# South Dakota Nursing Home Rate Methodology Review

Stakeholder Meeting – June 30, 2022

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

# OBJECTIVE

Initiate stakeholder engagement for the South Dakota Nursing Home Rate Methodology review project for 2022.

# AGENDA

1. Introductions
2. Opening Remarks - DHS
3. Work Plan/Timeline – MSLC
4. Review of Prior Report/Current Rate Methodology
5. New Concerns
6. PBJ Staffing Data
7. Rate Build-up/Pricing Methodology
8. Stakeholder Concerns
9. Closing Remarks/Follow-Up Plans

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# Introductions

**Amy Perry**

**Dave Halferty**

Myers and Stauffer Team

# Opening Remarks

- Expand upon the work from 2019 workgroup
- Input needed
- Methodology vs Rate
  - ✓ Methodology is our focus in this workgroup
  - ✓ Methodology focused on the majority
- PDPM transition
- Reasonable and fair methodology to reimburse for services

Department of Human Services

# Work Plan/Timeline

## Goal

- Evaluation and design of nursing home rate methodologies
  - ✓ Evaluate current system and fulfill legislative mandate
  - ✓ Plan transition from RUGs to PDPM
  - ✓ Address stakeholder concerns about current system
  - ✓ Provide ongoing consulting and analysis

## Short Timeline

- Complete analysis and design by 08/26/2022
  - ✓ Include 3-4 stakeholder workgroup meetings
  - ✓ Possibly survey providers to get more current wage information

| Timeline | |
|---|---|
| **Phase** | **Timeline** |
| Evaluation of Current NF Reimbursement System | 06/02/2022 – 06/30/2022 |
| Model Development | 06/02/2022 – 06/30/2022 |
| Target Methodology Development | 07/01/2022 – 08/26/2022 |
| Methodology Implementation | 09/01/2022 – 06/30/2023 |

# Work Plan/Timeline

## Data

- Provider Data
  - ✓ FY 2021 cost data
  - ✓ MDS data through 06/30/2022
  - ✓ Nursing Home Compare data
- Market Data
  - ✓ Labor rate information from the Bureau of Labor Statistics and other sources will be used to gauge changing market factors

## Data Analysis

- Validated
  - ✓ Testing against benchmarks and averages
- Representative
  - ✓ Analysis of different provider characteristics (i.e. size, location, etc.)
- Supported
  - ✓ Best practices will be used to ensure analysis is defensible

# Review of Prior Report

## Modeling

- 2018 costs
- Rate Type Options (Ceilings, Limit, Price)
- Occupancy Rule Options
- Overall Increase Options

**South Dakota Case Mix Rate Model**

Date Prepared: 10/28/2020

Version: 3.0

**Parameters and Analysis**

**DRAFT - Subject To Change - Not for General Distribution**

This model was developed by Myers and Stauffer LC for the South Dakota Department of Human Services. It is a working model and subject to change. It is intended for use by the Department and the workgroup they have assembled.

**General**

**Cost Report Data for Fiscal Years Ending in:** 2019

**Inflation Options:**

Index: CPI Through Date: 12/31/21

**Rate comparison Options:**

Fiscal Year: 2021

**Rate Analysis Groupings:**

**HB/FS:** Hospital Based (shared costs with hospital) vs. Free Standing Facilities

**U/R:** Urban (within OMB defined CBSA) vs. Rural

**S/L:** Small vs. Large Facilities **Small Facilites are < or =** 60 **beds**

| Analysis Group: | All | HB | FS | U | R | S | L | AC NFs | 638 NFs |
|---|---|---|---|---|---|---|---|---|---|
| Count: | 100 | 19 | 81 | 25 | 75 | 64 | 36 | 9 | 2 |

**Direct Care**

**Type of Rate:** Cost - Ceilings

**Occupancy Rule:** Y

**CMI Data Options:**

Overall CMI Calculation: Exclude Mdcr

Medicaid CMI Source: 2020

**Ceiling/Limit/Price Calculations:**

| | | |
|---|---|---|
| Median | | $ 91.62 |
| Max. Ceiling/Limit/Price | 125% | $ 114.53 |
| Min. Ceiling | 115% | $ 105.36 |
| Exclude CMI < 1.0: | Y | |

**Special Limits/Ceilings**

AC NFs: 100% of costs.

638 NFs: 100% of costs.

**Maximum Rate @ CMI 1.0:** $112.70

| Rate Analysis | All | HB | FS | U | R | S | L | AC NFs | 638 NFs |
|---|---|---|---|---|---|---|---|---|---|
| Wtd. Avg. Rate: | $102.13 | $112.35 | $100.22 | $108.03 | $100.26 | $ 97.97 | $105.97 | $107.13 | $107.25 |
| Maximum Rate: | $167.73 | $165.46 | $167.73 | $167.73 | $165.46 | $165.46 | $167.73 | $165.46 | $113.52 |
| Minimum Rate: | $ 39.56 | $ 70.89 | $ 39.56 | $ 40.29 | $ 39.56 | $ 64.66 | $ 39.56 | $ 70.89 | $105.31 |
| Average Cost Coverage: | 99.06% | 97.00% | 99.00% | 99.00% | 99.00% | 100.00% | 98.00% | 100.00% | 100.00% |
| Facilities Impacted by Max Limit | 13 | 5 | 8 | 6 | 7 | 6 | 7 | 0 | 0 |
| Facilities Impacted by Min Limit | 22 | 5 | 17 | 8 | 14 | 11 | 11 | 0 | 0 |

