

# **Final Nursing Home Statewide Pricing Model**

December 14, 2011

# Goals of Pricing Methodology

- ▶ Fair and equitable reimbursement system that rewards efficiencies and incentivizes quality outcomes
- ▶ Provides good pricing foundation for transition to Managed Care
  - Mandatory enrollment in managed long-term care for dual-eligibles will begin April 2012
  - Nursing Home benefit will be added to the “mainstream” managed care benefit in October 2012
- ▶ Provides stability, predictability, and transparency for NHs
  - Include a transition that provides smooth glide path from current rates to pricing and eventually to Managed Care
- ▶ Components can easily be updated
- ▶ Minimize administrative burdens for providers and the Department
  - Minimize risk from future legal challenge
    - Department has been sued roughly 40 times a year over the past decade
    - Rebasing rates have resulted in 6 recently filed cases that involve roughly 240 facilities
    - Base Price Litigation
  - Minimize appeals and audit risk for providers

# Components of Nursing Home Pricing Model

Component and Data	Data
Effective Date	January 1, 2012
<p data-bbox="131 382 1155 429"><u>Statewide Prices for Direct and Indirect Components</u></p> <p data-bbox="131 496 1161 601">Direct and Indirect Prices are a blend of : 50% of Statewide price PLUS 50% Peer Group Price</p> <p data-bbox="131 668 372 715">Peer Groups</p> <ul data-bbox="131 725 1193 829" style="list-style-type: none"> <li>•Hospital Based/300+ Bed Peer Group</li> <li>•All Other Facilities Peer Group (Excluding Hospital Based /300+ Bed )</li> </ul> <p data-bbox="131 896 794 943">Example: Hospital Based Facility</p> <p data-bbox="131 953 1132 1001">50% Direct Statewide Price (<math>\\$119.02 * .50</math>) = \$59.51</p> <p data-bbox="131 1011 1209 1115">50% Direct Hospital Based/300+ Bed Peer Group Price (<math>\\$132.17 * .50</math>) = \$66.08</p> <p data-bbox="175 1125 730 1172">Total Direct Price = \$125.60</p>	<p data-bbox="1290 382 1721 429">2007 Allowable Costs</p> <p data-bbox="1290 496 1823 686">The number of beds will be determined by adding together the specialty and non-specialty beds of the facility</p>

# Components of Nursing Home Pricing Model

Component and Data	Data
<p><u>Wage Equalization Factor (WEF) Adjustments</u> (Direct and Indirect Prices are WEF Adjusted)</p> <p>Example: Blended WEF Adjustment: 50% Facility Specific + 50% Regional (based on 16 WEF Regions)</p>	<p>“Clinical Definition” of WEF – RN, LPN, Aides, Orderlies, Therapists and Therapist Aides</p> <p>2009 Clinical Salaries and Fringes, Hours Paid, Total Operating Costs</p>
<p><u>Medicaid Only Case Mix Adjustments</u> 53 RUGs Group</p>	<p>January 1, 2011 Case Mix Data</p> <p>Subsequent Prospective Case Mix Adjustments Made in July and January</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>•July 2012 case mix adjustment would use January 1, 2012 case mix data,</li> <li>•January 1, 2013 case mix adjustment would use July 2012 case mix data</li> </ul>

# Components of Nursing Home Pricing Model

Component	Data
<p><u>Per Diem Add-On's</u> Dementia (\$8), Bariatric (\$17) , and TBI (\$36)</p> <p>Document Expenditures and Monitor Outcomes</p>	<p>Rates use MA only counts from January 1, 2011 case mix</p> <p>Counts updated with Case Mix Adjustments</p>
<p><u>Non- Comparable Costs</u> Facility-Specific</p>	<p>2007 Allowable Costs</p>
<p><u>Transition</u> Pricing Fully Implemented in Year 6 (2017)</p>	<p>5-Year phase in with annual incremental gain/loss cap</p> <p>2012: 1.75%</p> <p>2013: 2.5%,</p> <p>2014: 5%,</p> <p>2015: 7.5%</p> <p>2016: 10%</p> <p>2017: Fully Implemented</p>

