



# South Dakota Nursing Home Rate Methodology Review

Stakeholder Meeting – September 12, 2022



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

# OBJECTIVES



- Review Final Draft Report
- Discuss Recommendations
- Set Timeline for Final Report

# AGENDA

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1. Welcome
2. Base Recommendations– MSLC
3. Reduced Funding Options – MSLC
4. Additional Recommendations – MSLC
5. Workgroup Concerns – Workgroup
6. Final Report Timeline – MSLC/DHS

# Base Recommendations



## Current Rates – Base Comparison

- Continuing the current SFY 2023 rates into SFY 2024
  - ✓ 70.47% Average Cost Coverage
  - ✓ 73.65% Average Direct Care Cost Coverage
  - ✓ \$182,703,238 estimate expenditures
  - ✓ Average Rate = \$195.30
  - ✓ Based on 935,484 Medicaid Days

Current Rates  
Base Comparison

# Base Recommendations



## Rebase Using 2021 Cost Data and Current Methodology

- Recalculate base nursing facility rates for SFY 2024 using fiscal year 2021 cost data and existing rate setting parameters
  - ✓ 74.95% Average Cost Coverage
  - ✓ 92.11% Average Direct Care Cost Coverage
  - ✓ \$194,698,172 estimate expenditures (\$11,994,934 increase)
  - ✓ Average Rate = \$208.13 (\$12.83 increase)
  - ✓ Based on 935,484 Medicaid Days

Rebase with  
2021 Cost Data

# Base Recommendations



## Implement PDPM Case Mix Calculations

- Change case mix calculations from RUGs to PDPM
  - ✓ 75.22% Average Cost Coverage
  - ✓ 94.97% Average Direct Care Cost Coverage
  - ✓ \$195,206,226 estimate expenditures (\$508,054 increase)
  - ✓ Average Rate = \$208.67 (\$0.54 increase)
  - ✓ Based on 935,484 Medicaid Days

Implement  
PDPM

# Base Recommendations



## Remove Occupancy Rule from Direct Care

- Do not apply occupancy rule to direct care rate calculations
  - ✓ 75.69% Average Cost Coverage
  - ✓ 98.99% Average Direct Care Cost Coverage
  - ✓ \$196,470,362 estimate expenditures (\$1,264,136 increase)
  - ✓ Average Rate = \$210.02 (\$1.35 increase)
  - ✓ Based on 935,484 Medicaid Days

Remove  
Direct Care  
Occupancy Rule

# Base Recommendations



## Remove Overall Rate Increase Limit

- Remove the 8% overall rate increase limit for all nursing facilities
  - ✓ 92.69% Average Cost Coverage
  - ✓ 98.96% Average Direct Care Cost Coverage
  - ✓ \$241,158,756 estimate expenditures (\$44,688,394 increase)
  - ✓ Average Rate = \$257.79 (\$47.77 increase)
  - ✓ Based on 935,484 Medicaid Days

Remove  
Overall Rate  
Increase Limit



# Base Recommendations



## Transition inflation calculations to the Nursing Facility Market Basket Index

- Use the Global Insight NF Market Basket Index for all inflation calculations in the rate setting process.
  - ✓ 92.65% Average Cost Coverage
  - ✓ 98.94% Average Direct Care Cost Coverage
  - ✓ \$245,175,429 estimate expenditures (\$4,016,673 increase)
  - ✓ Average Rate = \$262.08 (\$4.29 increase)
  - ✓ Based on 935,484 Medicaid Days

Transition to  
NF Market Basket

# Reduced Funding Options



## Prorated Rate Calculations

- The base rates could be adjusted to a percentage of the base recommendations that equates to available funding.
  - Example: If funding is \$210 million  
Prorated Percent =  $\$210,000,000 / \$245,175,429$   
which calculates to 85.65%
  - The Average PPD would change to \$224.48  
( $\$262.08 \times 85.65\%$ )
  - The adjustment would need to be applied separately to Direct Care so that it could also be case mix adjusted

Prorated  
Rate  
Calculations

# Reduced Funding Options

## Adjusting Rate Parameters

- The overall rate increase limit could be adjusted to a different percentage in order to reduce the estimated fiscal impact but still implement the base recommendations. This could also be viewed as implementing the recommendations at a lower percent of methodology.

Option	Est. Total Expenditures	Est. Fiscal Impact	Avg. PPD	Avg. PPD $\Delta$	% of Methodology
Base	\$245,175,429	\$62,472,191	\$262.08	\$66.78	100.00%
34% Overall Increase Limit	\$233,003,858	\$50,300,620	\$249.07	\$53.77	95.04%
24% Overall Increase Limit	\$221,206,429	\$38,503,191	\$236.46	\$41.16	90.22%
15% Overall Increase Limit	\$207,764,372	\$25,061,134	\$222.09	\$26.79	84.74%
8% Overall Increase Limit	\$196,756,437	\$14,053,199	\$210.33	\$15.03	80.25%
Maintain Current Rates	\$182,703,238	\$0	\$195.30	\$0.00	74.52%

Adjusting  
Rate  
Parameters

# Additional Recommendations



## Infrastructure Reinvestment

- A plan could be devised to address both concerns about aging buildings and the idea that some building should be retired or repurposed
  - An investment of 1% of the base recommendations would;
    - add \$2,451,754 in expenditures
    - increasing the average rate \$2.62
    - increase average cost coverage 1.0%
  - This could involve a fair rental value system as well as incentives for retiring or repurposing facilities

Infrastructure  
Reinvestment

# Additional Recommendations



## Eliminate the Dual Ceiling Methodology

- Analysis showed that this has little impact to the rates. It would simplify the methodology.
  - Moving to a single ceiling for each cost center at the current maximum ceilings would;
    - add \$745,060
    - increase the average rate \$0.80
    - increase average cost coverage < 0.5%

Eliminate  
Dual Ceiling  
Methodology

# Additional Recommendations



## Implement a Value-Based Purchasing Add-on

- A value-based purchasing methodology could be implemented as a rate add-on enabling specific control over total expenditures for this provision.
  - Implementing a value-based purchasing add-on at 1% of the base recommendations would;
    - add \$2,451,754
    - increase the average rate \$2.62
    - Increase average cost coverage < 1.0%

Implement  
Value-Based  
Purchasing

# Additional Recommendations



## Automate Extraordinary Care Rate Calculations

- Much of the extraordinary care calculations could be automated using state-specific MDS questions to identify residents that require private rooms. This would reduce administrative burden for facilities and the Department.
  - This change should not impact the program expenditures, or cost coverage statistics.

Automate  
Extraordinary Care  
Calculations

# Workgroup Discussion



Stakeholder Concerns/Comments



# Rate Review Report



## Proposed Timeline

- Stakeholder Comments to DHS/MSLC by COB September 16th
- Final Report – September 19th
  - ✓ Will incorporate a summary of comments received from Stakeholders