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Before the Senate Finance Committee
Testimony on House Bill 96 As Pending in Senate Finance

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Good morning, Chair Cirino, Vice-Chair Chavez, Ranking Member Hicks-Hudson, and members of the Finance Committee. I am Pete Van Runkle, representing the Ohio Health Care Association. We are the largest statewide membership organization for long-term services and supports providers, with more than 1,200 members, including more than 600 skilled nursing facilities (SNFs).

I am here today to request a technical amendment to the Senate substitute version of HB 96. The amendment relates to the new methodology for adjusting SNFs' Medicaid payment rates for the acuity of their residents' health care needs. The new methodology is the Patient-Driven Payment Model (PDPM). It is very different from the current acuity measurement, Resource Utilization Groups (RUGs). HB 96 specifies that Ohio's SNFs will begin to change from RUGs to PDPM July 1, 2025.

The technical amendment is critically important to correct an inadvertent omission that if unaddressed, would have profound impact on all of the state's SNFs and the vulnerable seniors they serve.

The root of the issue is the different numerical scales used by RUGs and PDPM. To illustrate, the statewide average RUGs score for a SNF today is around 3.0, which represents the average acuity of the average SNF's patients. Each facility has their own score based on their patient population. Under PDPM, however, the average score for the same group of residents would be around 1.4, obviously much lower. The variance in the scale is because PDPM is a different methodology, not because the needs of residents suddenly changed.

The scale variation is enormously important because each facility's payment rate for direct care costs – the wages, salaries, and benefits of nurses and nurse aides – is their acuity score times the standardized price for their peer group. There are 3 peer groups in Ohio. The standardized prices are:

Peer group 1	$49.78
Peer group 2	$48.41
Peer group 3	$44.35

Every SNF in the peer group gets the same **price** for direct care. Their **rates** vary because of their acuity (case-mix) scores, providing more or less resources for nursing staff to meet resident needs as measured by the prescribed methodology.

Here is an example of the impact of PDPM on a peer group 1 facilty:

RUGs **2.943** RUGs case-mix score * $49.78 price = **$146.50** rate

PDPM: **1.375** PDPM case-mix score * $49.78 price = **$68.45** rate

This example shows the profound impact of the difference in scale: a $78.05 per day cut.

If this facility had the typical 18,000 Medicaid days in a year, the cut would be an unsustainable $1.4 million in lost revenue. The building would have to close its doors and move all its residents out.

On a statewide basis, we estimate the average price is $47.85 and the average RUGs case-mix score is 3.0, so the average rate would be $143.55. Using the average PDPM score or 1.4, the estimated average rate would be $66.99, or a cut of $76.56. Multiplied by approximately 15,700,000 Medicaid days in Ohio SNFs for a year, a rate reduction of that magnitude would amount to a loss of $1.2 billion in revenue for an industry that already is losing money on every Medicaid day. It is not an exaggeration to say that no Ohio SNF could survive such a cut.

This danger is all because HB 96 inadvertently omits language establishing a conversion factor that places PDPM scores on the same scale as RUGs scores. This technical correction is vitally important.

We request an amendment that would solve the problem by directing the Department of Medicaid to calculate a conversion factor that places PDPM on the same scale as RUGs. The conversion factor would be simple: divide the statewide average RUGs score by the statewide average PDPM score, using current data at the time PDPM begins to affect rates, which is January 1, 2026.

This amendment is budget-neutral because the cuts that the current language in HB 96 would cause aren't intentional. Throughout the budget process, no one has said anything about massive cuts to SNFs. It is an accident of the language. The amendment would ensure that these unintended cuts don't occur accidentally.

The amendment addresses a second technical issue with the language in HB 96, also on the PDPM transition. HB 96 calls for a case-mix score freeze from July 1 to December 31, 2025. We agree with the idea of freezing scores for six months, but the language is erroneous. It refers to each facility's quarterly case-mix score under RUGs for June 30, 2025.

No SNF in Ohio will have a June 30 quarterly RUGs score on July 1, when the freeze is to start. The majority of buildings across the state already have frozen scores dating back to March 31, 2023. They will not have June 30 quarterly RUGs scores, just the frozen scores dating back more than two years. The remainder of the buildings that did not freeze their scores eventually will have June 30 RUGs scores, but not on July 1. Federal and state rules give SNFs 45 days after the end of each quarter to correct their scores, so the June 30 scores won't be final until around August 15.

Our amendment would correct the erroneous language by referring to the actual case-mix scores each group of facilities would have on July 1.

For frozen buildings, it would be the frozen score. For facilities calculating new scores, it would be the score calculated for July 1 using the normal methodology (the average of the December 31, 2024, and March 31, 2025, scores).

I appreciate the opportunity to speak with you today and would be happy to answer any questions. You also may reach me at pvanrunkle@ohca.org or 614-361-5169.