



South Dakota Nursing Home Rate Methodology Review

Stakeholder Meeting – January 26, 2023



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

OBJECTIVES



- Explain Reasons for Revisions
- Review Revised Analysis
- Discuss Governor's Budget
- Set Timeline for Implementation
- Discuss Concerns/Question

Reason for Revisions



Corrected Current Rates

- Continuing the current SFY 2023 rates into SFY 2024 is base
 - ✓ The report dated September 19, 2022 stated that SFY 2023 rates were used but actually used rates effective July 1, 2021 as the rates for base comparison.
 - ✓ This was due to Myers and Stauffer's confusion over the rate changes implemented by the 2022 legislature.

Current Rates
Base Comparison

Reason for Revisions



Updated Cost Data

- Audit activity and updated data submitted by providers
 - ✓ Audit activity was completed in December which resulted in adjustments for several more facilities.
 - ✓ There were also some additional updates including;
 - Bringing in 2021 data for two facilities that filed late
 - Other updates from providers submitted after September

Current Rates
Base Comparison

Baseline Expenditures - Updated Analysis



Current Rates – Base Comparison

- Continuing the current SFY 2023 rates into SFY 2024
 - ✓ 75.87% Average Cost Coverage
 - ✓ 79.55% Average Direct Care Cost Coverage
 - ✓ \$193,457,386 estimate expenditures
 - ✓ Average Rate = \$206.74
 - ✓ Based on 935,743 Medicaid Days

Baseline
Expenditures

Base Recommendations - Updated Analysis



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
 - ✓ 79.64% Average Cost Coverage
 - ✓ 91.79% Average Direct Care Cost Coverage
 - ✓ \$204,087,940 estimate expenditures (\$10,630,554 increase)
 - ✓ Average Rate = \$218.10 (\$11.36 increase)
 - ✓ Based on 935,743 Medicaid Days

Rebase Rates with
2021 Cost Data
and Existing Rate
Parameters

Base Recommendations - Updated Analysis



Implement PDPM Nursing Only Case Mix Calculations
(including elimination of excluding CMI <1.0 from the median calculation)

- Change case mix calculations from RUGs to PDPM
 - ✓ 80.07% Average Cost Coverage
 - ✓ 94.55% Average Direct Care Cost Coverage
 - ✓ \$204,807,760 estimate expenditures (\$719,820 increase)
 - ✓ Average Rate = \$218.87 (\$0.77 increase)
 - ✓ Based on 935,743 Medicaid Days

Implement
PDPM

Base Recommendations - Updated Analysis



Remove Occupancy Rule from Direct Care

- Do not apply occupancy rule to direct care rate calculations
 - ✓ 80.70% Average Cost Coverage
 - ✓ 98.69% Average Direct Care Cost Coverage
 - ✓ \$206,714,227 estimate expenditures (\$1,906,467 increase)
 - ✓ Average Rate = \$220.91 (\$2.04 increase)
 - ✓ Based on 935,743 Medicaid Days

Remove
Direct Care
Occupancy Rule

Base Recommendations - Updated Analysis



Remove Overall Rate Increase Limit

- Remove the 8% overall rate increase limit for all nursing facilities
 - ✓ 92.68% Average Cost Coverage
 - ✓ 98.69% Average Direct Care Cost Coverage
 - ✓ \$237,926,851 estimate expenditures (\$31,212,624 increase)
 - ✓ Average Rate = \$254.27 (\$33.36 increase)
 - ✓ Based on 935,743 Medicaid Days

Remove
Overall Rate
Increase Limit

Base Recommendations - Updated Analysis



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.
 - ✓ 92.77% Average Cost Coverage
 - ✓ 98.76% Average Direct Care Cost Coverage
 - ✓ \$242,426,845 estimate expenditures (\$4,499,994 increase)
 - ✓ Average Rate = \$259.07 (\$4.80 increase)
 - ✓ Based on 935,743 Medicaid Days

Transition to
NF Market Basket

Additional Recommendations

-Updated Analysis

The fiscal impact for two of the additional recommendations was based on one percent of the base recommendations therefore impacts were updated in the revised report.

- Infrastructure Reinvestment
 - An investment of 1% of the base recommendations would;
 - add \$2,424,268 and increase the average rate \$2.59
- Eliminate Dual Ceiling
 - This would simplify the methodology and;
 - add \$681,720 increasing the average rate \$0.73
- Implement Value Based Purchasing
 - An investment of 1% of the base recommendations would;
 - add \$2,424,268 and increase the average rate \$2.59

Additional
Recommendations

90% Methodology Rates



Governor's Budget Supports 90% of Methodology

- Rates calculated under the Base Recommendations would be prorated to 90%.
 - ✓ 83.50% Average Cost Coverage
 - ✓ \$218,184,160 estimate expenditures (\$24.7 million increase)
 - ✓ Average Rate = \$233.17 (\$26.43 increase)
 - ✓ Based on 935,743 Medicaid Days

90%
Methodology
Rates

Implementation Timeline



Implementation Timeline

- Submit Regulation Revisions February 10, 2023
- Final Appropriation March 27, 2023
- Finalize Rates March 31, 2023
- Publish Notice of Proposed Rates April 7, 2023
- Share Draft Rate Notifications April 21, 2023
- Present Provider Webinar April 28, 2023
- End of 30-Day Comment Period May 8, 2023
- Publish Final Rate Notice May 19, 2023
- Share Final Rate Notifications May 26, 2023
- Submit State Plan Amendment As early as possible
- Rate Effective Date July 1, 2023

Implementation
Timeline

Workgroup Discussion



Stakeholder Concerns/Comments

Workgroup
Discussion