Alaska Skilled Nursing Facility Case Mix Reimbursement Methodology

October 22, 2020

MYERS AND STAUFFER LC

CERTIFIED PUBLIC ACCOUNTANTS

Meeting Logistics

- This meeting is being recorded

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Agenda

- Introductions
  - Department of Health and Social Services (DHSS)
  - Myers and Stauffer

- Project Status Update

- Benefits of Case Mix and the Impact to Rate Calculations

- Overview of Preliminary Case Mix Decisions and Data Sources

- Presentation of the Rate Model

- Q&A/Discussion

MYERS AND STAUFFER LC
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MEET THE PRESENTERS

Myers and Stauffer

Krista Stephani, Senior Manager
Daniel Brendel, Senior Manager

DHSS

Marcey Bish, Executive Director

Project Status Update

Project Background

- Move from a cost-based per diem payment system to an equitable and sustainable case mix reimbursement payment system that:

    - Promotes Quality
    - Is Patient Centered
    - Is Fair to Providers
    - Is Fiscally Responsible

    - Ensures access to care for Alaskans who may require additional resources

Project Plan and Timeline

- Project Start: February 2020
- **Modeling impact of case mix methodology: Fall 2020**
- Rule and SPA changes: Fall 2020-Early 2021
- Provider Training: Early 2021
- Estimated Project End: Early 2021

- Targeted Implementation Date: July 1, 2021

- Stakeholders will be asked to participate throughout the project

Progress to Date

- Evaluated the Existing Nursing Facility Reimbursement System & Related Regulatory Support

- Conducted Research of Other State Case Mix Reimbursement Methodologies

- Received Cost Report and Minimum Data Set (MDS) Information from DHSS for Rate Modeling Process

- Conducted Training on Case Mix Methodology for DHSS Staff

- Initiated Stakeholder Communications

- **Requested Information from Providers to Identify Cost for the Rate Model**

- **Processed MDS Assessment to Calculate Case Mix Scores**

- **Constructed a Case Mix Reimbursement Model**

DHSS Request

DHSS is requesting your undivided attention and are asking all stakeholders to be fully engaged with this presentation.

After the demonstration of the rate model, DHSS will be presenting this group with the next steps for this project.

Important News

What:

Department is willing to stop the SNF project currently pending:

- Presentation of the rate modeling information to stakeholders today; and

- Completion of "Next Steps"

Disclaimer (full transparency)
We believe this is a worthwhile and appropriate project and want to ensure the group understands that this project or a similar project may need to be picked up again or may occur in the future as we continue to evaluate our rate setting methodologies and moving more towards value-based care.

Important News Continued

Why:

- Stakeholder feedback

- Timing

- Other competing departmental priorities

When:

More information regarding next steps will be shared toward the end of today's presentation.

