

Office of Health Transformation **Reform Nursing Facility Payments**

Background:

Governor Kasich's first budget (HB 153) enacted several significant reimbursement reforms related to nursing facilities, described below. The Administration's goal is to achieve better health, better care and reduced costs, and create incentives to continuously improve service features and characteristics to meet or exceed customer needs and expectations for quality.

- ***Convert Medicaid Nursing Facility Reimbursement to a Price-Based System.*** HB 153 completed the transition from a cost-based Medicaid payment system for nursing facilities to a price-based system, a change that was initiated by the legislature in 2005 to reward efficiency. The final budget reduced nursing facility rates 5.8 percent on average in 2012 and saved Ohio taxpayers \$360 million over two years.
- ***Reduce Payments for Low Acuity Individuals.*** HB 153 modified the method to calculate payments for services provided to the lowest acuity individuals in Ohio's nursing facilities. Instead of using facility-specific rates, all nursing facilities are paid \$130 per day for each of these individuals. This better connects reimbursement to the services needed by these individuals and incents discharge planning to community settings.
- ***Link Nursing Facility Reimbursement to Quality Outcomes.*** HB 153 also linked more of the Medicaid payment to direct care for residents and quality. It increased Medicaid quality incentive payments for nursing facilities from 1.7 percent of the average Medicaid nursing facility rate in 2011 to 9.7 percent in 2013. A Nursing Facility Quality Measurement Subcommittee was created and achieved consensus recommendations on 20 specific accountability measures, which were enacted by the General Assembly in December 2011 (SB 264).¹ The goal was to create a system that rewards performance on specific quality measures and gives all facilities a fair opportunity to earn the full incentive payment.
- ***Integrate Care Delivery for Medicare-Medicaid Enrollees.*** HB 153 authorized Ohio Medicaid to seek approval through the federal Center for Medicare and Medicaid Integration (CMMI) to design and implement a Medicare-Medicaid Integrated Care Delivery System (ICDS). Currently Medicaid and Medicare are managed with almost no connection, and services are poorly coordinated. The result is a diminished quality of care, which is reflected in high costs to the Medicaid system and to taxpayers. Ohio's ICDS program will convert separate Medicaid and Medicare fee-for-service programs into an integrated managed care program for Medicare-Medicaid enrollees in seven regions of the state. Under ICDS, nursing facilities and other health care providers will

¹ Ohio Nursing Facility Quality Measurement Subcommittee, [Final Report](#) (September 2011)

contract with health plans to provide long-term services and supports to participating Medicare-Medicaid enrollees. CMMI approved Ohio's ICDS program on December 12, 2012 and Ohioans will begin enrolling in the new program September 1, 2013.

- **Study Medicaid reimbursement for nursing facilities.** In HB 153, the Ohio General Assembly re-established a Unified Long-Term Care System Advisory Workgroup and instructed it to convene a subcommittee to study Medicaid reimbursement for nursing facility services. The Nursing Facility Reimbursement Subcommittee identified guiding principles for payment innovation, reviewed recent payment changes that impact nursing facilities, made recommendations for additional Medicaid fee-for-service reimbursement reforms, and reported findings and recommendations to the Ohio General Assembly in December 2012.²

Executive Budget Proposal and Impact:

In December 2012, the Nursing Facility Reimbursement Subcommittee recommended – and the Kasich Administration agrees – there should be a period of adjustment for HB 153 reforms to stabilize, and significant additional disruptions should be avoided in the next budget. However, this budget includes some modest adjustments to the current Medicaid nursing facility fee-for-service reimbursement system that the Subcommittee recommends implementing to improve system performance. These recommendations are identified in the headings below, with a description about how the Executive Budget acts to operationalize each recommendation.