# Components of Nursing Home Pricing Model

Component	Data
<u>Quality Incentives</u> Year 1: \$50 Million for Reporting Year 2: \$50 Million for Performance *Future Year increases to be determined as measures are adopted and refined	<u>Year 1 (2012)</u> Establish Work Group to Develop Quality Indicators and Benchmarks Pay for Reporting  <u>Year 2 and thereafter (Beginning 2013)</u> Allocate Quality Pool Using Established Indicators and Benchmarks
<u>“From Rate” to Calculate Impacts</u>	July 7, 2011 Rebasing Rates (Excludes Mitigation Payments)
<u>Rates for Specialty Facilities</u>	Paid January 1, 2009 Rate with 2008 and 2009 Trends
<u>Total Spending</u> \$6.170 billion (Reflects \$210 million cap)	SNF: \$5.746 billion Specialties: \$428 million

# Example of Gain Loss Cap

## Example Year 1: Gain/ Loss Cap 1.75% Statewide Price \$100

Examples	Current Rate (7/7/11)	1.75% +/- Change	1.75% Gain Loss Cap	Result
Facility A	\$125	\$2.19	\$122.81	Loser Above Price
Facility B	\$102	\$1.79	\$100	Loser At Price
Facility C	\$90	\$1.58	\$91.58	Winner Below Price
Facility D	\$99	\$1.73	\$100	Winner At Price

Transition Year	Gain/ Loss Cap From 7/7/11 Rate
Year 1 (2012)	1.75%
Year 2 (2013)	2.5%
Year 3 (2014)	5.0%
Year 4 (2015)	7.5%
Year 5 (2016)	10.0%
Year 6 (2017)	Full Implementation

# Statewide Price, Blended WEF, Blended Price, Six Year Phase-In

(Impacts from 7.7.11 Rate)

Five Year Phase-In	Year 1 (2012) 1.75% Gain Loss Cap		Year 6 (2017) Full Implementation	
	Impact	#	Impact	#
Winners	24,310,811	230	202,723,355	344
Losers	(33,100,527)	387	(211,513,083)	273
<b>Net Impact*</b>	<b>(\$8,789,716)</b>	<b>617</b>	<b>(\$8,789,727)</b>	<b>617</b>

\*\$8 million supports spending attributable to the 1.1.09 Specialty Rates



**Statewide Price, Blended WEF, Blended Price, Six Year Phase-In  
Year 1 and Year 6 (Full Implementation)**  
(Impacts from 7.7.11 Rate)

Region	Year 1 (2012) 1.75% Gain Loss Cap	Year 6 (2017) Full Implementation
CENTRAL (49)	1,537,516	4,673,760
LONG ISLAND (77)	(3,522,206)	(7,290,490)
NEW YORK CITY (167)	(12,875,308)	(55,511,302)
NORTHEASTERN (55)	1,674,365	13,177,785
NORTHERN METROPOLITAN (91)	(983,411)	1,298,420
ROCHESTER (51)	1,209,923	1,091,804
UTICA (52)	2,308,598	9,576,058
WESTERN (75)	1,860,806	24,194,240
<b>Total (617)</b>	<b>(\$8,789,716)</b>	<b>(\$8,789,727)</b>

Sponsor	Year 1 (2012) 1.75% Gain Loss Cap	Year 6 (2017) Full Implementation
Proprietary (314)	89,860	41,484,401
Voluntary (256)	(7,669,197)	(38,530,273)
Public* (47)	(1,210,380)	(11,743,855)
<b>Total (617)</b>	<b>(\$8,789,716)</b>	<b>(\$8,789,727)</b>

\*Public Facilities are eligible for IGT/UPL Payments.

