

Testimony on House Bill 64

Before the House Health & Human Services Subcommittee

March 12, 2015

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Introduction

- We appreciate the Administration's recognition that the time has come to increase SNF rates – it has been a long time.
- We also appreciate the Administration's recognition that there are many great SNFs in Ohio.
- Lastly, we appreciate the Administration's agreement that a true quality incentive system is needed.

Background

- Current state policy on SNF rates was established in 2005 when General Assembly and Taft Administration agreed to “pricing” system.
- State policy deliberately fixed prices starting in SFY 2007 based on 2003 cost reports.
- Prices have not increased since then, save 1% in SFY 2008.
- Prices were cut in SFY 2012 as part of deficit reduction.

Average Prices

| | Direct | Ancillary | Capital |
|----------|---------------|------------------|----------------|
| SFY 2007 | \$44.64 | \$58.36 | \$11.86 |
| SFY 2016 | \$44.53 | \$56.66 | \$8.90 |

Rates in Statute

- Key part of 2005 deal: rate formula codified by General Assembly in statute, as has been the case since inception of Medicaid program.
- SNF rates are a uniquely important subject for legislative oversight. They directly affect well being of hundreds of thousands of your most vulnerable constituents.
- Like it or not, SNFs are heavily dependent on the Medicaid program for survival. Over 63% of our patients are on Medicaid.
- Inadequate Medicaid rates hamper quality of care and ultimately threaten center's stability.

Arguments Against

- Director McCarthy says no other Medicaid provider type in Ohio has rates in statute.
- That is true ... except for ICFs/IID, which also are in statute.
- Common thread: ICFs are the only provider type with greater Medicaid percentage than SNFs.
- Because of the huge impact Medicaid rates have on lives of Ohioans in SNFs and ICFs, General Assembly has always required rates in statute.

Ability to Change Rates

- Director McCarthy testified that he wants power over rates so he can make changes when he wants, without justifying to General Assembly.
- He said rate discussions now are in compressed time frame, can't happen outside budget bill - but legislature can make changes at any time, not just in budget bill.
- Difference is Medicaid Director can't make changes unilaterally.
- Ability to make changes unilaterally means harmful changes can be made before legislature can weigh in.

Rebasing

- In 2005 deal on rates, everyone recognized need to rebase prices.
- Rebasing means updating prices using same formula, but most recent cost reports.
- Concept: reconnect rates and costs periodically. Generally this means rates increase.

Rebasing

- Legislature gave Department of Medicaid flexibility on when to rebase, but set outer bound at 10 years.
- Department chose to wait entire 10 years, now by law must rebase for SFY 2017.
- During this period, SNFs experienced steadily increasing loss per Medicaid day: \$10.62 in SFY 2007; \$19.50 in SFY 2014.
- Rebasing would result in 6% rate increase if done per 2005 calculation.

Changes to Rebasing

- Administration proposes to change 2005 arrangement in three important ways.
- All cut rates:
 - Licensed vs. certified beds
 - Acuity measurement tool (RUG IV 66)
 - 2.95% reduction to fund quality pool

Impact of Proposal

- End result is zero price increase for 10 years.
- Could be 20 years if department waits another 10 years to rebase.
- We ask that rebasing be done as in 2005, except for updates to costs and acuity measurement.
- Acuity measurement tool should be designated by CMS for Medicaid, not Medicare.

Prices SFY 2007-2017

| | Direct | Ancillary | Capital |
|------------------------|---------------|------------------|----------------|
| SFY 2007 | \$44.64 | \$58.36 | \$11.86 |
| SFY 2016 | \$44.53 | \$56.66 | \$8.90 |
| SFY 2017 (proposed) | \$42.69 | \$58.72 | \$10.24 |

PA1/PA2 Patients

- Lowest acuity patients in SNFs.
- 2011 budget deal included rate cut for PA1/PA2 to \$130.
- Administration now proposes further cut to \$91.70.
- From zero (rebasings), cut would put SNFs “underwater” by \$23.5 million.

Policy Argument

- Director McCarthy: greater (dis)incentive needed so SNFs move out or do not admit PA1/PA2s.
- SNFs do move people out – we are by far largest referral source to HOME Choice.
- Illegal to move out without safe/appropriate destination.
- Barring exceptional circumstances, SNFs normally do not admit PA1/PA2.

Policy Solutions

- Require SNF to reach out to HOME Choice upon admission of PA1/PA2.
- Require HOME Choice to identify SNFs with PA1/PA2s and structure relocation assistance.

Quality

- Concept: give all SNFs an incentive to improve.
- Administration proposal doesn't do this.

Impact of Proposal

- Funds quality incentive with money stripped out of rebasing.
- Stated payment amount (\$84 million) assumes every SNF gets every measure.
- This payout will not happen. We estimate 10-15% of measures will be met (example: staffing = 12%).
- We estimate total payout to be \$8-13 million. SNFs as a whole still will be underwater.
- If the bar is too high, there is no incentive to improve.

Policy Solutions

- Strengthen quality incentive with attainable standards that give every SNF incentive to improve.
- More measures, tiered approach.
- Not funded through cut to rate.

Summary

- Keep rates in statute.
- Rebase consistently.
- No PA1/PA2 cut.
- Meaningful quality incentive.