Benefits of Case Mix
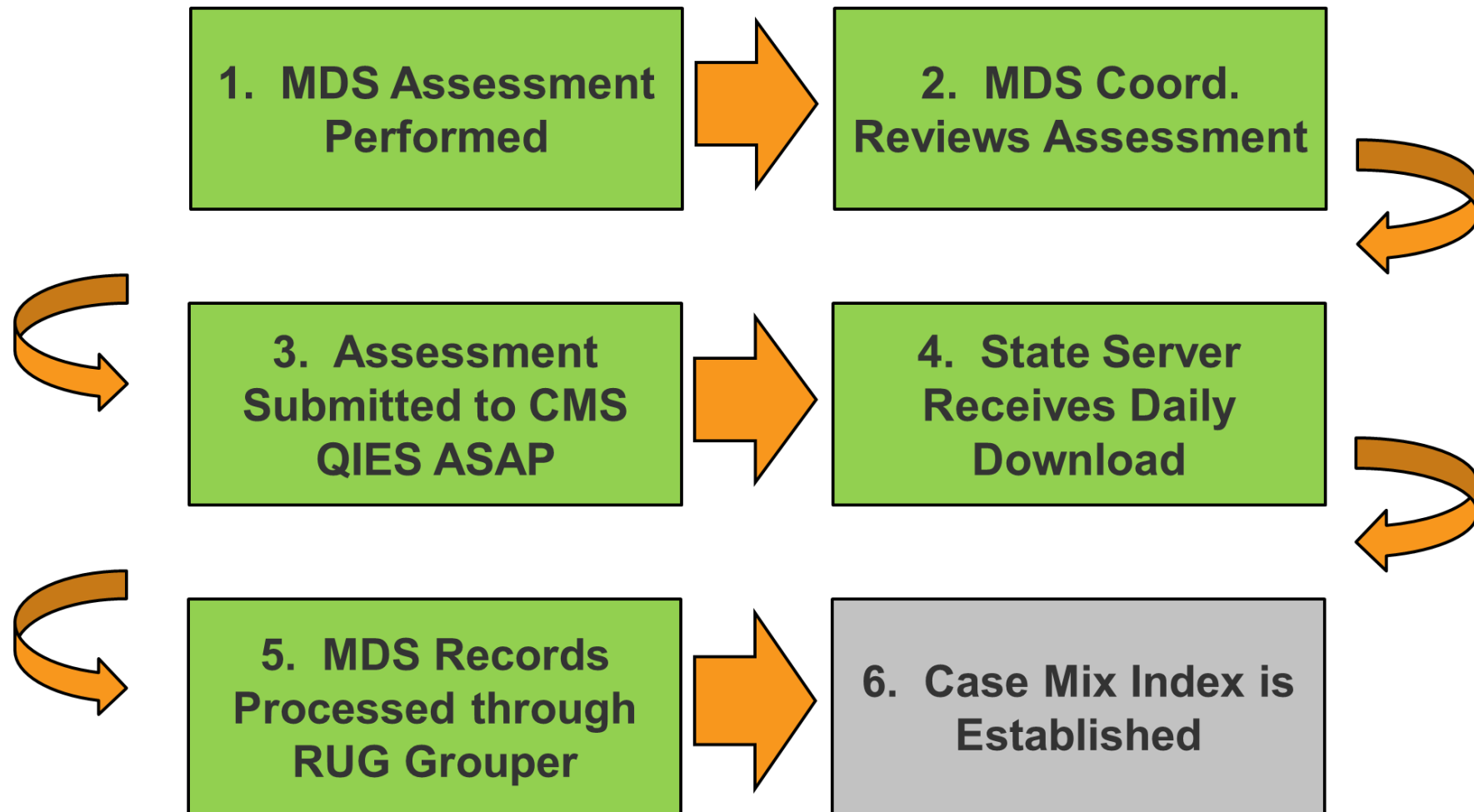
What is Case Mix Index (CMI)?

- "Case Mix Index" is the average numerical value of the resident acuity in a nursing facility based on the applicable resource utilization group weights

- The higher the CMI, the greater the resource requirements and associated reimbursement for the resident

- For example, a resident with a CMI of 2.0 takes twice the nursing resources as a resident assessed with a case mix index of 1.0

- In the case mix reimbursement methodology the CMI is utilized to adjust reimbursement rates

How is CMI Calculated?

- All Medicare and/or Medicaid certified facilities must complete periodic status and care planning assessments of each resident within their facility, regardless of payer

- The Minimum Data Set resident assessment instrument is utilized for these periodic assessments and has been mandated for completion since the late 1990's

- The completed MDS assessments are processed through a resident classification system to calculate the Case Mix Index

How is CMI Calculated?

1. MDS Assessment Performed →
2. MDS Coord. Reviews Assessment
3. Assessment Submitted to CMS QIES ASAP →
4. State Server Receives Daily Download
5. MDS Records Processed through RUG Grouper →
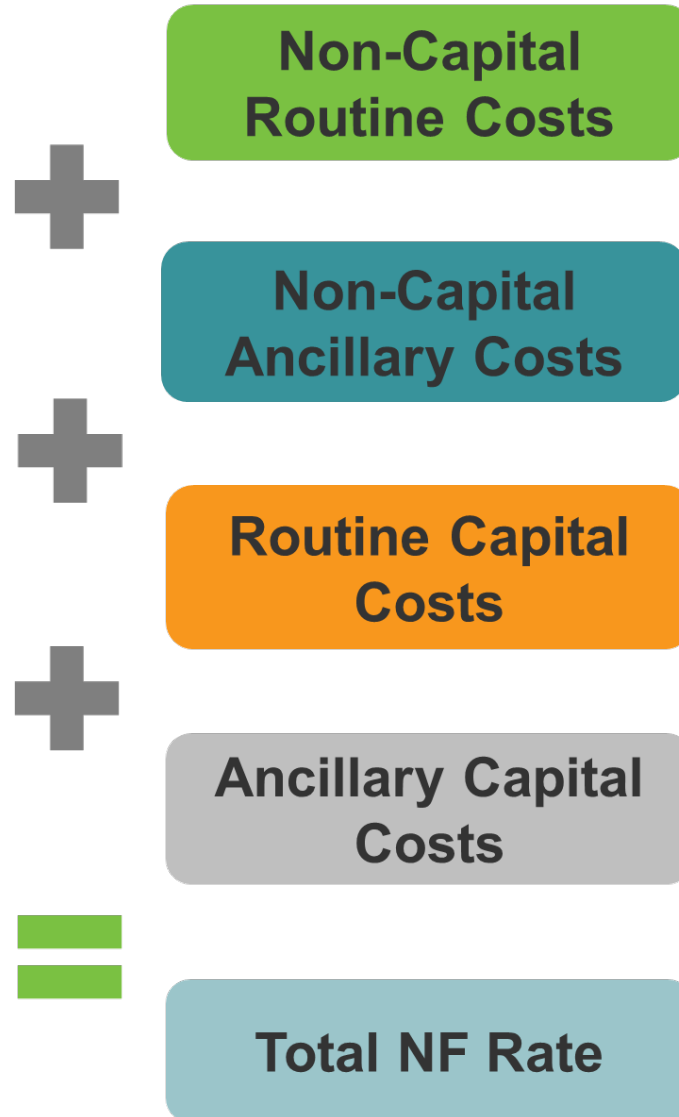6. Case Mix Index is Established

