# South Dakota Nursing Home Rate Methodology Review

Stakeholder Meeting – July 28, 2022

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

# OBJECTIVES

- Review wage survey data analysis
- Discuss modeling findings and rate options, best practices, & recommendations
- Discuss rate floors and value based purchasing options
- Discuss access critical facility criteria
- Follow-up on previous workgroup discussions
- Establish a detailed timeline for producing and vetting the rate review report

# AGENDA

1. Welcome
2. Wage Survey Data Analysis – MSLC
3. Rate Model Analysis – MSLC
4. Rate Floors – MSLC
5. Value Based Purchasing – MSLC
6. Access Critical Facilities – DHS
7. Workgroup Discussion – Workgroup
8. Rate Review Report
9. Closing Remarks/Follow-Up Plans

# Wage Survey Data Analysis

## Participation

- 68 facilities completed and submitted surveys
  - ✓ This represents more than 70% of nursing facility program
  - ✓ This analysis is preliminary, the data is still under review

**Survey Participation Summary**

| Statistic | Number | Medicaid Days | Medicaid Payments |
|---|---|---|---|
| **Surveys Received** | 68 | 661,418 | 146,260,150 |
| **Surveys Expected** | 96 | 911,777 | 202,167,962 |
| **Percentage** | 70.83% | 72.54% | 72.35% |

# Wage Survey Data Analysis

## Initial Summary Findings

- Direct Care Hourly Wages and Staffing Ratios
  - ➢ This analysis is not adjusted for case mix

| Position | Median Hrly Wage | Avg. Reg Hrly Wage | Add Pay/Hr | Avg. Eff. Wage | Staffing Ratio |
|---|---|---|---|---|---|
| RN | $36.02 | $36.29 | $4.27 | $40.56 | 0.58 |
| Contracted RN | $92.30 | $114.89 | $0.00 | $114.89 | 0.06 |
| LPN | $26.51 | $27.63 | $3.97 | $31.60 | 0.39 |
| Contracted LPN | $75.27 | $86.27 | $0.00 | $86.27 | 0.09 |
| Aides | $17.81 | $18.87 | $2.63 | $21.50 | 1.76 |
| Contracted Aides | $53.41 | $63.03 | $0.00 | $63.03 | 0.27 |
| **Combined DC** | **NA** | **$30.70** | **$2.75** | **$33.45** | **3.15** |

# Wage Survey Data Analysis

## Initial Summary Findings

- Wage Adjustment Plans
  - This analysis is not adjusted for case mix

| Position | Facilities w/ Planned Inc. | Avg. Planned Increase % | Avg. Planned Eff. Date | Adjusted Avg. Effective Wage |
|---|---|---|---|---|
| RN | 53 | 4.43% | 08/17/22 | $42.36 |
| Contracted RN | 4 | 4.00% | 08/31/22 | $119.49 |
| LPN | 52 | 4.10% | 08/15/22 | $32.90 |
| Contracted LPN | 4 | 4.00% | 08/31/22 | $89.72 |
| Aides | 50 | 3.35% | 08/17/22 | $22.22 |
| Contracted Aides | 4 | 4.00% | 08/31/22 | $65.55 |
| **Combined DC** | | **3.87%** | | **$34.74** |

# Wage Survey Data Analysis

## Potential Uses

- Rate Buildup Methodology – Direct Care
  - ✓ This could be used as either an evaluation tool or rate floor
    - ➢ This analysis is not adjusted for case mix

| Direct Care | | | |
|---|---|---|---|
| Staffing | Hrs/Day | Hrly Rt | Tot/Day |
| Position | Wage Survey | Wage Survey | |
| RN | 0.58 | $40.56 | $23.52 |
| Contracted RN | 0.06 | $114.89 | $6.89 |
| LPN | 0.39 | $31.60 | $12.32 |
| Contracted LPN | 0.09 | $86.27 | $7.76 |
| Aides | 1.76 | $21.50 | $37.84 |
| Contracted Aides | 0.27 | $63.03 | $17.02 |
| Direct Care Wages Subtotal | 3.15 | $33.45 | $105.36 |
| Potential Wage Adjustments Allowance | | 3.87% | $4.08 |
| Adjusted Direct Care Wages Subtotal | | | $109.45 |
| Direct Care Benefits Cost Allowance | | 22.85% | $20.19 |
| Direct Care Wages and Benefits Subtotal | | | $125.55 |

