Nursing Facility Task Force: MassHealth Rates and Opportunities for Reform

Executive Office of Health and Human Services

October 2019

Agenda

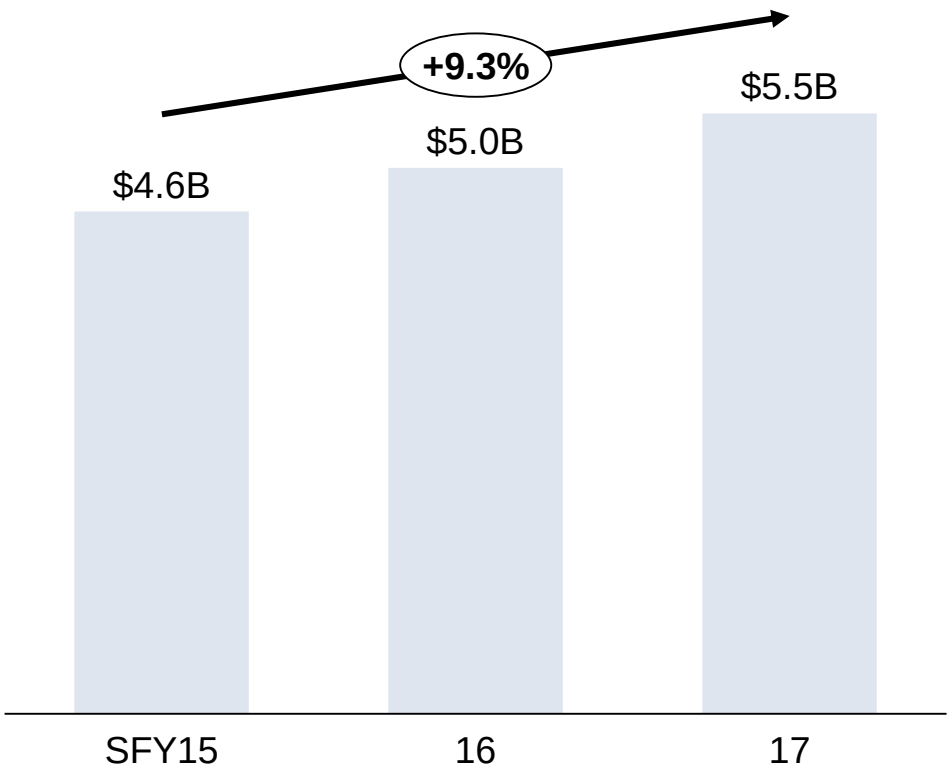
Nursing Facilities within the LTSS Continuum

Overview of Nursing Facility Payments

Policies under Consideration and Discussion

MassHealth has been successful in rebalancing LTSS spend to home and community based services (HCBS), with a $900M increase in spend

MassHealth Home & Community Based Program Spending, SFY15-17



- Federal and state policies have enabled consumers to better realize their preferences; as a result, LTSS spend has shifted to home and community-based care
- MassHealth has the **4th highest** HCBS share of LTSS spend of any state, with 71% in 2016
- Waivers represent the majority of the increase in HCBS spend ($640M of $900M). Waivers include the Frail Elder Waiver and DDS supports for adults with intellectual disabilities

Note: Chart includes 1915(c) waivers
Source: MassHealth Balancing Incentive Program data; Medicaid Innovation Accelerator Program "Selected Characteristics of 10 States With the Greatest Change in Long-Term Services and Supports System Balancing" (2019)

Today, MassHealth offers a robust continuum of Long Term Services and Supports (LTSS), including nursing facilities

	Program	Eligibility Criteria	SFY18 Spend	SFY18 Utilizers
Institutional	**Nursing Facility**	▪ Skilled nursing services or 2 ADLs and nursing services	$1,279M	35K
Home and Community Based Services	**Adult Day Health (ADH)**	▪ 1+ chronic or post-acute condition that requires active care by a nurse ▪ Skilled service or 1+ ADL with cueing and supervision; must occur at ADH	$105M	9K
	Adult Foster Care (AFC)	▪ 3 ADLs with phys. assist. or 2 ADLs with physical assist and behavioral management ▪ 1-2 ADLs with phys. assist. or cueing and supervision throughout entire task	$267M	13K
	Group Adult Foster Care (GAFC)	▪ 1+ ADL with cueing and supervision or physical assist throughout entire task	$79M	8K
	Day Habilitation (DH)	▪ ID or DD and need program to acquire, improve, or retain max skill level and independent functioning	$170M	11K
	Home Health – Nursing and Therapy Services	▪ Nursing/therapy/HH aide based on physician certification of medical necessity	$337M	33K
	Home Health Aide Only	▪ 2+ ADL needs and physician certification of medical necessity	$163M	
	Personal Care Attendants (PCA)	▪ 2+ ADLs with physical assistance	$714M	36K
HCBS Waivers	**Waiver Programs** (DDS, EOEA, MRC,TBI)	▪ Eligibility criteria varies by program	$1,800M	31K

Note: Skilled service is skilled nursing and/or therapy (PT/OT/ST) and/or medication administration visit; Home Health includes Intermittent Skilled Nursing, CSN, Therapies, Med Admin)
Source: MassHealth Program Regulations; MassHealth Program Data