**Statewide Price, Blended WEF, Blended Price, Six Year Phase-In**  
**Year 1: 1.75% Gain Loss Cap**  
**(Impacts from 7.7.11 Rate)**

Region	# Losers	Year 1 (2012) Loser Impact	# Winners	Year 1 (2012) Winner Impact	# Total	Year 1 (2012) Total Impact
CENTRAL	26	(725,184)	23	2,262,701	49	1,537,516
LONG ISLAND	67	(6,183,266)	10	2,661,060	77	(3,522,206)
NEW YORK CITY	133	(19,657,524)	34	6,782,216	167	(12,875,308)
NORTHEASTERN	20	(537,475)	35	2,211,840	55	1,674,365
NORTHERN METROPOLITAN	68	(3,917,845)	23	2,934,434	91	(983,411)
ROCHESTER	24	(581,132)	27	1,791,055	51	1,209,923
UTICA	15	(288,907)	37	2,597,505	52	2,308,598
WESTERN	34	(1,209,194)	41	3,069,999	75	1,860,806
<b>Total</b>	<b>387</b>	<b>(\$33,100,527)</b>	<b>230</b>	<b>\$24,310,811</b>	<b>617</b>	<b>(\$8,789,716)</b>

Sponsor	# Losers	Year 1 (2012) Loser Impact	# Winners	Year 1 (2012) Winner Impact	# Total	Year 1 (2012) Total Impact
Proprietary	206	(14,866,733)	108	14,956,594	314	89,860
Voluntary	156	(15,036,767)	100	7,367,570	256	(7,669,197)
Public*	25	(3,197,027)	22	1,986,648	47	(1,210,380)
<b>Total</b>	<b>387</b>	<b>(\$33,100,527)</b>	<b>230</b>	<b>\$24,310,811</b>	<b>617</b>	<b>(\$8,789,716)</b>

\*Public Facilities are eligible for IGT/UPL Payments

# Statewide Price, Blended WEF

## Year 6: Full Implementation

### (Impacts from 7.7.11 Rate)

Region	# Losers	Year 6 (2017) Loser Impact	# Winners	Year 6 (2017) Winner Impact	# Total	Year 6 (2017) Total Impact
CENTRAL	26	(10,044,862)	23	14,718,622	49	4,673,760
LONG ISLAND	47	(33,176,204)	30	25,885,713	77	(7,290,490)
NEW YORK CITY	86	(120,122,112)	81	64,610,810	167	(55,511,302)
NORTHEASTERN	13	(4,808,413)	42	17,986,198	55	13,177,785
NORTHERN METROPOLITAN	43	(25,828,509)	48	27,126,929	91	1,298,420
ROCHESTER	22	(7,285,372)	29	8,377,176	51	1,091,804
UTICA	17	(6,354,603)	35	15,930,661	52	9,576,058
WESTERN	19	(3,893,006)	56	28,087,246	75	24,194,240
<b>Total</b>	<b>273</b>	<b>(\$211,513,083)</b>	<b>344</b>	<b>\$202,723,355</b>	<b>617</b>	<b>(\$8,789,727)</b>

Sponsor	# Losers	Year 6 (2017) Loser Impact	# Winners	Year 6 (2017) Winner Impact	# Total	Year 6 (2017) Total Impact
Proprietary	128	(79,093,037)	186	120,577,438	314	41,484,401
Voluntary	120	(105,513,980)	136	66,983,707	256	(38,530,273)
Public*	25	(26,906,065)	22	15,162,210	47	(11,743,855)
<b>Total</b>	<b>273</b>	<b>(\$211,513,083)</b>	<b>344</b>	<b>\$202,723,355</b>	<b>617</b>	<b>(\$8,789,727)</b>

\*Public Facilities are eligible for IGT/UPL Payments

# Financially Challenged Nursing Homes

Nursing Homes with Financial Issues*	Number of Homes	# of SNF Beds
NHs Eligible for 2010 Financially Disadvantaged Funding (Preliminary)	83	14,219
NHs with 2010 Operating Losses that are 5% or More of Total Operating Revenue and Greater than 70% Medicaid Utilization	61	10,198
<b>Total</b>	<b>144</b>	<b>24,417</b>

\*Excludes Public Facilities that are eligible for IGT/UPL Payments. Total estimated SNF beds 112,630 statewide .