## Follow-Up Process

- Data Review
  - ✓ Identify and investigate data outliers

- Update Analysis
  - ✓ Incorporate final summary findings into rate review report

## General Information

- Cost reports with fiscal years ending in calendar year 2021
- CPI data was pulled on May 23, 2022
- NF market basket statistics are from February 2022
- Per diem cost used in the cost coverage calculations through-out uses actual patient days, direct care has been adjusted for acuity, includes only the Medicaid allowed therapy cost, and has been inflated from the mid-point of the cost report period to midpoint of SFY 2024 (12/31/2023) using either the CPI or NF market basket depending on the selected inflation index.
- PDPM uses nursing only component

**All analysis, findings, and recommendations are tentative and pending further review.**

# Rate Model Analysis

## Estimated SFY 2024 - Current Methodology

- SFY 2023 base rates are used as SFY 2024 base rates no inflation applied
- Weighted Avg Base Rate is $185.48 (prior to acuity adjustment)
  - ✓ Direct Care Avg is $85.78 for CMI of 1.00
- SFY 2024 Estimated Annual Expenditures
  - ✓ $161.0 million
  - ✓ 868,249 Medicaid days
  - ✓ 76.35% total cost coverage, 76.00% for Direct Care

## Rebasing Estimates

- ➢ Full Rebase w/ 8% Increase Limit
- Weighted Avg Rate is $194.88 (prior to acuity adjustment)
  - ✓ Direct Care Avg is $108.23 for CMI of 1.00
- SFY 2024 Estimated Annual Expenditures
  - ✓ $169.2 million
  - ✓ 868,249 Medicaid days
  - ✓ 80.04% total cost coverage, 93.40% for Direct Care

- ➢ Full Rebase w/o Increase Limit
- Weighted Avg Rate is $232.72 (prior to acuity adjustment)
  - ✓ Direct Care Avg is $108.23 for CMI of 1.00
- SFY 2024 Estimated Annual Expenditures
  - ✓ $202.1 million
  - ✓ 868,249 Medicaid days
  - ✓ 94.23% total cost coverage, 93.40% for Direct Care

# Rate Model Analysis

## General Rate Setting Parameters

- CPI vs. NF Market Basket
  - ✓ CPI is historical basis for inflating costs
  - ✓ NF Market Basket is a more common standard for NF rate setting

- Moving to NF Market Basket increases rate estimates
  - ✓ Full rebase w/ 8% increase limit = $195.63 avg rate, $169.6 M SFY 2024 estimated annual expenditures
  - ✓ Full rebase w/o increase limit = $236.63 avg rate, $205.5 M SFY 2024 estimated annual expenditures

| CPI vs. NF Market Basket | Rebase w/ 8% Increase Limit | Rebase w/o Increase Limit |
|---|---|---|
| Est. Annual Expenditures Using NF Market Basket | $169.6 M | $205.5 M |
| Est. Annual Expenditures Using CPI | $169.2 M | $202.1 M |
| Difference | $0.4 M | $3.4 M |

# Rate Model Analysis

## General Rate Setting Parameters

- Occupancy Rule
  - ✓ Occupancy rules are a common feature of nursing facility reimbursement systems
  - ✓ The current occupancy rule is 3% less than the statewide average
  - ✓ That calculates to 72.70% using the 2021 cost report data
  - ✓ 31 facilities are impacted by the occupancy rule using the 2021 data

**2021 Occupancy Analysis**

| Occupancy Range | Facility Count |
|---|---|
| < 60% | 12 |
| 60% to 70% | 11 |
| 70% to 80% | 23 |
| 80% to 90% | 32 |
| > 90% | 17 |
| Totals | 95 |

# Rate Model Analysis

## General Rate Setting Parameters

- Occupancy Rule Impact
  - ✓ The occupancy rule increases the denominator used to determine per diem costs
  - ✓ This decreases the per diem cost and the Medicaid rate calculation
  - ✓ That ultimately results in reduced expenditures

**Occupancy Rule Impact**

| | Total Est. | Direct Care Est. | Gen. Admin. Est. | Non-Direct Est. | Capital Est. |
|---|---|---|---|---|---|
| w/o Rule | $173.0 | $99.1 | $27.6 | $76.9 | $10.7 |
| w/ Rule | $169.2 | $94.0 | $25.1 | $72.8 | $10.2 |
| Change | $3.8 | $5.1 | $2.5 | $4.1 | $0.5 |

*Note the total estimated expenditure impact is reduced due to the impact of the rate increase limit.