# Review of Prior Report

Other Analysis

- Extraordinary Care
  - Evaluated options for simplifying rate add-on calculations

- Value Based Purchasing
  - Examined ways that Nursing Home Compare data for health inspections, staffing, and quality measures could be used to set pay for performance incentives

- Provider Survey
  - Looked at IT/EMR costs, capital lease costs, and Medical Director costs

# Review of Prior Report

Recommendations

- Rebase NF Rates Using 2018 Costs
- Use GI NF Market Basket
- Eliminate Dual Ceiling Methodology
- Implement Value Base Purchasing Methodologies
- Automate Extraordinary Care Additional Pay Calculations
- Create Property Incentives

# New Concerns

## End of RUGs Support

- CMS has indicated RUG data elements will not be collected after 9/30/2023
  - ✓ Options include moving to PDPM (requires rebasing rates), or collecting RUG data elements through other means

## Labor Challenges

- Staffing Shortages
- Wage Rate Increases

## COVID Impact

- Increased Costs
- Census depression

## Regulatory Concerns

# PBJ Staffing Data

## Payroll Based Journal Staffing Data

- South Dakota exceeds the national average for RN and CNA staffing, but ranks 33rd in terms of total staffing

| Adjusted Nursing Hours Per Resident Day Q4 CY 2021* | | | | |
|---|---|---|---|---|
| **Position** | **RN** | **LPN** | **CNA** | **Total** |
| SD Avg. | 1.06 | 0.52 | 2.35 | 3.84 |
| US Avg. | 0.71 | 0.88 | 2.20 | 3.77 |
| SD Rank | 11 | 49 | 19 | 33 |

# Rate Buildup Methodology

## Rate Buildup Methodology

- Driven by Labor Costs
  - ✓ Labor is the driver of most nursing home costs and will be the basis for our rate buildup analysis
  - ✓ More precisely we'll look at hourly rates and hours for key positions

- Ancillary Costs and Overhead Ratios
  - ✓ Other factors that contribute to overall cost will be evaluated relative to key labor costs

# Rate Buildup Methodology

## Direct Care Nursing Labor Costs

- Based on RN, LPN, and Nurse Aide hour
- Hours per day from PBJ data
- Hourly rates could be pulled from multiple sources

| Nursing Labor Rates | | | | |
|---|---|---|---|---|
| | RN | LPN | Aides | Total |
| Per Hour | $30.00 | $25.00 | $15.00 | $20.37 |
| SD Avg. Hrs. | 1.06 | 0.52 | 2.35 | 3.93 |
| Per Day Total | $31.80 | $13.00 | $35.25 | $80.05 |

# Rate Buildup Methodology

## Other Direct Care Costs Relative Nursing Labor Costs

- Totals from cost data
- Relate other costs back to primary salary costs

| Direct Care Costs | | |
|---|---|---|
| **Direct Care Cost Category** | **Total Cost** | **% of Nursing Salaries** |
| Nursing Salaries | $130,940,327.50 | 100.00% |
| Nursing Benefits | $29,920,550.90 | 22.85% |
| Nursing Supplies | $11,149,569.94 | 8.52% |
| Allowable Therapy Costs | $1,919,462.32 | 1.47% |
| Other Direct Care Costs | $26,187,356.08 | 20.00% |
| **Total** | **$200,117,266.74** | **152.83%** |

# Rate Buildup Methodology

## Base Direct Care Rate Calculation

- Nursing Hours x Hourly Rate = Nursing Labor Costs
- Both hours and hourly rate could be derived from various sources
- Other direct care costs calculated relative to nursing labor costs

| **Direct Care** | | | | | |
|---|---|---|---|---|---|
| **Cost Category** | **Hrs/Day** | **Rate** | **Reg. Adj.** | **Adj. Rate** | **Total/Day** |
| Nursing Labor | 3.93 | $20.37 | 1.00 | $20.37 | $80.05 |
| Nursing Benefits | | 22.85% | 1.00 | 22.85% | $18.29 |
| Nursing Supplies | | 22.85% | 1.00 | 22.85% | $18.29 |
| Allowable Therapy Costs | | 1.47% | 1.00 | 1.47% | $1.18 |
| Other Direct Care Costs | | 20.00% | 1.00 | 20.00% | $16.01 |
| **Total Direct Care Rate** | | | | | **$133.83** |

# Rate Buildup Methodology

Labor Rate Survey Designed to Collect:

- Regular pay
- Overtime pay
- Incentive pay
- Total days of service to calculate staffing ratios

# Stakeholder Concerns

- Previous Rate Study Findings
- Weaknesses of the Current Rates/Methodology
- Strengths of the Current Rates/Methodology
- Work Plan Concerns
  - ✓ Data Collection
  - ✓ Data Analysis
  - ✓ Report Development
- Other Concerns

# Q&A – Contact Info

- Questions and Answers
  - ✓ FAQ will be compiled

- Contact Info
  - ✓ Project Email Address: SD.NFStudy@mslc.com
  - ✓ Phone: 800.255.2309
  - ✓ Web: www.mslc.com

# Closing Remarks/Follow-Up Plans

- Future Meetings
  - Thursday, July 14th, 1:30-3:30
  - Thursday, July 28th, 1:30-3:30
  - Thursday, August 11th, 1:30-3:30

- Other Follow-Up

- Closing Comments