

Proposed Policy Changes to Rest Home Rates and Reimbursement

Submitted by the Massachusetts Association of Residential Care Homes (MARCH) to the Executive Office of Health and Human Services (EOHHS)

The purpose of this document is to propose changes to regulation 101CMR 204.00 that detail rules and regulations governing allowable costs and formulas used in setting rest home reimbursement rates. The submission is in response to an invitation by representatives of EOHHS and the Executive Office of Elder Affairs (EOEA) to submit proposed changes pursuant to a meeting held to discuss the future of Rest Homes in the Commonwealth. MARCH formed a Rate and Reimbursement Committee to develop the following response to EOHHS and EOEA:

Introduction: The overarching goals for the suggested changes are to ensure Rest Homes are compensated adequately by the Commonwealth for the care they provide to the aged, infirm and indigent population of Massachusetts and to preserve people's HOMES. MARCH's mandate is to ensure that no additional Rest Home is forced to close purely for financial reasons, resulting in residents losing their homes. Since 1998, 102 Rest Homes have closed displacing over 4,000 residents, subjecting them to the trauma associated with involuntary transfer.

Proposed Change #1 - Reimburse based on current and actual costs: MARCH advocates rolling the base year annually to ensure rates reflect a better determination of costs. Rolling the base year annually also provides the industry will a predictable revenue stream to more effectively manage their businesses. When reimbursement trails actual costs, Rest Homes are forced and expected to absorb these costs until the base year is rolled. The current process promotes

instability in the industry. We are seeking a process that is predictable and promotes the reimbursement of current costs.

Proposed Change Number #2- Recognize financial impact of Federal and State Regulatory Changes: EMAC, Minimum wage, Family Leave Act : The introduction of mandated changes in the form of taxes and fees places an unfair and undue burden on these small businesses. Rest Homes are forced to comply with these mandated changes without any regard to the financial impact they will have with their operations. MARCH advocates that there be provisions in the regulations to apply for immediate rate increases to comply with these required changes. These unplanned taxes represent the single largest concern voiced by MARCH members.

Proposed Change Number #3- Reimburse for incremental staffing requirements to address the Aging-In-Place issues and homes with increasing dementia care populations: To address an ever -increasing aging-in-place population, Rest Homes hire licensed nursing staff to address the increased direct care needs of their residents. MARCH is requesting that these increased payroll costs are addressed as immediate adjustments to a rest home's rate, rather than wait to be compensated as part of a base year roll. The same case can be made for those homes that have a dementia population that require more direct care needs.

Proposed Change Number #4- Provide immediate rate relief for mandated changes per Department of Public Health Survey: Based on DPH licensure surveys, Rest Homes are required to submit plans of correction and implement said plans of correction within 90 days. Given the extent and nature of the required compliance actions, some homes have not been able to secure the finances to make the required changes. Several homes have been forced to close as

a result. MARCH is proposing that immediate rate relief and rate adjustments be made to facilitate implementing required plans of correction and thereby ensuring rest homes are not forced to close.

Proposed Change #5 Create Direct Care Add-On Provision: Unlike the nursing facility industry, Rest Homes have not received a direct care add to their rates. However, like nursing facilities, Rest Homes have the same challenges with recruitment and retention. MARCH is requesting that provisions in the rate and reimbursement policies recognize this need and create a direct care add-on provision for Rest Homes

Proposed Change #6 Change Occupancy Requirement from 94% to actual patient days: The patient day utilization factor should be the actual patient days, not the 94% that is imputed for the rate calculations. Facilities that have a census that is lower than the 94% as indicated, are negatively impacted by this step-up in the use of this calculation. There are many reasons that a census could be low in any given year. This could happen by a large turnover possibly due to death and/or renovations that temporarily prevent admissions etc... which creates open census days. The result is that facilities are financially penalized by this variable cost divisor that has a major impact on the ability to successfully operate. The variable cost divisor should be the actual census days to determine the variable cost allowance per diem

Proposed Change #7 Change the reimbursable basis in the sale of a Rest Home: Another major issue for the survival of the industry is the ability to sell a facility to a non-related individual or entity and have these costs for the new owner reimbursable. The current regulation stipulates that the new owner inherits the adjusted basis from the previous owner.

In most cases, there is minimal or no basis to be recognized for reimbursement by the new owner. There would be no reimbursement for the purchase price of the facility as well as the debt service related to this. This discourages the future continuation of many facilities as the real estate is sold as such and not for residential care.

Proposed Change #8 Increase rest home bed rate for SNFs with rest home Beds- When Skilled Nursing Facilities and free- standing Rest Homes receive rate increases, these 23+ facilities have not received rate increases. Provisions should be made to have this small group received adjusted rate increases.

Proposed Change #9 High Percentage of Publicly Assisted Residents- Provide a slightly higher rate increase for those Rest Homes with a high, (defined as greater than 95% of their resident population) public assistance census.

Other: Availability of no interest- low interest loans: While not regulatory based, a major financial concern is the ability to secure loans to make required capital improvements and/or hire additional staffing to care for the residents. MARCH can point to a series of homes that would still be operating if they were able to secure the needed capital.

MARCH would welcome the opportunity to review this document with all concerned parties. It is also our intent to bring these proposed changes to the Stabilization Task Force established by the legislature.

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