# Rate Model Analysis

## General Rate Setting Parameters

- Overall Increase Limit
  - ✓ This is not a common feature of nursing facility reimbursement systems that do not rebase on an annual basis
  - ✓ Removing it or adjusting it has a significant fiscal impact

| Increase Limit | Using CPI | | |
|---|---|---|---|
| | Avg Rate | Est. FY 2024 Expenditure | Cost Coverage |
| 8% | $194.88 | $169.2 M | 80.04% |
| 18% | $208.91 | $181.4 M | 85.49% |
| 28% | $221.08 | $192.0 M | 90.05% |
| No Limit | $232.72 | $202.1 M | 94.23% |

## General Rate Setting Parameters Recommendations

- Move to NF Market Basket Index
  - ✓ The fiscal impact would be between $0.4M and $3.4M depending on what is done with the increase limit and other parameters

- Continue Using the Current Occupancy Rule Methodology
  - ✓ Review the impact of the rule each year

- Given Resources, Phase Out the Rate Increase Limit
  - ✓ The rule is somewhat redundant since ceilings are already imposed on each cost center and was originally put in place when rates were rebased annually with new cost report data.
  - ✓ It will be costly to remove it so phasing it out is probably the best option.
  - ✓ Removing it completely would cost about $33M
  - ✓ Other limits could be tightened to offset removing the limit.

# Rate Model Analysis

## Direct Care

- RUGS vs. PDPM
  - ✓ The average CMI is higher under PDPM overall and for Medicaid
  - ✓ It appears that the average Medicaid rate would be higher using PDPM without any other changes
  - ✓ It also appears that the rates might be more variable under PDPM

| Statistic | RUGS | PDPM |
|---|---|---|
| Overall CMI | 1.2430 | 1.2979 |
| Base Direct Care Rate @ 1.00 | $108.23 | $102.20 |
| | | |
| Avg 3/31/22 Medicaid CMI | 1.2009 | 1.3035 |
| Medicaid Acuity/Overall Acuity | 96.3% | 100.4% |
| Avg 3/31/22 Direct Care Rate | $127.26 | $132.58 |
| | | |
| Avg 6/30/22 Medicaid CMI | 1.1972 | 1.2820 |
| Medicaid Acuity/Overall Acuity | 96.6% | 98.8% |
| Avg 6/30/22 Direct Care Rate | $126.74 | $130.32 |
| | | |
| Avg DC Cost Coverage @ Base | 93.40% | 93.56% |

# Rate Model Analysis

## Direct Care

- Dual Ceiling vs. Single Limit
  - ✓ The dual ceiling approach is uncommon
  - ✓ It does not appear to impact the average rate or estimated expenditures much

| Rate/Limit Statistics | RUGS | | PDPM | |
|---|---|---|---|---|
| | Dual Ceiling | Single Limit | Dual Ceiling | Single Limit |
| Avg Rate | $108.23 | $108.62 | $102.20 | $102.48 |
| Avg Cost Coverage | 93.40% | 93.65% | 93.56% | 93.75% |
| Facilities Impacted | 20 | 11 | 13 | 9 |
| Est. FY 2024 Expenditure | $93.97 M | $94.31 M | $88.74 M | $88.98 M |
| Est. Ceiling/Limit Impact | $2.99 M | $2.65 M | $2.62 M | $2.38 M |

# Rate Model Analysis

## Direct Care

- Excluding CMI < 1.0 from Ceiling Array
  - ✓ Excluding facilities with a CMI <1.0 changes the median but doesn't impact the average rate, cost coverage, or estimated expenditures much
  - ✓ There are three facilities with CMI <1.0

| Direct Care - Excluding CMI < 1.0 | | |
|---|---|---|
| | **Excluded** | **Included** |
| Median | $110.95 | $112.17 |
| Avg. Rate | $108.23 | $108.45 |
| Cost Coverage | 93.40% | 93.54% |
| Est. Exp. | $94.0 | $94.2 |

## Direct Care Recommendations

- Move to PDPM case mix calculations 7/1/23
  - ✓ This will require rebasing rates in order to establish a base related to PDPM case mix values
  - ✓ Begin producing CMI analysis for facilities to show average values under PDPM vs RUG as soon reasonably possible
  - ✓ Further analysis is required to determine if provisions need to be included to maintain budget neutrality as it appears just implementing PDPM increase expenditures.

