



150 State Street, Suite 301 Albany, New York 12207-1698 Telephone (518) 449-2707 Fax (518) 455-8908 Web www.nyahsa.org

## MEMORANDUM

**TO:** RHCF Members

**FROM:** Dan Heim, Vice President for Public Policy

**DATE:** July 10, 2009

**SUBJECT:** NYAHS Action Plan and Recent Developments on Regional Pricing

**ROUTE TO:** Department Heads

---

ABSTRACT: NYAHS's approach to Medicaid regional pricing for nursing home services.

### Introduction

As you are aware, the final 2009-10 state budget legislation requires implementation of a new Medicaid regional pricing system for nursing home services, effective April 1, 2010. The purpose of this memo is to provide an update on the status of this initiative, as well as to outline NYAHS's action plan to address the many issues that regional pricing may create.

### Background

Effective April 1, 2010, the "rebased" system currently authorized in law would be replaced by a new regional pricing system. Referred to by the Department of Health (DOH) as the "value based regional pricing methodology," the new system would feature direct and indirect prices calculated on a regional basis using 2007 reported costs. The law does not define the regions that will be used for this purpose. By establishing a single direct and indirect price for each region, the methodology could effectively do away with: (1) the 300+ bed and hospital-based peer groups; (2) base and ceiling factors and facility-specific prices; and (3) wage equalization factor (WEF) adjustments.

The direct component would be adjusted by each facility's RUG-III case-mix index for Medicaid patients only. Unspecified rate adjustments would be made for bariatric patients and certain cognitively impaired/behavioral patients. An add-on would also be continued for traumatic brain injury extended care patients. Operating rates for specialty facilities and units (i.e., AIDS, ventilator, TBI, neurobehavioral and pediatric) would be based on the rates in effect as of March 31, 2010, trended forward until DOH can develop prices for them.

The non-comparable and capital components would still be calculated on a facility-specific basis, with a capital cost pass-through of real estate taxes and payments in lieu of taxes. DOH could make unspecified amounts of transition payments beginning in 2010 to non-public and state-operated public facilities with over 50 percent Medicaid utilization that are impacted by the new pricing system. Recipient facilities would need to attest to their financial condition and submit a plan for financial improvement, as well as a progress report after two years.

DOH could also make unspecified quality incentive payments to eligible facilities beginning in 2010 based on a composite score of staffing, quality measures; and survey scores.

### **DOH Medicaid Reimbursement Workgroup**

The Nursing Facility Medicaid Reimbursement Workgroup, appointed by DOH, is charged with overseeing development of the new methodology and reporting its activities to the Legislature. DOH will be making a report on the workgroup's activities to the Legislature by December 15, 2009.

The group, convened several months ago to address Medicaid reimbursement issues, was expanded this year to include consumers and representatives of regional provider associations. NYAHSAs are represented on the workgroup by Laurie Jankowski (Niagara Lutheran Home & Rehab. Center, Buffalo) and Dan Heim (NYAHSAs Vice President for Public Policy). Four of the new regional representatives on the group are also from NYAHSAs member organizations—Jim Dewhirst (The Friendly Home, representing the Rochester Association of Home and Services for the Aging); Norma Lewis (St. Luke Health Services, representing the LTC Executive Council of Central NY); Michael Osborne (Catholic Health System, representing the Western New York Association of Homes and Services for the Aging); and Audrey Weiner (Jewish Home Lifecare, representing the Continuing Care Leadership Coalition).

During its most recent meeting on May 12<sup>th</sup>, DOH reviewed the legislation that authorized the regional pricing system. Key issues that the workgroup will be considering were also discussed including identifying the appropriate regions, determining allowable costs, addressing cost differences among facilities, specialty facility/unit rates, and establishing funding pools for quality and transition payments.

The next meeting is being held on July 24<sup>th</sup>, during which the subjects of allowable costs and a quality incentive pool will be discussed. Succeeding meetings are scheduled for September 10<sup>th</sup> and October 7<sup>th</sup>. Workgroup meetings are held in Albany and are open to the public. For further information and to register your attendance, you may contact Sheri Senecal at [sbs04@health.state.ny.us](mailto:sbs04@health.state.ny.us) or 518-402-5673.

### **Joint Association Task Force on Nursing Home Reimbursement**

As you know, NYAHSAs and the other two statewide nursing home associations—HANYS and NYSHFA—convened a Joint Association Task Force on Nursing Home Reimbursement (JATF) in 2004 to develop a new Medicaid reimbursement methodology. The task force's recommendations formed the basis for the rebasing legislation that was enacted into law in 2006, resulting in transition payments totaling \$305 million in 2007-08 and added rebasing funding of \$210 million in the 2009-10 state fiscal year.

NYAHSA and its association colleagues recently reconvened the JATF to provide input and recommendations relative to the regional pricing system. The group met on June 15<sup>th</sup> and reviewed the regional pricing legislation, provided input on DOH's reform principles and on the proposed quality incentive pool. You can access a copy of the PowerPoint presentation used during the JATF meeting by scrolling to the bottom of the screen that frames this memo and clicking on the attachment.

The JATF will be meeting over the next several months as the DOH workgroup process continues.

## **NYAHSA Action Plan**

In addition to reconvening the JATF, NYAHSA has developed other elements of an action plan on regional pricing, which include the following:

- *Data and analysis:* NYAHSA has requested from DOH the 2007 cost base and MDS data that would be utilized to develop regional prices. We intend to work through the JATF to analyze these data, evaluate proposals from DOH and model our own reimbursement alternatives.
- *Obtain NYAHSA member input:* Provide opportunities for member input on these issues through the NYAHSA Professional Regional Councils (i.e., CFO and DNS); NYAHSA Regional Meetings; NYAHSA Issue Forums (i.e., Reimbursement and Nursing Facility); Public Policy Committee; and Board of Directors.
- *Make recommendations:* Working through the DOH workgroup, make specific recommendations on all aspects of the proposed methodology, as well as on policy alternatives we identify.
- *Engage other stakeholders:* As this process unfolds, keep key legislators/staff, other associations and other stakeholders informed and engaged.

## **Conclusion**

We will keep you updated on further developments in this area. If you have any questions in the meantime, please contact me at [dheim@nyahsa.org](mailto:dheim@nyahsa.org) or 518-449-2707 ext. 128; Darius Kirstein at [dkirstein@nyahsa.org](mailto:dkirstein@nyahsa.org) or ext. 104; or Patrick Cucinelli at [pcucinelli@nyahsa.org](mailto:pcucinelli@nyahsa.org) or ext. 145.