FEE-FOR-SERVICE PAYMENT CHANGES

- **Update the quality incentive rate component.** The Subcommittee recommends and the Executive Budget includes language to: increase the level of attainment for some of the existing 20 accountability measures, replace others, and leave some the same; require that at least one of the quality points a nursing facility uses to claim its full incentive payment must be a clinical measure; and deny quality points for certain special focus facilities related to certification surveys conducted by the Ohio Department of Health. Otherwise, the Executive Budget keeps the existing nursing facility quality incentive payment program intact. This provision is budget neutral.
- **Provide post-acute rehabilitation in nursing facilities.** Currently, Ohio's nursing homes have significant unused and underutilized capacity. In some cases, these facilities could serve a population that is otherwise served in more expensive rehabilitation hospitals and long-term, acute-care hospitals (LTACHs), including some individuals with traumatic brain injury, some individuals on ventilators who could be weaned, and some individuals in need of intensive rehabilitation services. The average cost to serve these individuals in an LTACH is \$1,388 per patient day compared to \$740 per patient day at the highest rate Medicare pays in nursing facilities for "ultra-high rehabilitation services."

² Nursing Facility Reimbursement Subcommittee, [Report to the Ohio General Assembly](#) (December 21, 2012).

The Nursing Facility Reimbursement Subcommittee recommends, and the Executive Budget includes, payment changes that prioritize post-acute rehabilitation in nursing facilities, not hospitals. It creates a specialty nursing facility service category in Ohio for individuals who would otherwise be served in rehabilitation hospitals and LTACHs, and authorizes a new ventilator weaning program. With regard to hospital payments, the Executive Budget reduces payments for LTACHs and rehabilitation hospitals from 100 percent of costs to 90 percent of costs.

- **Enhance community mental health benefits.** The Subcommittee recommends and the Executive Budget includes several initiatives to assist nursing home residents under age 60 with mental illness who want to move back into the community. As a group, these initiatives emphasize that recovery requires community, and they make that possible by providing financial assistance during the transition, creating new opportunities for affordable housing and avoiding inappropriate nursing facility placements on the front end of the process. (See “Rebuild community behavioral health system capacity.”)
- **Convert veterans who reside in nursing facilities to federal benefits.** The Subcommittee recommends identifying veterans who currently reside in nursing homes on Medicaid and connecting them to federal veterans’ benefits without uprooting them from their current residences. On January 29, 2013, the Office of Health Transformation approved \$260,000 for a pilot project to identify veterans on Medicaid and connect them to VA benefits. The pilot is not written into the budget, but has the potential to save money every time a veteran who currently receives Medicaid services (36 percent paid by Ohio) converts to veterans services (100 percent paid by the federal government).
- **Consider some modifications in the base rate methodology.** The Executive Budget maintains the current nursing facility rate structure, including historic price growth (without any additional increases) and continues flat pricing for low acuity individuals. However, the Budget proposes three changes in the current methodology: (1) reclassify Stark and Mahoning Counties from rural (peer group 3) to urban (peer group two) for the purposes of rate setting; (2) shift the determination of the facility-specific leave day pricing percentage to a fiscal year to eliminate the need for retroactive adjustments; and (3) extend the current five-percent rate boost to “critical access” nursing facilities in federally designated empowerment zones that meet minimum occupancy and Medicaid utilization requirements, but with an additional requirement that they earn the maximum quality incentive payment and at least one clinical quality point to qualify for the critical access rate add-on. The peer group change costs \$40 million (\$15 million state share) over the biennium and generates \$4 million in franchise fee revenue.

OTHER RELATED INITIATIVES

In addition to reimbursement, the Nursing Facility Reimbursement Subcommittee recommends, and the Administration agrees, the state should align other regulatory and programmatic incentives to ensure that Ohioans have access to the long-term services and

supports they need in the settings they choose. Some of these recommendations impact home and community based services (see also, “Prioritize home and community based services”). The list below includes the recommendations that specifically impact nursing homes.