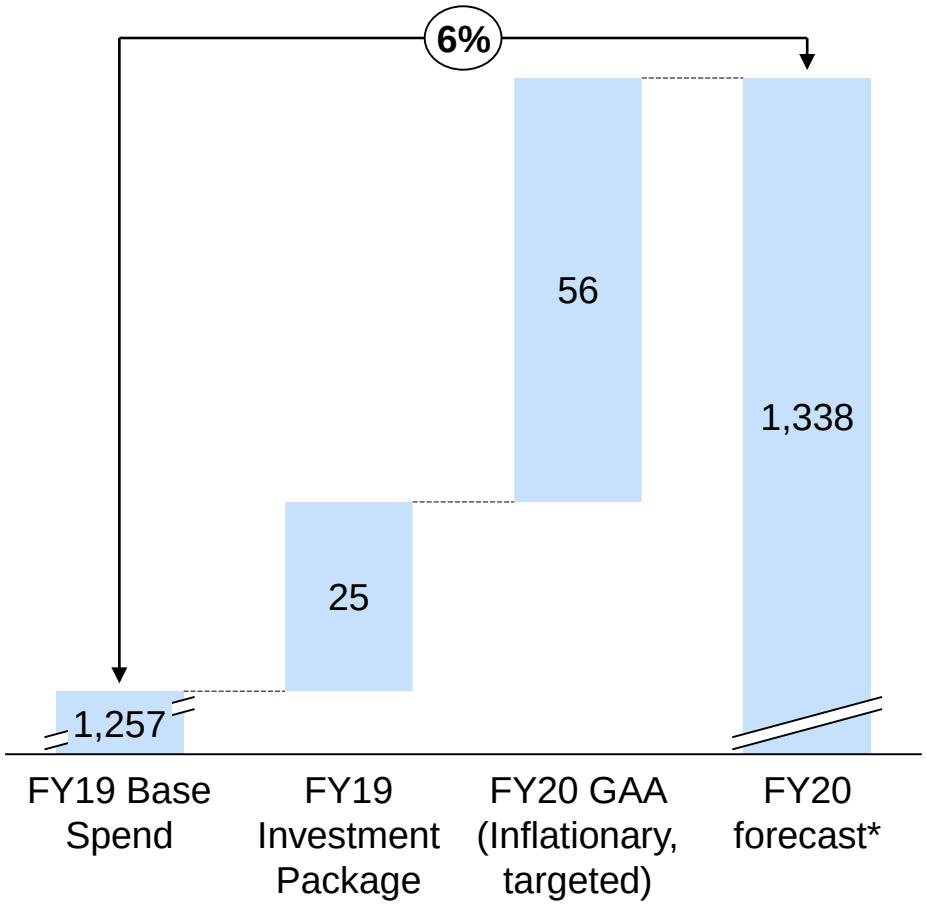
Members at a nursing home level of care are able to choose from a wide variety of delivery systems to meet their needs

Member Eligibility by Delivery System

	FFS	One Care (under 65) & SCO (65+)	PACE (55+)	Waivers
Member may be Nursing Home Level of Care	✓	✓	✓	✓
Nursing Home Level of Care as a share of spend	See previous slide for spend by program	~80% of spend is Nursing Home level of care	Member must be Nursing Home level of care	N/A
Description of Services	▪ All core LTSS continuum displayed on prior slide	▪ Core LTSS continuum ▪ Care coordination ▪ In SCO, Medicare Supplemental benefits (e.g., enhanced vision coverage, gym membership) ▪ $0 co-pays on pharmacy	▪ Core LTSS continuum ▪ Care coordination ▪ Site-based integrated care team	▪ Core LTSS continuum ▪ Additional services (e.g., homemaker) ▪ Care coordination through waiver case manager

Within the broader LTSS continuum, nursing facilities play an important role; MassHealth invested over $75M in the industry over the past 2 years

Nursing Facility FY19-20 Base Spend and Investments
$ Millions



- **Total FY19-20 gross investment (+$81M) represents a 6% rate increase**
  - EOHHS continues to carry user fee deficit of $15M+ net
- The average MassHealth **per diem increased by 2.2% annually** from SFY2013-18
- Nursing facility bed days continue to decline
  - FY19 facility closures represent ~1,700 beds, or 4% of beds statewide
  - More members choosing community vs institutional setting