- Move to a single ceiling/limit approach

- Drop the exclusion of facilities with a CMI <1.0

# Rate Model Analysis

## General Administrative

- Excluding CMI < 1.0 and Chain Facilities from Ceiling Array
  - ✓ Excluding chain facilities has a significant impact on the ceiling and rates
  - ✓ There are 69 chain facilities
  - ✓ Excluding the facilities with CMI <1.0 does not have any impact
  - ✓ There are 3 facilities with CMI <1.0, all are chain facilities

| GA - Excluding CMI < 1.0/Chains | | | | |
|---|---|---|---|---|
| | **Both Excluded** | **Chains Out/CMI In** | **Chains In/CMI Out** | **Both Included** |
| Median | $28.89 | $28.89 | $35.78 | $35.79 |
| Avg. Rate | $28.92 | $28.92 | $32.46 | $32.46 |
| Cost Coverage | 80.90% | 80.90% | 88.66% | 88.67% |
| Est. Exp. | $25.1 | $25.1 | $28.2 | $28.2 |

# Rate Model Analysis

## General Administrative

- Dual Ceiling vs. Single Limit
  - ✓ The dual ceiling approach does not have much impact on general administrative rate components or estimated expenditures

| Rate/Limit Statistics | General Adminstrative | |
|---|---|---|
| | Dual Ceiling | Single Limit |
| Avg Rate | $28.92 | $29.06 |
| Avg Cost Coverage | 80.90% | 81.22% |
| Facilities Impacted | 48 | 48 |
| Est. FY 2024 Expenditure | $25.11 M | $25.23 M |
| Est. Ceiling/Limit Impact | $6.14 M | $6.02 M |

## General Administrative Recommendations

- Stop excluding facilities with CMI <1.0 from ceiling array
- Move to a single ceiling/limit methodology

# Rate Model Analysis

## Non-Direct Care

- Excluding facilities with CMI < 1.0 from NDC ceiling array
  - ✓ Excluding facilities with CMI <1.0 has no impact on the NDC rates or estimated expenditures

| Non-Direct Care - Excluding CMI < 1.0 | | |
|---|---|---|
| | **Excluded** | **Included** |
| Median | $87.36 | $87.36 |
| Avg. Rate | $83.83 | $83.83 |
| Cost Coverage | 90.86% | 90.86% |
| Est. Exp. | $72.8 | $72.8 |

# Rate Model Analysis

## Non-Direct Care

- Dual Ceiling vs. Single Limit
  - ✓ The dual ceiling methodology has a small impact on non-direct care rates and estimated expenditures

| Rate/Limit Statistics | Non-Direct Care | |
|---|---|---|
| | Dual Ceiling | Single Limit |
| Avg Rate | $83.83 | $84.04 |
| Avg Cost Coverage | 90.86% | 91.04% |
| Facilities Impacted | 29 | 23 |
| Est. FY 2024 Expenditure | $72.79 M | $72.97 M |
| Est. Ceiling/Limit Impact | $4.75 M | $4.57 M |

## Non-Direct Care Recommendations

- Stop excluding facilities with CMI <1.0 from ceiling array

- Move to a single ceiling/limit methodology

# Rate Model Analysis

## Capital

- Ceiling Options
  - ✓ We explored a couple of options for updating the Capital ceiling
  - ✓ Using the current ceiling of $20.95
  - ✓ Setting the ceiling at 176% of the median cost

| | Current | 176% of Median |
|---|---|---|
| Avg Rate | $11.74 | $11.69 |
| Avg Cost Coverage | 89.44% | 89.25% |
| Facilities Impacted | 17 | 18 |
| Est. FY 2024 Expenditure | $10.19 M | $10.15 M |
| Est. Ceiling/Limit Impact | $1.95 M | $2.00 M |

# Rate Model Analysis

## Capital

- Excluding CMI < 1.0
  - ✓ Excluding facilities with a CMI < 1.0 from the Capital ceiling array has little impact on the ceiling, average rate, or estimated fiscal impact.