# Statewide Price, Blended WEF, Five Year Phase-In Financially Challenged Facilities

(Impacts from 7.7.11 Rate)

Five Year Phase-In	Year 1 (2012) 1.75% Gain Loss Cap		Year 6 (2017) Full Implementation	
	Impact	#	Impact	#
Winners	6,884,320	69	49,490,947	89
Losers	(6,660,259)	71	(54,661,435)	51
<b>Net Impact</b>	<b>\$224,061</b>	<b>140</b>	<b>(\$5,170,488)</b>	<b>140</b>

**Statewide Price, Blended WEF  
Financially Challenged Facilities  
Net Impacts Year 1 and Year 6 Full Implementation  
(Impacts from 7.7.11 Rate)**

<b>Region</b>	<b>Year 1 (2012) 1.75% Gain Loss Cap</b>	<b>Year 6 (2017) Full Implementation</b>
CENTRAL	331,495	2,120,045
LONG ISLAND	(437,004)	(2,541,676)
NEW YORK CITY	(3,887,971)	(18,232,578)
NORTHEASTERN	1,104,582	3,061,490
NORTHERN METROPOLITAN	(3,398)	(3,789,878)
ROCHESTER	1,002,889	3,076,957
UTICA	770,098	3,006,052
WESTERN	1,343,370	8,129,101
<b>Total (141)</b>	<b>\$224,061</b>	<b>(\$5,170,488)</b>

<b>Sponsor</b>	<b>Year 1 (2012) 1.75% Gain Loss Cap</b>	<b>Year 6 (2017) Full Implementation</b>
Proprietary	2,712,462	13,355,726
Voluntary	(2,488,401)	(18,526,214)
Public*		
<b>Total (141)</b>	<b>\$224,061</b>	<b>(\$5,170,488)</b>

\*Public Facilities are eligible for IGT/UPL Payments.

# Specialty Units/Facilities

Per Statute Paid their 1.1.09 Pre-Rebasing Rate Including 2008 and 2009 Trend  
Impacts from 7.7.11 Rate

	<b>Winner</b>	<b>#</b>	<b>Loser</b>	<b>#</b>	<b>Total</b>	<b>#</b>
Aids Units	17,072,012	8	(3,323,969)	5	13,748,042	13
Vent Units	9,398,151	39	(1,044,475)	8	8,353,676	50
Neuro Behavioral	-	-	(5,588,314)	5	(5,588,314)	5
Head Injury Units	418,317	3	(4,320,589)	4	(3,902,272)	7
Pediatric	3,318,923	4	(6,389,138)	4	(3,070,215)	8
<b>Total</b>	<b>\$30,207,402</b>	<b>54</b>	<b>(\$20,666,485)</b>	<b>26</b>	<b>\$9,540,918</b>	<b>83</b>

- ▶ Total of 83 rates ~ 9 discrete facilities (5 AIDS and 4 Pediatrics)
- ▶ Impact of AIDS facilities adjusted to include the elimination of the Aids occupancy factor enacted in 2009

# Quality Incentives

- ▶ Multi-Year Approach Consistent with MLTC/ Health Home
  - Year 1: Initially based on pay for reporting to establish data for selected indicators/benchmarks (e.g., avoidable hospital admissions, discharges to less restrictive settings, rightsizing)
  - Year 2: Use established indicators/benchmarks to distribute quality pools funded from base to facilities that improve or maintain quality against indicators/benchmarks

## Schedule for Developing & Implementing Quality Incentives

Establish Work Group to Establish Quality Indicators/Benchmarks	As early as January 1, 2012
Collect & Analyze Quality Data Related to Established Indicators	June – December 2012
Pay for Reporting	Calendar 2012
Pay for Performance	Calendar 2013



# Creating a Path to Managed Care: Health Homes

- ▶ Interested nursing homes would be offered an opportunity to participate in Health Home with care coordination fee to provide an opportunity to:
  - Develop care coordination network of both primary care/other LTC providers
  - Monitor and achieve specific outcomes (e.g., reduce readmission rate to hospitals, reduce lower acuity admits)
  - Develop contractual relationship with health plans/MLTC