*Does not reflect further projected decrease in utilization

Agenda

Nursing Facilities within the LTSS Continuum

Overview of Nursing Facility Payments

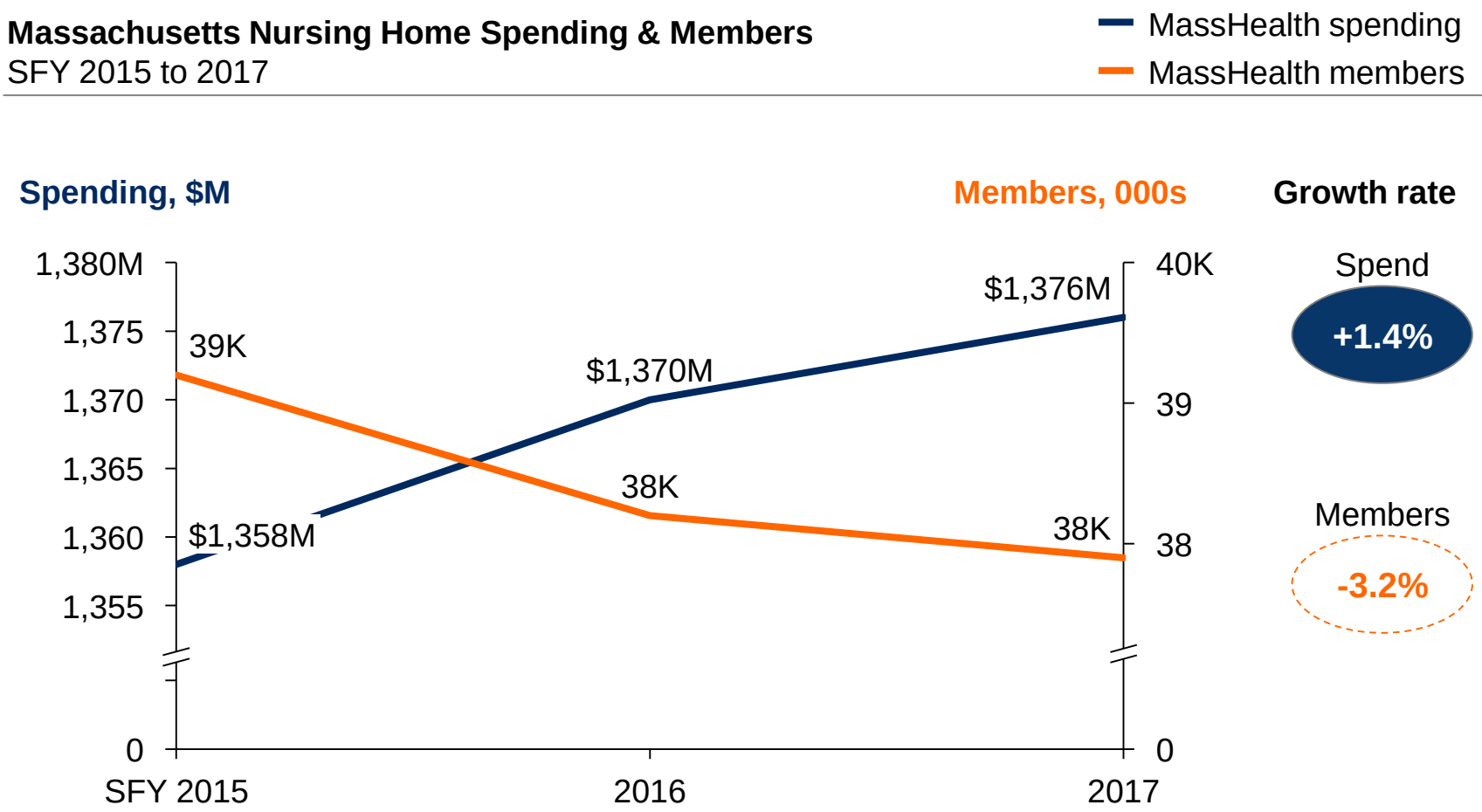
Policies under Consideration and Discussion

The nursing facility industry faces both structural challenges and rate challenges

- **Structural Challenges:** Low occupancy rates
- **Rate Challenges:** Overly complex rate system, limited targeted payments for special populations, and rates insufficiently tied to quality

Structural Challenges: Despite the declining number of members residing in nursing homes, MassHealth has increased total spend

Massachusetts Nursing Home Spending & Members
SFY 2015 to 2017

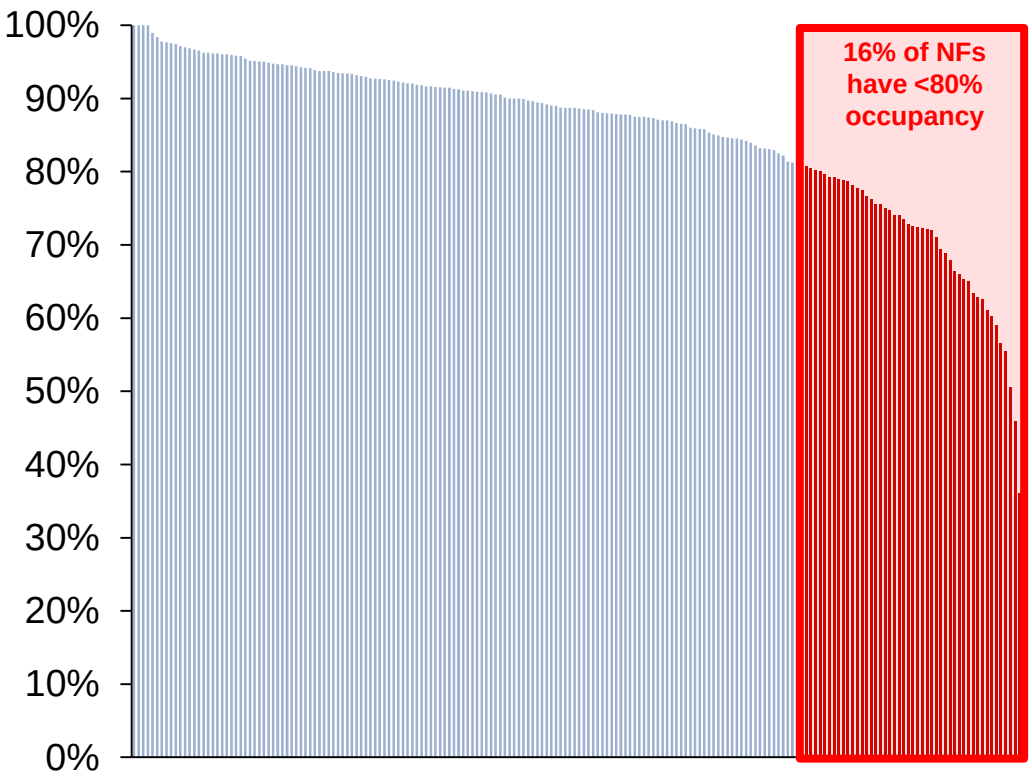


MassHealth **increased total nursing home expenditures by 1.4% from 2015-17** even as the number of MassHealth **members in nursing homes decreased by 3.2%**

Note: Average MMQ scores were consistent over this time period
Sources: MassHealth program data

Structural Challenges: One in six nursing homes operates with occupancy under 80%; facilities with low occupancy rates are not sustainable

Nursing Home Occupancy Rate by home, April 2019 [1]



- There are 366 nursing facilities that contract with MassHealth
- Of those 366 facilities, the average industry occupancy rate is 87%[2]
- Facilities with low occupancy rates are not sustainable

