (10), Bathing, Balance, Range of Motion, Device use, and Rehab Potential
- Section GG assesses Prior Device Use, Everyday Activities (4), Self Care (7), and Mobility (10)

Classification algorithm
- RUGS incorporates 4 ADLs from Section G
  - Bed Mobility, Transfer, Eating, Toilet Use (both columns)
- PDPM incorporates these from Section GG
  - 11 ADLs from Self-Care and Mobility sections, including Eating, Toilet Hygiene, Sit to Lying, Lying to Sitting, Sit to Stand, Chair/Bed Transfer, Toilet Transfer

CMS' original plan was to eliminate Section G and add Section GG effective 10/1/2020, but allowed states to retain Section G, which Illinois did.
A shift from RUGs 48 to PDPM would collapse 43 non-Rehab groups into 25

<table>
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<th>Comparable RUG Group</th>
<th>PDPM Group</th>
<th>PDPM HIPPS Code Identifier</th>
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Impact of PDPM on Facility Case Mix Rankings

Shifts in Relative Medicaid CMI: RUG v. PDPM CMI
From 48 RUGs to 25 PDPM groups
From 48 RUGs to 25 PDPM groups

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<th>PDPM v. Illinois RUGS-48 Classifications</th>
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[Media Resident]
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

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

Facility Staffing Levels v. STRIVE: Percentile Rank

- 0-19th percentile v. STRIVE
- 20th-39th percentile v. STRIVE
- 40th-59th percentile v. STRIVE
- 60th-79th percentile v. STRIVE
- 80th-100th percentile v. STRIVE

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 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
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

Total Medicaid-Adjusted Facility Net Income per Facility 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)

80th-100th v. STRIVE
60th-79th v. STRIVE
40th-59th v. STRIVE
20th-39th v. STRIVE
0-19th percentile v. STRIVE

-$ (500,000) $500,000 $1,000,000 $1,500,000 $2,000,000 $2,500,000 Total Annual Net Income

$88,037 $146,625 $321,186 $1,637,714

18
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)

Change in Total Annual Net Income

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

$3,316,047
$1,210,867
$490,154
$9,475,537
Per-Facility Annual Impact of Revenue-Neutral RUGs --> PDPM Shift by Policy Target Classification (2019 MCR CRs)

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

Dependence on 3+ Person Rooms

- $67,674
- $17,500
- $134,541
- $249,356

- 0-19th percentile v. STRIVE
- 20th-39th v. STRIVE
- 40th-59th v. STRIVE
- 60th-79th v. STRIVE
- 80th-100th v. STRIVE
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
Exploring the Use of Therapy for Medicaid Residents

Nursing Facilities by <65 Therapy Use
MDS 4Q 2019; n=644

% of 4Q19 Medicaid Residents <65 and in Therapy RUG

1. Under 2.5%
2. 2.5-4.9%
3. 5.0-9.9%
4. At least 10%
0-19th MCD%
20th-39th MCD%
40th-59th MCD%
60th-79th MCD%
80th-100th MCD%
Exploring the Use of Therapy for Medicaid Residents

Nursing Facilities by <65 Therapy Use
Neither Cook nor DuPage; MDS 4Q 2019; n=423

% of 4Q19 Medicaid Residents <65 and in Therapy RUG
Exploring the Use of Therapy for Medicaid Residents

Nursing Facilities by <65 Therapy Use
Cook and DuPage; MDS 4Q 2019; n=221

% of 4Q19 Medicaid Residents <65 and in Therapy RUG

1. Under 2.5%
2. 2.5-4.9%
3. 5.0-9.9%
4. At least 10%

0-19th MCD%
20th-39th MCD%
40th-59th MCD%
60th-79th MCD%
80th-100th MCD%
Exploring the Use of Therapy for Medicaid Residents

Nursing Facilities by <65 Therapy Use
Cook and DuPage; MDS 4Q 2019; n=222

% of 4Q19 Medicaid Residents <65 and in Therapy RUG

- 0-19th STRIVE Staffing
- 20th-39th STRIVE Staffing
- 40th-59th STRIVE Staffing
- 60th-79th STRIVE Staffing
- 80th-100th STRIVE Staffing
Exploring the Use of Therapy for Medicaid Residents

Nursing Facilities by <65 Therapy Use
Neither Cook nor DuPage; MDS 4Q 2019; n=431

% of 4Q19 Medicaid Residents <65 and in Therapy RUG

0-19th STRIVE Staffing
20th-39th STRIVE Staffing
40th-59th STRIVE Staffing
60th-79th STRIVE Staffing
80th-100th STRIVE Staffing
Median Year of Purchase for an SNF Ownership Share in Each State


USA Total AL AK AZ AR CA CO CT DE FL GA HI IA ID IL IN IA KS KY LA ME MD MA MI MN MS MO MT ND NE NV NY OH OK OR PA RI SC SD TN TX UT VA VT WA WI WV WY

2014

2013
Considerations in Tabulating Medicaid Days

Source Information
- 2018/2019 Medicaid CR Days
- Medicare CR Medicaid days if neither 2018/2019 Medicaid CR were available (nominal # of providers)

Source Considerations
- Medicaid cost reports were utilized as they better categorize days for the Medicaid program

Source Limitations
- Unknown prevalence of provider reporting of Managed Medicaid days in the “Other/Private” day categories within the Medicaid CR statistical data
  - Prevalence of this issue is larger with Medicare CR reporting
- Impact of COVID on forecasting of Medicaid days
  - Current experienced day decline
  - Projected rebound of Medicaid utilization in forthcoming fiscal year
Considerations in Tabulating Net Income

Source Information

- 2018/2019 Medicare Cost Reports
  - Gross Revenue
    - SNF/NF Routine Revenue – Wrksht G-2
    - Total SNF/NF Ancillary Revenue (Prorated) – Wrksht G-2
    - Revenues prorated on basis of routine SNF/NF revenue to total revenue
  - Contractual Adjustments
    - SNF/NF Contractual Revenue (Prorated) – Wrksht G-3
    - Contractuals prorated on basis of SNF/NF(ICF) routine and ancillary revenue to total revenue
  - Expenses
    - SNF/NF Routine Cost – B part I
    - SNF/NF Ancillary Cost (Prorated) – B part I
      - Utilized SNF/NF revenue proration factor to more closely align with traditional Medicare costing mechanics

- 2019/2018 Medicaid Cost Reports if Medicare CRs were not present within HCRIS dataset (~30 providers)
  - Net Income (page 19)
  - Adjustments to Net Income:
    - Owner’s Compensation Limits (page 7)
    - Related Party Adjustments (page 5)
    - Allowable cost adjustment (page 5)
Considerations in Tabulating Net Income

Source Considerations

- Net Income is based on allowable inpatient SNF/NF services revenue and expense
  - Expenses include related party and allowable cost adjustments to align with Medicaid payment covered services
- Medicare cost reports were utilized to better allocate both revenue and expense to SNF/NF inpatient services (routine and ancillary).
  - The Medicaid cost report does not provide for the segregation of direct and indirect expense related to non-SNF/NF routine and ancillary services.
- Hospital-based SNF/NFs (~10 providers) utilize equivalent CMS form 2552-10 Medicare cost reporting worksheets. Ancillary was excluded from revenue and expense as hospital allocation and lack of full charge reporting can distort results for SNF/NF inpatient services.
- Results annualized where appropriate

Source Limitations

- Requires some estimated proration of gross revenue, contractuals, and expense
- Additional Medicare CR information will become available in the coming months
- Some results required annualization