Testimony on House Bill 64

Before the Senate Medicaid Committee

May 7, 2015

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Rebasing Promise

• Rebasing = updating rates to reflect current costs of providing services.

• Before 2005, each provider’s rate was rebased every year.
Rebasing Under Pricing

• In 2005, General Assembly and Taft Administration created pricing system that sets a fixed price for all SNFs in a peer group.

• Prices set using 2003 costs.

• Once prices set, idea was to apply annual inflation factor, with a “true up” after a period of time by rebasing to current cost.

• Legislature gave Department of Medicaid flexibility on when to rebase, but set outer bound at 10 years.
## What Really Happened Over Ten Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct</th>
<th>Ancillary</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFY 2007</td>
<td>$44.64</td>
<td>$58.36</td>
<td>$11.86</td>
</tr>
<tr>
<td>SFY 2016</td>
<td>$44.53</td>
<td>$56.66</td>
<td>$8.90</td>
</tr>
</tbody>
</table>
Impact

- Prices have not increased in 10 years – in fact, they went down.

- ODM did not rebase during entire period, but law requires it for SFY 2017.

- Except once (1% in SFY 2008), no inflation factor ever was applied to the prices.

- Prices were cut in SFY 2012 as part of deficit reduction.

- During this period, SNF loss per Medicaid day steadily increased: $10.62 in SFY 2007 to $19.50 in SFY 2014.
Current Law on Rebasing

• Requires rebasing no later than SFY 2017.

• Allows ODM to choose the cost report year.

• Uses older patient acuity classification ("grouper") – RUG III – but ODM can change by rule.

• Applies occupancy requirements to three price components.
House Bill on Rebasing

• Keeps promise: retains rebasing.

• Keeps payment system in statute.

• Updates grouper to RUG IV 48 group version (reduces cost by $6-8 million).

• For the first time ever, uses licensed beds instead of Medicaid certified beds for occupancy standards in price calculations (reduces cost by $47 million).

• Deducts $1.79 per day from rebased rates to fund quality payment (shifts $30 million).
RUG IV

- Released in 2010 by CMS in multiple versions, including 66 group and 48 group models.

- CMS guidelines:
  - “The 66-group model was developed by CMS to be used in Medicare SNF payment system beginning 10/01/2010.”
  - “The 48-group model is a further simplification of the 57-group model and is intended for use in state Medicaid payment systems.”

- Few Medicaid patients fall into the 18 additional RUG categories.

- 66 group version would cut $40.9 million more out of rebasing than 48 group version.
Current Law on Quality Payments

• Part of Ohio reimbursement statutes since 2005.

• Current system dates to 2011, funded by a “carve out” from the existing rate.

• Pays up to $16.44 per day based on meeting 5 of 20 measures; one must be clinical.

• Redistributes any money left over based on number of measures met.

• Nearly all SNFs receive full $16.44 payment.
House Bill on Quality Payments

• Returns $16.44 “old quality payment” to base rate.

• Shifts $1.79 per day ($30 million) from base rate to fund “new quality payment.”

• Leaves a portion of rebasing intact instead of shifting the dollars.

• Requires entire quality fund to be paid out, based on each SNF’s level of achievement.
Quality Indicators

• Specifies five measures (two of which have two parts) for new quality payment.

• Leaves to ODM’s discretion the thresholds to meet measures and amount paid per measure met.
Current Law on Low Acuity Patients

- Rate for PA1 and PA2 patients lowered to $130 per day in SFY 2012.

- Policy argument: these patients should not be served in SNFs long term.

- We are responding: SNFs are by far the largest referral source to HOME Choice (out places long term patients).

- But, it’s illegal to move patient out without safe/appropriate destination.

- PA1s/PA2s almost always admitted with higher level of service need.
House Bill on Low Acuity Patients

- Reduces rate to $115 per day ($9 million reduction).

- Additional reduction to $91.70 (ODM’s number) if ODM not satisfied SNF is cooperating with ombudsman efforts to move out PA1 and PA2 patients.