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MEMORANDUM

TO: RHCF Members

FROM: Darius Kirstein, Senior Policy Analyst

DATE: November 5, 2009

SUBJECT: **Nursing Home Reimbursement Workgroup**

ROUTE TO: Administrator, CFO

ABSTRACT: Associations inform DOH they will seek delay of regional pricing.

Introduction

The most recent meeting of the Nursing Home Reimbursement Work Group featured a productive, although at times contentious, discussion. NYAHSA and its Joint Association Task Force partners, NYSHFA and HANYS, presented a counterproposal to the state's proposed "Quality Incentive Pool" that was greeted positively by workgroup members as well as the Department of Health (DOH). At the same time, the Associations raised questions about the continuing inability of any regional pricing model to prevent huge reimbursement swings and gave notice to DOH of their intent to seek a legislative delay.

Rate-Setting Update

DOH is updating the base year case mix calculations for each facility to correct for oversampling. The method that DOH originally used over-counted Medicare MDSs resulting in a skewed "frozen" case mix index (CMI) for some homes. In the rate setting methodology, the frozen CMI is compared to a facility's latest CMI to measure the change in resident acuity since the base year. Since the percent change is then used to increase or decrease the Medicaid rate, this correction will ensure that the CMI is more accurately reflected in the rates.

With this correction almost complete, DOH is on schedule to release 4/1/09 rates as well as initial 1/1/10 rates in early December. At the outset, both sets of rates will reflect the CMI collected during the January, 2009 roster submissions. Subsequently, rates effective 7/1/09 through 3/31/10 will be updated using the July 2009 roster submissions.

Facility Specific WEF

As part of the update on their modeling work, DOH introduced the idea of a facility-specific Wage Equalization Factor (WEF). This was the first time that this suggestion was more fully discussed. As can be seen in the attached slides from the DOH presentation, the concept is similar to the wage adjustment method used by Medicare.

As described by DOH, a facility-specific wage index would be calculated by dividing total facility per hour salaries and fringes by the average statewide hourly salary and fringe figure. A portion of the average statewide price would then be adjusted by the wage index to result in a facility-specific rate. The portion adjusted would be determined by the percentage of the facility's costs that are attributable to labor. This would be done separately for the direct and indirect components. We are in the process of modeling and evaluating this proposal and are interested in member feedback.

DOH also provided regional direct and indirect averages based on their modeling of NYPHRM regions and WEF regions. Their data shows that a facility's rate would fluctuate significantly depending on which regional construct is used. All attempts to define regions, by DOH as well as by the JATF, have resulted in high standard deviations in most regions. This prompted several spirited exchanges between workgroup members and DOH regarding the ability of regional pricing to adequately capture cost variations.

Quality Proposal

DOH again reviewed their Quality Incentive Pool proposal which remains unchanged since originally introduced in early 2009. NYAHSAs and the JATF provided a [detailed critique](#) of the proposal earlier in the workgroup process and had made a number of suggestions for improvement. At the request of DOH, the JATF proposed a more appropriate Nursing Home Quality Enhancement Program (attached). NYAHSAs's Christie Teigland, member of several national quality measure advisory panels, spoke about the weaknesses of the DOH-selected measures and explained why the JATF proposed measures were more appropriate. Her expertise, and the proposal itself, were met positively by both the Department and vocal resident advocates.

Legislative Delay

Towards the end of the meeting, the Joint Association Task Force members along with regional associations informed DOH that while the workgroup process has been very collaborative, serious concerns that the state is not ready to implement a reasonable regional pricing system has led the associations to seek a legislative delay in implementing the system. The groups made it clear that a delay in regional pricing did not mean that a quality funding proposal could not go forward. Legislators, DOH and consumer advocates are all focused on tying reimbursement to quality, meaning that delaying a quality payment system, even an imperfect one, is unlikely and politically risky.

The announcement was met calmly by DOH representatives, who expressed the hope that the workgroup process would continue. Their priority remains issuing the legislatively mandated report with methodology recommendations by December 15, 2009. DOH recommended that the workgroup form two subgroups, one to deal with quality enhancement payments, the other to focus on the overall reimbursement methodology.

Regional CFO Meetings

Although we will be advocating for a legislative delay of regional pricing, we will continue to working closely with DOH on developing the least harmful model in case the delay is unsuccessful. [November CFO Council meetings](#) are focused on discussing various aspects of the regional proposal as well as the quality funding piece. We thank those that participated in the Albany meeting and hope for robust discussions in the other regions as well. We will report on these discussions shortly.

If you have questions regarding the information in this memo, please contact me at dkirstein@nyahsa.org or by phone, 518-449-2707, ext 104.