Benefits of Case Mix

- Retains facility specific, cost based rate setting methodology

- Rates are adjusted to reflect allowable costs of Medicaid residents

- Periodic rate adjustments help provider reimbursement reflect more current Medicaid resident care needs

- Removes the disincentive for facilities to accept high need Medicaid residents

- Aligns with rebalancing efforts by incentivizing care to be provided at the appropriate level

Demonstration of the Case Mix Impact to Rate Calculations

Current Reimbursement System

Non-Capital Routine Costs

+

Non-Capital Ancillary Costs

+

Routine Capital Costs

+

Ancillary Capital Costs

=

Total NF Rate

Case Mix Reimbursement System

Case Mix Adjusted Routine Costs	÷	Base Year Total Facility CMI	✕	Quarterly Medicaid CMI	=	Medicaid Case Mix Adj. Cost

+

Non-Capital Routine Costs (Non-Direct Care)

+

Non-Capital Ancillary Costs

+

Routine Capital Costs

+

Ancillary Capital Costs

=

Total NF Rate

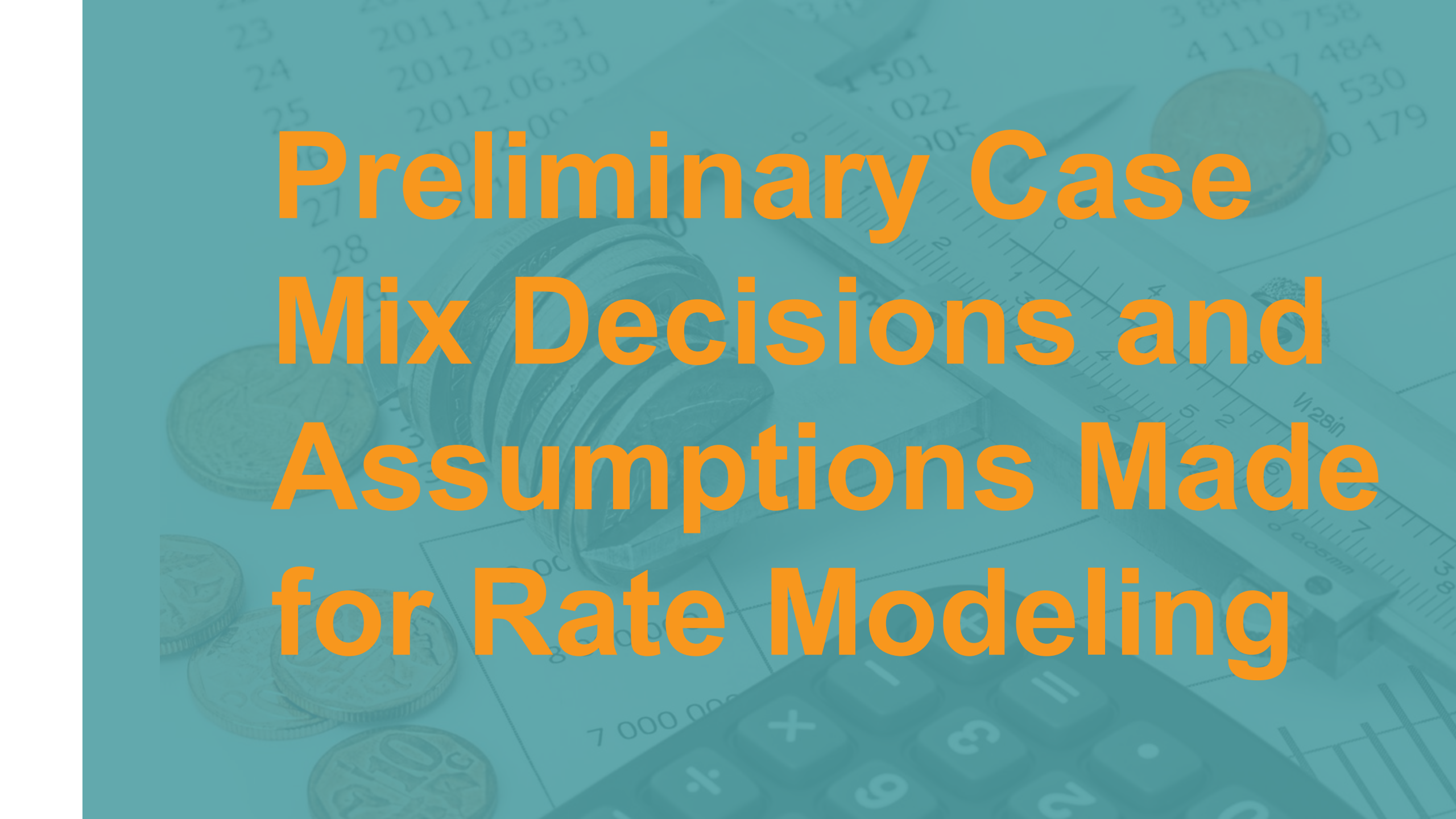# Case Mix Component Calculation

Example:

STEP 1: Determine costs to case mix adjust $338.00

STEP 2: Divide by the average total facility case mix score ÷ 0.9869
during the cost reporting period

STEP 3: Multiply by the Average Medicaid Case Mix × 1.021
Score for the quarterly rate period

Total Medicaid Case Mix Adjusted Rate Component = **$349.68**

Current System vs. Case Mix System

Rate Component	Current System	Case Mix System
Non-Capital Routine Cost Per Day – Case Mix Adjusted	$0.00	$349.68
Non-Capital Routine Cost Per Day – Not Case Mix Adjusted	$806.00	$468.00
Total Non-Capital Routine Cost Per Day	$806.00	$817.68
Capital Routine Cost Per Day	$93.00	$93.00
Non-Capital Ancillary Cost Per Day	$14.00	$14.00
Ancillary Capital Cost Per Day	$2.00	$2.00
Total Medicaid Rate Per Day	$915.00	$926.68

*Current System: $338.00 (previous slide) + $468.00 = $806.00

Preliminary Case Mix Decisions and Assumptions Made for Rate Modeling

Decisions Made to Establish the Rate Model

- To process case mix data, a set of decisions were made in order to calculate preliminary case mix scores.

- All of the decisions that were made to initially process case mix data are not final and are subject to change.

- Provider input and suggestions will be considered before any final decisions are made.

Data Sources for Case Mix Adjusted Rates

Cost Data