**Capital - Excluding CMI < 1.0**

| | Excluded | Included |
|---|---|---|
| Median | $11.90 | $11.76 |
| Avg. Rate | $11.74 | $11.69 |
| Cost Coverage | 89.43% | 89.24% |
| Est. Exp. | $10.2 | $10.1 |

## Capital

- Fair Rental Value Update Restart
  - ➢ Fair rental value (FRV) methodologies are generally considered the state of the art property reimbursement option.
    - ✓ FRV methodologies recognize the value of the property and determine reimbursement based on a market-based rate of return
    - ✓ FRV systems naturally include incentives to update and maintain property as this increases the value of the asset and in turn the reimbursement

- Myers and Stauffer is working with the Department to use licensing data and calculate a potential FRV update cost/proposal.

# Rate Model Analysis

Capital Recommendations

- Evaluate options for moving to an FRV system

## Recommendations Recap

- General Parameters
  - ✓ Change to NF Market Basket in place of CPI for inflation
  - ✓ Continue with the current occupancy rule methodology
  - ✓ Work towards phasing out overall rate increase limit

- Direct Care
  - ✓ Move to PDPM case mix calculations 07/01/23
  - ✓ Initiate reporting now to share analysis with facilities
  - ✓ Conduct further analysis to fully vet impact

- Direct Care, GA, Non-Direct Care
  - ✓ Stop excluding facilities with CMI <1.0 from ceiling array
  - ✓ Move to a single ceiling/limit methodology

- Capital
  - ✓ Evaluate options for moving to a FRV methodology

# Rate Floor Methodologies

## Potential Use of Rate Buildup Calculation

- General Concepts
  - ✓ Floor is a minimum spending threshold similar to a medical loss ratio
  - ✓ Generally used with pricing methodology
  - ✓ Settlement or rate adjustment made to account for spending < floor

- Simple Retrospective Direct Care Example
  - ✓ All providers get paid the statewide price
  - ✓ If they spend less than the floor, the difference is recouped

**Facility A**

| | | |
|---|---|---|
| Direct Care Price | price set statewide | $100.00 |
| Direct Care Floor % | minimum spending threshold | 90% |
| Direct Care Floor | base price x floor % | $90.00 |

| | | |
|---|---|---|
| Direct Care PPD Cost | from cost report data | $100.00 |
| Floor Adjustment | $0.00, or DC PPD-floor | $0.00 |

**Facility B**

| | | |
|---|---|---|
| Direct Care Price | price set statewide | $100.00 |
| Direct Care Floor % | minimum spending threshold | 90% |
| Direct Care Floor | base price x floor % | $90.00 |

| | | |
|---|---|---|
| Direct Care PPD Cost | from cost report data | $88.00 |
| Floor Adjustment | $0.00, or DC PPD-floor | -$2.00 |

No adjustment is made to Facility A, but $2.00 per Medicaid day is recouped from Facility B.

# Rate Floor Methodologies

## Potential Use of Rate Buildup Calculation

- Possible SD Floor Methodology Using Cost-Based DC Rate
  - ✓ Floor established from rate buildup
  - ✓ CMI adjustments used to set floor, and facility cost @ CMI 1.00
  - ✓ Facilities that calculate below the floor get the floor instead
  - ✓ A review/settlement process is completed to ensure spending ≥ floor

**Facility A**

| DC Rate Buildup | from rate buildup calc. | $125.00 |
|---|---|---|
| Average CMI | from statewide CMI data | 1.25 |
| DC Build @ CMI 1.00 | DC Rt Buildup/Stwd CMI | $100.00 |
| Direct Care Floor % | minimum spending threshold | 90% |
| DC Floor @ CMI 1.00 | base price x floor % | $90.00 |

| Direct Care PPD Cost | from cost report data | $100.00 |
|---|---|---|
| Facility CR CMI | from facility CMI data | 1.10 |
| DC PPD @ CMI 1.00 | DC PPD/CR CMI | $90.91 |
| DC Base Rate | min of ceiling & DC PPD, > floor | $90.91 |

**Facility B**

| DC Rate Buildup | from rate buildup calculation | $125.00 |
|---|---|---|
| Average CMI | from statewide CMI data | 1.25 |
| DC Price @ CMI 1.00 | DC Rt Buildup/Stwd CMI | $100.00 |
| Direct Care Floor % | minimum spending threshold | 90% |
| DC Floor @ CMI 1.00 | base price x floor % | $90.00 |

| Direct Care PPD Cost | from cost report data | $88.00 |
|---|---|---|
| Facility CR CMI | from facility CMI data | 1.10 |
| DC PPD @ CMI 1.00 | DC PPD/CR CMI | $80.00 |
| DC Base Rate | min of ceiling & DC PPD, > floor | $90.00 |

Facility A gets a base rate established from their cost, while Facility B gets a base rate that is held up to the floor.
A review is completed retroactively to ensure all facilities spent at a rate ≥ the floor.