# Next Steps

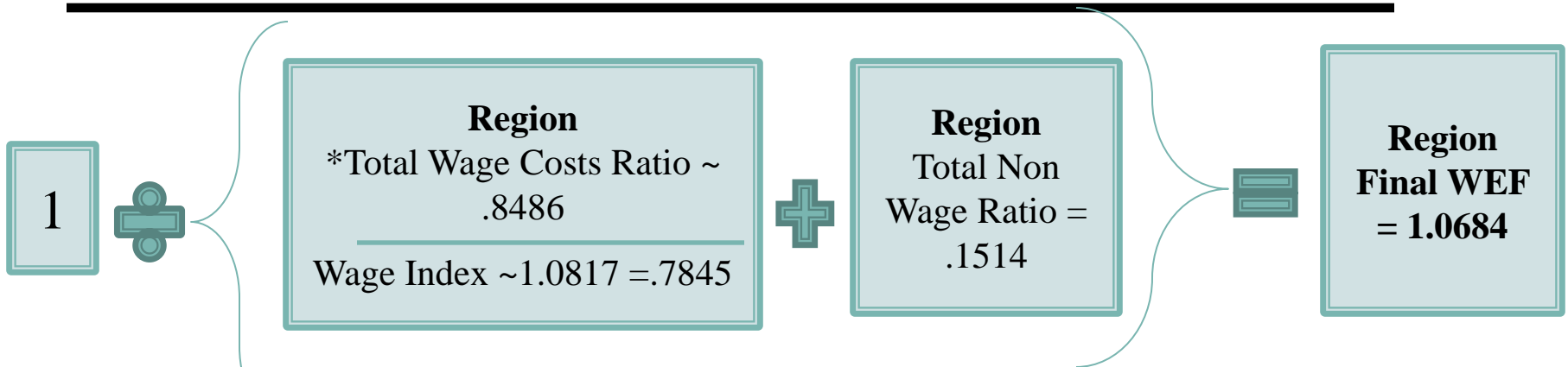
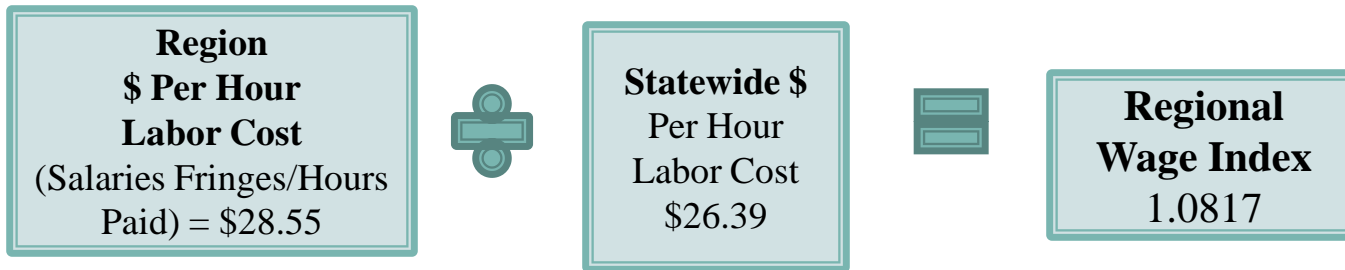
- ▶ CMS Approval
  - File Clarifying Public Notice
  - Submit SPA and Regulations
- ▶ Work with CMS on health home model for nursing homes
  - Department is scheduling meeting with Associations for next week
- ▶ Establish Work Group to developing quality indicators/benchmarks, including reporting/measuring per diem add ons
- ▶ Other issues: Conduct further analysis of specialty facilities (especially Peds) and AIDS scatter beds

# Appendix

## WEF Formulas

**50/50 Blended WEF =**  
**(50% of Calculated Regional WEF +**  
**50% of Calculated Facility Specific WEF)**

# Regional Wage Equalization Factor Methodology (Applies to Direct and Indirect Components)



**\*Total Wage Costs Ratio =**  

$$\frac{[\text{Salaries \& Fringes (Direct or Indirect) / Total Operating Expenses (Direct or Indirect)]}{(323,928,117 / 381,739,860) = .8486}$$