If the industry achieved a higher, more sustainable average occupancy rate, nursing facility margins would be higher

1 SNF Census April 2019; Medicare Star Quality Score February 2019
2 Self reported beds out of service (BOOS) were included in calculation of occupancy rates

Structural Challenges: many nursing homes in Barnstable County face fiscal challenges that are driven by declining occupancy and reimbursement from non-MassHealth payers

Nursing home Name	City	NF occupancy percentage by home	Medicaid members as % of total occupancy	2016 Operating Margin (% of Revenue)	2017 MCR Overall Star Rating
Wingate @ Brewster	Brewster	59%	48%	-12%	4
Wingate @ Harwich	Harwich	65%	73%	-4%	5
Pleasant Bay Nursing & Reh	Brewster	76%	51%	6%	5
Windsor Nsg & Ret. Home	South Yarmouth	77%	64%	-12%	4
Royal Of Cotuit	Mashpee	80%	55%	-3%	4
Seashore Point and Wellness	Provincetown	80%	55%	-22%	4
Royal Nursing Center	Falmouth	81%	62%	4%	4
JML Care Center	Falmouth	85%	46%	0%	4
Cape Regency Rehab & Hlth Care	Centerville	86%	4%	1%	1
Bourne Manor Ext Care Facility	Bourne	87%	60%	10%	3
Cape Heritage Rehab & Hlth Car	Sandwich	88%	2%	8%	3
Mayflower Place Nsg & Rehab	West Yarmouth	92%	24%	-5%	4
Liberty Commons Nurg & Reh	North Chatham	93%	31%	-3%	5
Royal Cape Cod Nursing	Buzzards Bay	97%	48%	2%	4
Royal Megansett Nrg & Ret. Hom	N Falmouth	97%	57%	4%	4
The Pavilion	Hyannis	98%	61%	0%	3
Kindred Trans Care & Rehab-Eagle	South Dennis	N/A	N/A	-19%	4

11 of 17 facilities have low occupancy – rates will not solve the fiscal issues

Only a minority of residents are MassHealth – rates will not solve the fiscal issues

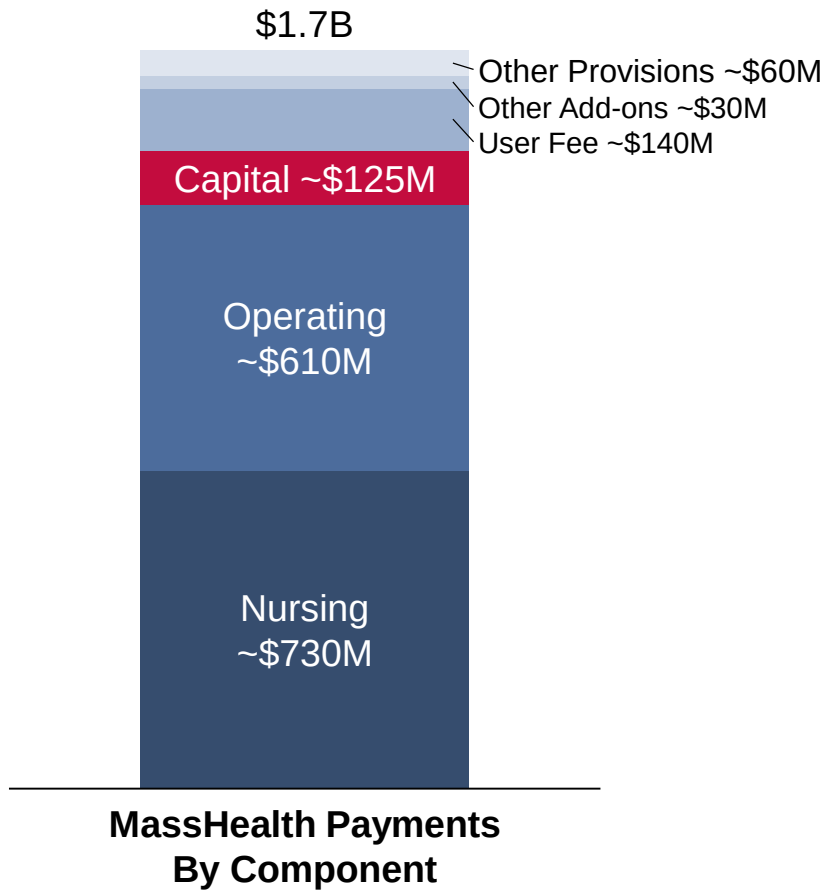
Source: SNF Census January 2018; Medicare Star Quality Score 2017

Rate Challenges: For historical reasons, MassHealth nursing facility rates are complex and do not adequately account for patient acuity and quality of care

Key issues

- **Complex, outdated (20+ year old) rate structure**
  - $100M+ in historical “add-ons”
  - Structure is poorly understood
  - Based on state-specific MMQ assessment (vs. CMS MDS tool)
- **Rates do not achieve certain policy goals**
  - Inadequately accounts for acuity, especially for patients with behavioral health complexities
  - Limited alignment to quality
- **Rates are regressive**
  - High Medicaid occupancy facilities receive lower rates on average than low Medicaid occupancy facilities

