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MEMORANDUM

TO: RHCFC Members

FROM: Darius Kirstein, Senior Policy Analyst

DATE: April 16, 2010

SUBJECT: **Nursing Home Reimbursement Work Group Meeting**

ROUTE TO: Administrator, CFO

ABSTRACT: DOH updates the Nursing Home Reimbursement Work Group on rebasing, trend factor cuts and the quality pool proposal.

Introduction

The Department of Health (DOH) “feels strongly” that the state should move towards regional pricing for nursing home Medicaid rates and that these rates should include a quality payment component, despite lack of support for these ideas from the state legislature. This was the opening message from DOH at the April 15th Nursing Home Work Group meeting and was followed by a spirited discussion about the design and funding of a quality pool. DOH also updated the group on the status of rebasing and presented a consolidated list of recent trend factor cuts which now exceed the statewide benefit of rebasing. The DOH presentation handout is attached.

Negative Banking

The Consumer Price Index (CPI), on which Medicaid trend factors are based, was negative in 2009. Providers received a 2009 projected trend factor of 2.1 percent for the first three months of 2009 which will now be reconciled through “banking” to -1.4 percent. The 2009 CPI was -0.4 percent but because deficit reduction legislation decreased the 2009 trend factor by 1 percentage point, DOH is intending to use the -1.4 percent figure which would decrease Medicaid rates paid for January 1st through March 31st of 2009 by approximately 3.5 percent. The statewide reduction totals \$53 million.

Members can estimate the impact of the banking adjustment by multiplying the operating portion of their 2009 rate by 3.5 percent. DOH intends to republish 1/1/2009 rates to reflect this change.

Rebasing Update

The state has submitted all the materials necessary for CMS to approve rebasing and has been told by CMS that review of New York's Medicaid State Plan Amendment is a priority. No time frame was suggested. NYAHSA and other workgroup members stressed the importance for homes to have a firm grasp of what their 2009 rates will be as they struggle to finalize 2009 financial statements.

DOH has made statewide updates as well as many facility-specific corrections to the draft rebased rate sheets issued in January, 2010. The updates, specifically the return of 2002 Recruitment and Retention payments into base costs, have increased the statewide cost of rebasing while driving up the amount of the scale-back by \$78 million. We have consistently advocated for a methodology that would not cause huge decreases for individual homes and DOH seems to share some of our concern. Their analysis suggests that recent cuts exceed the benefit of rebasing for 52 homes that qualify for disadvantaged funding or are exhibiting financial stress, a point they agreed to make to legislators.

Quality Pool Update

While there seems to be limited enthusiasm in the State Legislature for a quality pool that would be funded by reducing rates, DOH has proposed some revisions to their original proposal. A sub-group that includes NYAHSA has been working on improving the proposal. Along with changes in how overall quality pool scores would be calculated, DOH is now recommending that the staffing measure be based on the case mix adjusted staffing hours per day calculation that is used in the 5-star system rather than relying solely on the proportion of RN hours as a percentage of total nursing hours. DOH also proposes to add a sixth quality measure (percentage of low risk long-stay residents who lose control of their bowels or bladder). Workgroup members requested a copy of the revised quality initiative calculation materials and DOH agreed to share it.

We will continue to urge DOH to do all that they can to inform providers of their 2009 rates and will work to educate lawmakers on the severity of recent cuts. Please reinforce this message when meeting with your legislators. If you have questions on this information, please contact me at dkirstein@nyahsa.org or 518-449-2707, ext. 104, or Dan Heim at dhein@nyahsa.org or ext. 128.