Base year cost report utilized to calculate each facility's fiscal year 2020 rate.

Case Mix Adjustments

Minimum Data Set (MDS) information submitted by each provider.

- Data to "Normalize" cost report data was calculated based on data matching the four quarters included within the cost reporting period.
- Data to calculate the quarterly rate updates is based on the data submitted for a more recent time period.
- Many MDS assessments for tribal facilities were transmitted with a blank value for MDS A0700, Medicaid Number. For modeling purposes, Myers and Stauffer defaulted to treat as Medicaid.

Preliminary Case Mix Index Calculation Decisions

Base CMI Processing Decisions

- RUG-IV 48 grouper

- National nursing-only weight set

- No delinquent assessment consideration applied to historic periods

- Quarterly case mix index calculation

- Medicaid CMI used for quarterly case mix adjustment

Case Mix Adjusted Routine Costs

Case mix adjusted costs are generally related to direct hands-on resident care, the rate model offers 3 cost options for inclusion:

Option # 1
- Registered Nurse (RN) wages
- Licensed Practical/Vocational Nurse (LPN) wages
- Certified Nurse Aide (CNA) wages
- Employee Benefits related to these salaries
- Includes contract employees

Case Mix Adjusted Routine Costs

Option # 2
- Director of Nursing (DON)
- Assistant Director of Nursing (ADON)
- Employee Benefits related to these salaries

Option # 3
- Other Nursing Administration Positions
- Employee Benefits related to these salaries

- All case mix states include at least Option # 1 in case mix adjustment

- Options costs were derived from data collection and verification efforts with each nursing facility.

Demonstration of the Rate Model

Next Steps

- Distribute the link for this presentation and rate modeling to the facilities

- Allow time for the stakeholders to process the information and ask follow up questions.

- Allow time for DHSS and Myers and Stauffer to respond to the questions.

- Send a follow up email with a polling question for final stakeholder's decisions on stopping the project and collect responses

- Distribute polling results and final DHSS decision on the status of this project

Questions & Discussion

- All participants are encouraged to ask questions and engage in discussion

- To ask a question, please type into the "Chat" box

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