# Rate Floor Methodologies

## Potential Use of Rate Buildup Calculation

- Possible SD Floor Methodology Using a Direct Care Price
  - ✓ Floor established from rate buildup
  - ✓ CMI adjustments used to set price, floor, and facility cost @ CMI 1.00
  - ✓ Facilities with PPD cost @ CMI 1.00 ≥ floor get price as base rate
  - ✓ Facilities with PPD cost @ CMI 1.00 < floor get an adjusted price as base

**Facility A**

| | | |
|---|---|---|
| DC Rate Buildup | from rate buildup calc. | $125.00 |
| Average CMI | from statewide CMI data | 1.25 |
| DC Price @ CMI 1.00 | DC Rt Buildup/Stwd CMI | $100.00 |
| Direct Care Floor % | minimum spending threshold | 90% |
| DC Floor @ CMI 1.00 | base price x floor % | $90.00 |

| | | |
|---|---|---|
| Direct Care PPD Cost | from cost report data | $100.00 |
| Facility CR CMI | from facility CMI data | 1.10 |
| DC PPD @ CMI 1.00 | DC PPD/CR CMI | $90.91 |
| Floor Adjustment | $0.00, or DC PPD-floor | $0.00 |
| DC Base Rate | Price + floor adj. | $100.00 |

**Facility B**

| | | |
|---|---|---|
| DC Rate Buildup | from rate buildup calculation | $125.00 |
| Average CMI | from statewide CMI data | 1.25 |
| DC Price @ CMI 1.00 | DC Rt Buildup/Stwd CMI | $100.00 |
| Direct Care Floor % | minimum spending threshold | 90% |
| DC Floor @ CMI 1.00 | base price x floor % | $90.00 |

| | | |
|---|---|---|
| Direct Care PPD Cost | from cost report data | $88.00 |
| Facility CR CMI | from facility CMI data | 1.10 |
| DC PPD @ CMI 1.00 | DC PPD/CR CMI | $80.00 |
| Floor Adjustment | $0.00, or DC PPD-floor | -$10.00 |
| DC Base Rate | Price + floor adj. | $90.00 |

Facility A gets the statewide price as their base rate, while Facility B gets an adjusted price reflecting their lower spending.
No retroactive adjustment is complete since the previous spending history was used to apply the floor prospectively.

## Methodology Options

- Rate add-ons for achieving performance standards
  - ✓ Example- facility earns a $1.00 PPD add-on for maintaining a staffing ratio above the 75th percentile
- Rate parameters that increase for achieving performance standards
  - ✓ Example- Direct Care ceiling increase to 130% for achieving a 5-star QM rating through Care Compare
- Incentive payment for achieving performance standards
  - ✓ Example – This could be implemented along with a ceiling increase since an increase in ceiling only impacts those facilities limited by the ceiling. This option would allow the provider whose cost is below the ceiling to share a percentage of the gap.

## Data Options

- Care Compare Data
  - ✓ Health Survey Performance – often used as minimum qualifying criteria
  - ✓ Quality Measures – rating, performance, or scoring
  - ✓ Staffing Data – rating, performance, compliance

- Cost Report Data
  - ✓ Staffing Data – recognize high staffing ratios
  - ✓ Medicaid Occupancy Statistics – recognize high Medicaid utilization
  - ✓ Cost Data – share savings below the limit as measure of efficiency
  - ✓ Medicare Utilization – recognize participation or high utilization

# Value Based Purchasing

## Examples

- QM 5-Star Rating
  - ✓ 4-star and 5-star facilities earn a per diem add-on

**QM 5-Star Rating**

| *Rating* | *Facilities* | *Rate* |
|---|---|---|
| **5** | 25 | 2.00 |
| **4** | 25 | 1.00 |
| **3** | 30 | 0.00 |
| **2** | 9 | 0.00 |
| **1** | 2 | 0.00 |
| **0** | 4 | 0.00 |
| | 95 | |