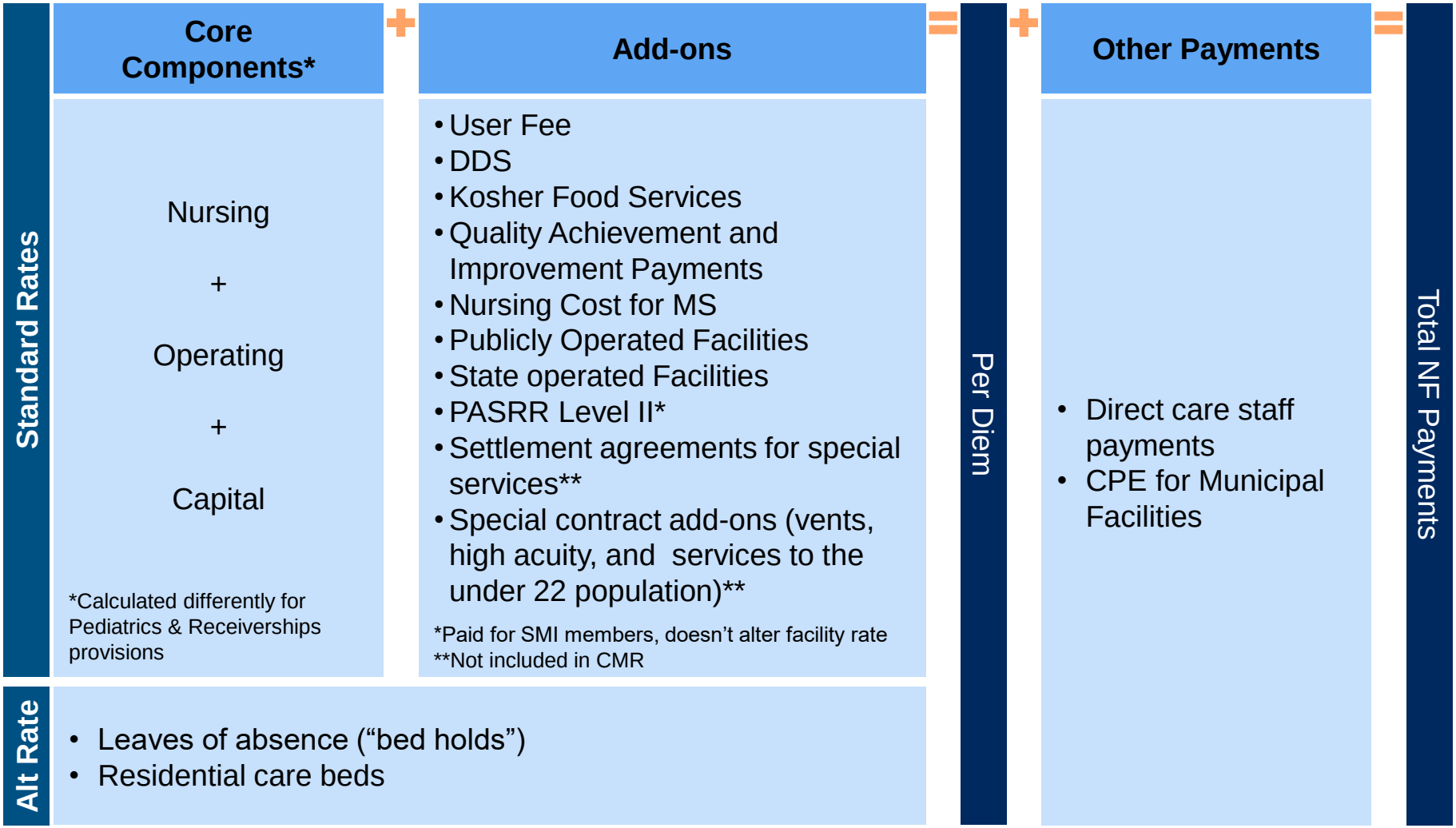
Estimated Nursing Facility Revenue for MassHealth Bed Days, FY2018



MassHealth Payments By Component

Note: Revenue from MassHealth bed days is greater than MassHealth payments because of the Patient Paid Amount
Source: MassHealth program data

Rate Challenges: nursing facilities payments are overly complex; payments for special populations & quality are 'add-ons,' instead of 'core'