**Total Non Wage Ratio =**  

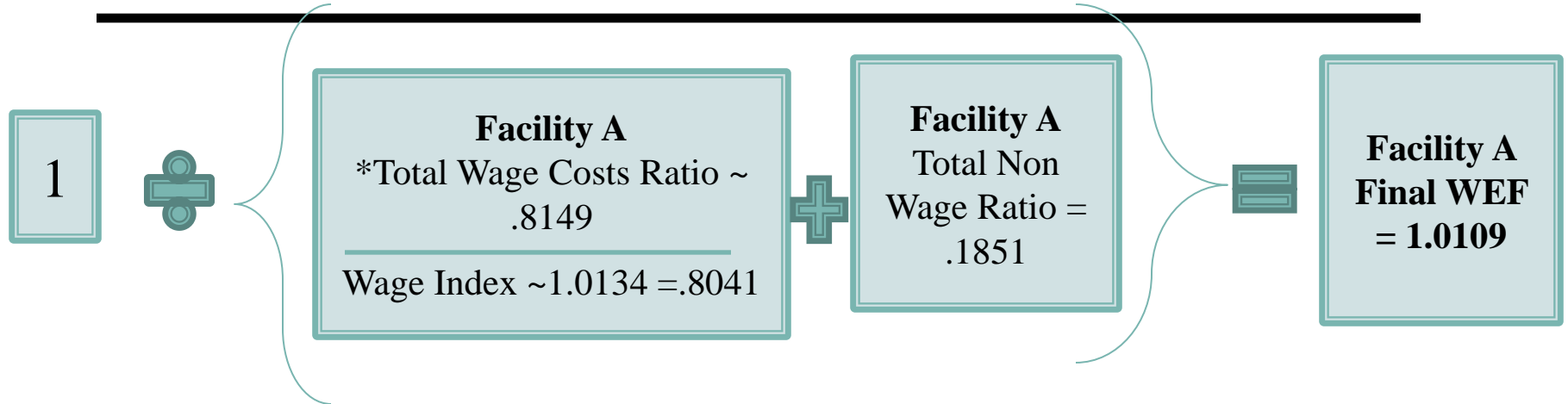
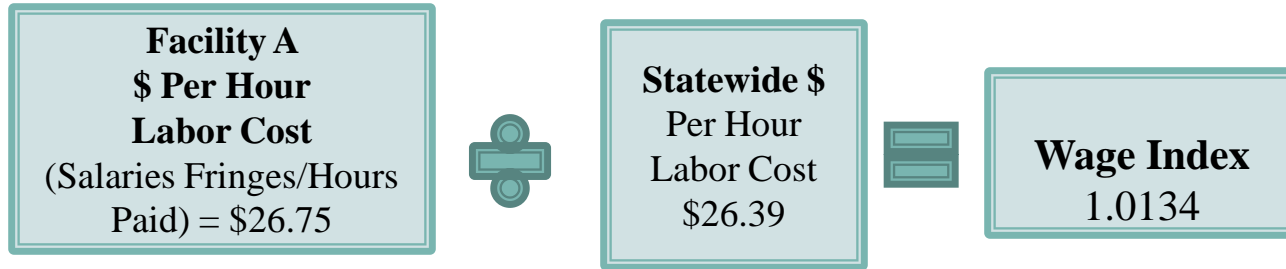
$$(1 - \text{Total Wage Cost Ratio}) = (1 - .8486) = .1514$$

\*Traceback percentages are applied to salaries and fringes, hours paid and operating expenses.

# Facility Specific

## Wage Equalization Factor Methodology

(Applies to Direct and Indirect Components)



**\*Total Wage Costs Ratio =**  
 [Salaries & Fringes (Direct or Indirect)/ Total Operating Expenses (Direct or Indirect)] =  
 (6,343,647 / 7,784,843 = .8149)

**Total Non Wage Ratio =**  
 (1 - Total Wage Cost Ratio) = (1 - .8149 = .1851)

\*Traceback percentages are applied to salaries and fringes, hours paid and operating expenses.