- Health Inspection Rating
  - ✓ 4-star and 5-star facilities earn a higher Direct Care ceiling

**Health Inspection**

| *Rating* | *Facilities* | *DC Ceiling* |
|---|---|---|
| **5** | 8 | 130% |
| **4** | 24 | 128% |
| **3** | 19 | 125% |
| **2** | 20 | 125% |
| **1** | 20 | 125% |
| **0** | 4 | 125% |
| | 95 | |

# Value Based Purchasing

## Examples

- Medicaid Occupancy/ Shared Savings
  - ✓ Higher Medicaid occupancy earns a higher share of the gap between A&G cost and ceiling (rather than the dual ceiling approach)

| Medicaid Occupancy | | | Facility Count | Ceiling Gap Share |
|---|---|---|---|---|
| > | | 80% | 5 | 50% |
| 70% | to | 80% | 5 | 25% |
| 60% | to | 70% | 26 | 10% |
| 50% | to | 60% | 25 | 5% |
| < | | 50% | 34 | 0% |

- Quality Measures Scoring
  - ✓ Facilities in higher tiers earn a higher rate increase limit

**QM Scoring**

| *Tier* | *Min Score* | *Facilities* | *Rt Inc Limit* |
|---|---|---|---|
| **1** | 680 | 9 | 112% |
| **2** | 620 | 21 | 110% |
| **3** | 560 | 21 | 108% |
| **4** | 500 | 23 | 108% |
| **5** | 320 | 20 | 108% |
| **0** | 0 | 1 | 0% |
| | | 95 | |

***Median is 560, 75th Percentile is 620***

# Access Critical Facilities

## Access Critical Criteria

**34-12-35.5. Access critical nursing facilities.**

The Department of Human Services shall designate access critical nursing facilities annually as part of the Medicaid rate setting process. The department shall designate the access critical nursing facilities according to the following criteria:

(1) No other nursing facility is located within twenty miles;
(2) The nursing facility is located in the largest municipality within thirty-five miles, unless the next closest nursing facility is located more than fifty miles from any other nursing facility;
(3) The nursing facility provides nursing facility services;
(4) The nursing facility is integrated with other health care services, either through affiliation with other services or through formal agreement;
(5) The current five-year average number of occupied beds in the facility is less than sixty; and
(6) The nursing facility agrees to relinquish any excess moratorium beds that are authorized pursuant to § 34-12-35.4.

**Source:** SL 2011, ch 154, § 1; SL 2021, ch 140, § 1.

## Access Critical Facilities

| | | |
|---|---|---|
| Britton | Chamberlain | Miller |
| Eureka | Gettysburg | Martin |
| Hot Springs | Lemmon | Philip |
| Platte | Madison | Sisseton |
| Winner* | | |

# Access Critical Facilities

## Access Critical Reimbursement

- Rate Methodology Differences
  - Direct Care
    - ✓ AC facilities get 100% of Cost
    - ✓ Regular NFs costs are limited by dual ceilings (105%/110%)
  - General Administrative
    - ✓ AC facilities are limited to a single ceiling of 110% of Median
    - ✓ Regular NFs costs are limited by the dual ceilings (105%/110%)
  - Non-Direct Care
    - ✓ AC facilities are limited to a single ceiling of 110% of Median
    - ✓ Regular NFs costs are limited by the dual ceilings (105%/110%)
  - Overall Rate Increase
    - Total rate increases for AC facilities are limited to 10%
    - Total rate increases for regular NFs are limited to 8%
- Property reimbursement rules are the same for both AC facilities and regular NFs

# Workgroup Discussion

# Rate Review Report

## Proposed Timeline

- Draft report to Stakeholders by August 12th
- Report walk-through August 18th
- Stakeholder Comments to DHS/MSLC by August 26th
- Final Report – Tentative Release August 31st
  - ✓ Will incorporate a summary of comments received from Stakeholders

# Closing Remarks/Follow-Up Plans

- Submit requests for additional analysis or review of alternative rate parameters to MSLC ASAP!
- Draft report will be circulated to Stakeholder by August 12, 2022
- Next Meeting
  - Thursday, August 18th, 1:30-3:30
  - In-person, or virtual
  - We'll review draft report
- Closing Comments

- Questions and Answers
  - ✓ FAQ will be compiled

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