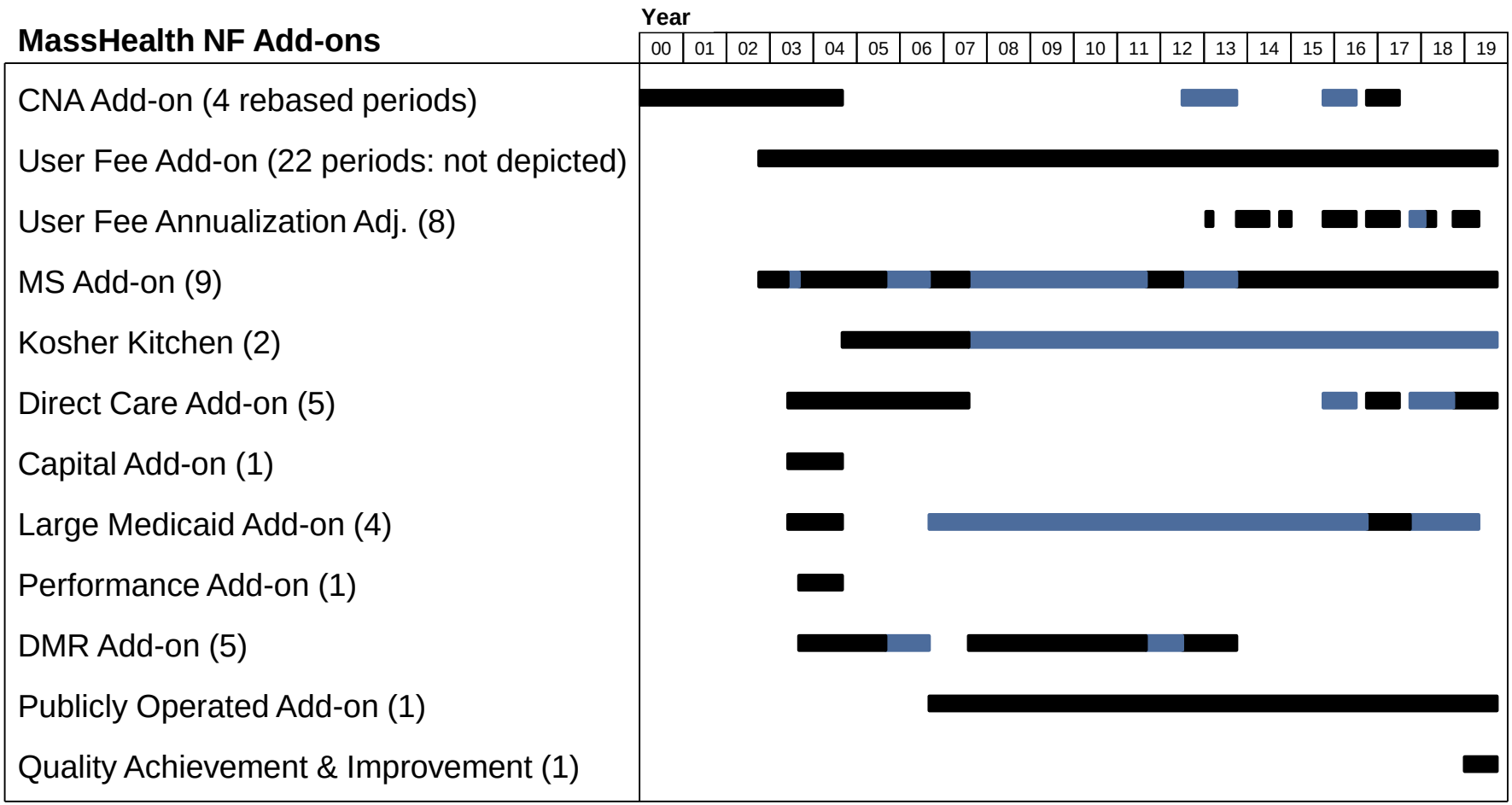


Note: Total payments represents gross payments (therefore use fee assessments are not included; user fee add –on payments are included)
Source: 101 CMR 206 (effective January 25, 2018)

Rate Challenges: Over the past 20 years, add-ons have been created, rebased, and eliminated dozens of times

Nursing Facility Add-ons, 2000-2019

The start of each line or color change shows the creation of or rebasing of an add-on



Note: Color changes signify rebasing or a change to the add-on

Source: MassHealth Program Data

Agenda

Nursing Facilities within the LTSS Continuum

Overview of Nursing Facility Payments

Policies under Consideration and Discussion

Rate restructuring ideas under consideration

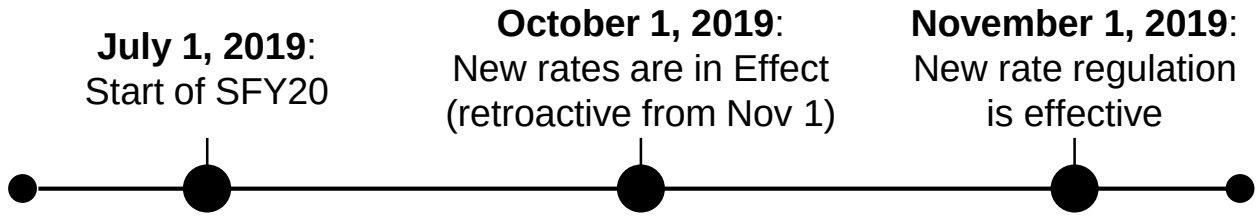
Policies Under Consideration	Areas of Overlaps with SFY20 Budget and Investments	Longer Term Steps to Fulfill Objectives
▪ **Simplify overall reimbursement model**	▪ Created class-based rates for capital, replacing individualized payments ▪ Used $35M in cost adjustment inflationary funding to rebase rates to 2014	▪ Shift some of the add-on payments into MDS-based payment system to more fairly compensate NFs for a patient's level of care needs
▪ **Modernize acuity-based reimbursement model**	▪ Used portion of targeted $15M to address complex patient populations, defined as a member with an average MMQ score ≥ 225 minutes	▪ Transition from MMQ to MDS ▪ MDS-based payment system will more fairly compensate NFs for a patient's level of care needs
▪ **Address quality and regionality in revised reimbursement model**	▪ Used portion of targeted $15M to increase reimbursement to: 3+ star facilities, facilities in the Cape/Islands, and High Medicaid Occupancy facilities	▪ Build standard metrics into modernized acuity-based model to address quality attainment and improvement, and regionality

Low occupancy rates, a key structural issue, need to be addressed for rate reforms to be effective

With the SFY20 Budget Investment, MassHealth is set to publish new rate regulations on November 1 that rebase rates to 2014, simplify capital, and make several targeted investments