- **Clarify definitions for facilities that specialize in care.** The Subcommittee recommends, and the Executive Budget requires, the Ohio Department of Aging (ODA) to update the Ohio Long-Term Care (LTC) Consumer Guide to be more accurate in its description of specialized facilities. Currently there are no requirements for nursing facilities that self-identify as “specializing” in care for specific diagnoses or conditions. ODA will define the services featured in the LTC Consumer Guide and create an online attestation for facilities that claim a specialization.
- **Strengthen the survey process through plans of correction.** The Subcommittee recommends, and the Executive Budget includes, provisions to clarify existing requirements for plans of correction to ensure alignment with current federal requirements and to emphasize the need to focus on the reason for the failure to provide quality services. Plans of correction for all deficiencies that resulted in harm to individuals or immediate jeopardy will be more detailed and focus on an examination of the underlying cause(s) of the poor quality care. In addition, the Ohio Department of Health, which oversees plans of correction, will consult with the Ohio Department of Aging, the State of Ohio Long-term Care Ombudsman, and Ohio Medicaid in reviewing plans of correction for deficiencies where harm to residents occurred or an immediate jeopardy resulted. This incorporates the interagency approach to administering programs providing long-term services and supports in the regulatory framework and brings multiple perspectives to the process, ensuring more effective identification of opportunities for quality improvement, including access to state resources that may provide technical assistance in addressing the root cause of the poor quality care.
- **Update nursing facility licensure requirements.** Currently, there are no requirements within state nursing facility licensure to improve quality. The Subcommittee recommends, and the Executive Budget requires, nursing facilities to demonstrate during licensure inspections that they are engaged in at least one quality improvement project from a list maintained by the Ohio Department of Aging. Also, beginning in state fiscal year 2016, the Executive Budget moves two current quality incentive payment measures (“prohibit the use of overhead paging systems” and “ensure advance care planning for all residents”) onto the list of licensure requirements.
- **Consider additional regulatory relief.** The Subcommittee recommends, and the Administration agrees, to consider additional reforms throughout the budget process, much as it did during consideration of HB 153, which in that case led to the enactment of 16 significant items of common sense regulatory relief.

ADMINISTRATION INITIATIVES

The Executive Budget also includes the following provisions that are recommended by the Administration but not included in the Nursing Facility Reimbursement Subcommittee report.

- ***Automatically update the nursing facility franchise fee.*** The Executive Budget modifies the method that is used to calculate the nursing facility franchise permit fee assessment rate. In place of actual fee amounts, which have to be recalculated based on projected net patient revenue each biennium and amended to statute to reflect revised rates, the Executive Budget requires the franchise fee per bed per day assessment amount to be calculated each year at the maximum percentage allowed by federal law (not to exceed six percent), eliminating the need for routine biennial budget amendments.
- ***Remove custom wheelchairs from the nursing facility rate.*** The Executive Budget defines custom wheelchairs and removes custom wheelchairs from the calculation of the nursing facility per diem (the per diem is reduced 32 cents). The budget also gives Medicaid the authority to use alternative purchasing models for custom wheelchairs, including selective contracting, competitive bidding, or a manufacturer's rebate program. This combination of changes will ensure that individuals in nursing facilities have access to medically necessary custom wheelchairs while giving Medicaid the tools to effectively manage utilization and expenditures.
- ***Streamline the claims review process.*** Program integrity activities related to nursing facilities focus on accurate billings and payment and the quality of the services purchased. The Executive Budget aligns the Medicaid claims review process for nursing facilities with that applied to other provider types, streamlining the process and allowing nursing homes and Ohio Medicaid to resolve payment issues more quickly.
- ***Terminate special focus facilities.*** The Executive Budget authorizes Ohio Medicaid to terminate the Medicaid provider agreement of nursing facilities with a history of providing poor quality care without improvement. The federal government operates a Special Focus Facility Program that identifies facilities with more deficiencies than most facilities, more serious deficiencies, and a pattern of serious deficiencies. They publish a list monthly identifying those facilities newly added to the list, those that remain on the list without improving, those that remain on the list but are improving, and those that recently graduated from the list. The budget gives Ohio Medicaid another tool to ensure the quality of long-term services and supports in Ohio by terminating the provider agreement of a facility that either fails to improve within 12 months of being placed on the list or fails to graduate from the list within 24 months of being placed on the list.

Updated January 31, 2013