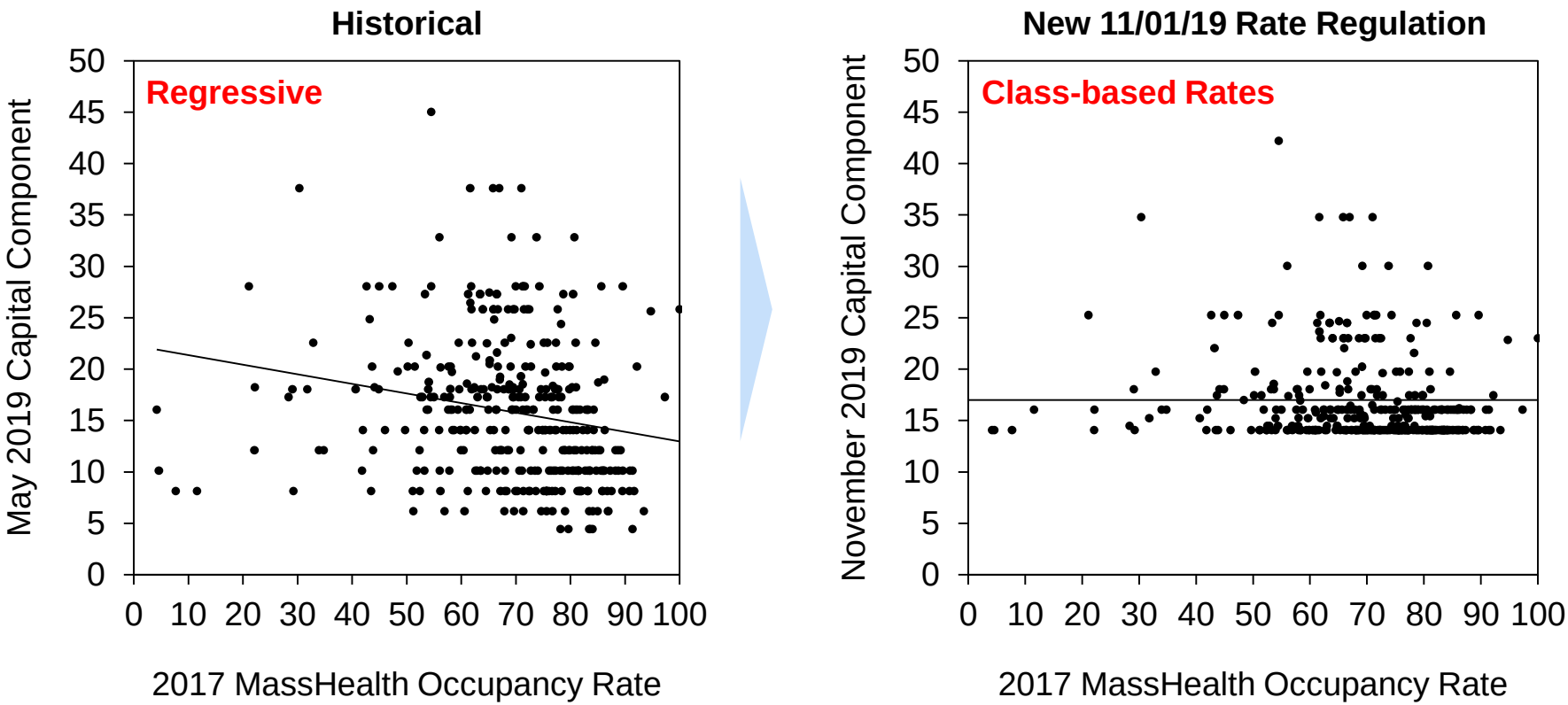
	Category	Fiscal Impact
Targeted Funding ($15M)	**Targeted Funding**	**$15M**
	Three Star Plus Add-on	$5.9M
	High Medicaid Occupancy Add-on	$4.8M
	Complex Patient Populations	$3.9M
	Cape and Islands Add-on	$0.4M
$41.5M Investment ($6.5M above the $35M cost adjustment inflationary increase)	**Rebase Nursing, Operating, and Capital Components + CAF**	**$35M**
	Simplify Capital Component	**$6.5M**
	Replace User Fee Add-on	
	Total	**$56.5M**

Timeline



MassHealth invested $6.5M above the SFY20 Budget Investment to simplify the capital component and to make rates less regressive

MassHealth Occupancy Rate vs. Capital Component



Note: MassHealth Occupancy Rate represents MH's share of the occupancy
Source: Certified Nursing facility rates (effective May 1, 2019), NF Cost Reports (2017)

Transitioning from MMQ to MDS-based assessments will promote fairer payment to nursing facilities for patients' level of care needs

Assessments Today

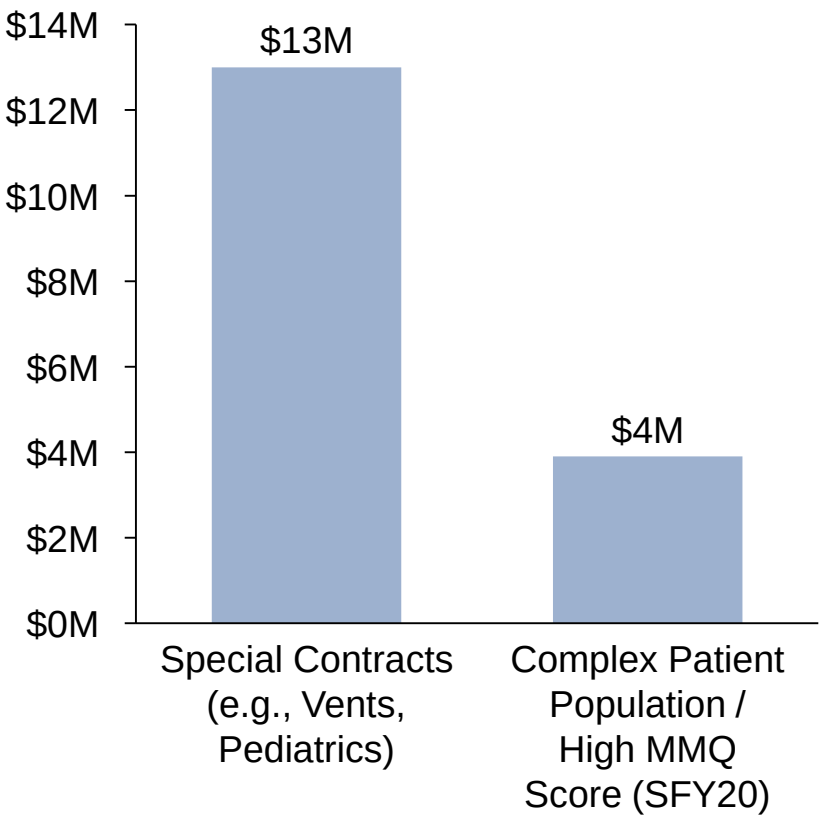
Payer	Clinical Assessment Tool and Payment Method	What it Measures
MassHealth	Minutes Management Questionnaire (MMQ)	ADLs
CMS	Minimum Data Set (MDS) and Patient Driven Payment Model (PDPM)	ADLs, clinical conditions, BH conditions, and other

Proposed Approach

- **Recommend transitioning MassHealth payments to a MDS-based system**
- MDS will support a **fuller measure of patient's acuity**
- **MassHealth can add additional metrics** to target special populations (e.g., BH, ventilator dependent)
- This change would **reduce administrative burden** because nursing facilities would only need to complete one assessment; today, they must complete both assessments

MassHealth invests over $15M annually in special populations; additional targeted payment methodologies are under consideration

Estimated Annual MassHealth Add-on Payments to Nursing Facilities



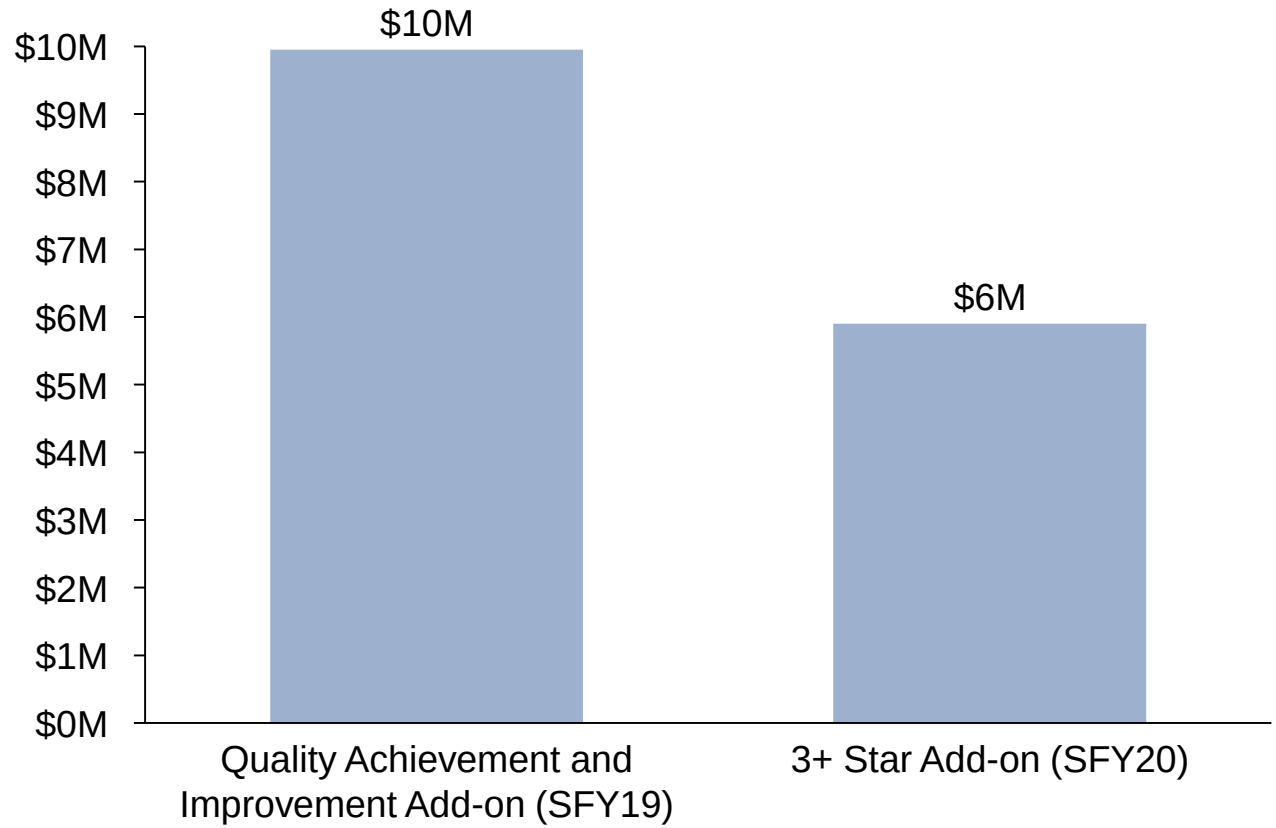
Additional Payment Methodologies to Explore

- **Members with behavioral health conditions,** including substance use disorders and conditions resulting in difficult/aggressive behaviors
- Members with **intellectual or developmental disabilities**
- Members with **high-risk of homelessness**
- Members with **TBI** (traumatic brain injury)
- Members with **ALS**
- Risk of harm to self or others in the community (e.g., CORI history)

Note: Special Contracts payment value represents estimated payment to facilities with a special contract or settlement agreement above the standard rate
Source: MassHealth program data

MassHealth invests ~$15M in quality incentives, ~1% of total NF spend; policies to increase the share of payments tied to quality are under consideration

Estimated Annual MassHealth Add-on Payments to Nursing Facilities



Questions for Discussion

- What solutions would the industry propose to resolve the industry's sustainability issues, given that rate changes alone will not solve these issues?
- How can members' choices be supported in how and where they receive long term service and supports?
- How can nursing facility rate complexity continue to be reduced?
- How can adequate compensation be ensured to nursing facilities for members' level of care needs, especially for complex or special patient populations?
- What complex or special patient populations require the greatest staff time or investments?
- Should quality of care account for only 1% of nursing facility rates? Are there other ways to incentivize delivery of high quality care?