Nursing Home Funding: Rate Setting Process

Department of Social Services

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Division of CON and Rate Setting

- Staff: Director, Admin. Assistant, 6 Professional Staff/Cost Analysts
- Rate System & Audit Contract:

  $3.7 million, Approximately 20 FTEs

  Cost report reviews, data system, rate computations, reporting, audits (nursing facility, RCH, ICF/MR and CLAs) and NF User Fee audits for DRS. Rate system cost impact modeling.

CON and Rate Setting

Medicaid Rates	# of Providers	$'s
☐ Nursing Facilities	240	$ 1.3 b.
☐ Chronic Disease Hospitals	6	$ 56 m.
☐ Hospital Inpatient	29	$ 200 m.
☐ Hospital/CDH Outpatient	35	$ 110 m.
☐ FQHC	13	$ 60 m.
☐ Home Health	95	$ 205 m.
☐ ICF/MR Private	60	$ 60 m.
☐ Home Care Waiver	150	$ 100 m.
☐ State Agency Medicaid Services	-	$ 950 m.

DDS (ICF/MR, Waiver, Birth-3), DMHAS (Psych. Hosp, Case Mgt., PNMI) DCF (Hosp., PNMI), Veterans Home & Hosp., School-Based

CON and Rate Setting

Non-Medicaid Rates	# of Prov.	$'s
☐ Residential Care Homes	98	$ 44 m.
☐ DDS Group Homes	680	$ 22 m.

- Other
  - ☐ Certificate of Need Reviews for NF's and RCH's
  - ☐ Continuing Care Facilities (16, Fees)
  - ☐ NH User Fee-Review/Intercepts
  - ☐ Receiverships/Bankruptcies
  - ☐ Rate/Audit Contract management ($3.2 m.)
  - ☐ Interim Rates/Audit Appeals
  - ☐ Medicaid State Plan/Regulations
  - ☐ DDS Home Reviews (new/improvements)
  - ☐ CHFA Financings Audits/Debt
  - ☐ Out of State Hospitals/Transplants

CON and Rate Setting

- Administered Grants
  - DSH –Urban Hospitals $31.5 m.
  - CCMC $16 m.
  - Lifestar $ 1.3 m.

Nursing Facilities Oversight

- Legislative Program Review Studies
  - Staffing in Nursing Homes, 2000

    Minimum direct care staffing levels
  - Medicaid Rate Setting for Nursing Homes, 2001

    Excellent overview/analysis. Recommended case mix/acuity based Medicaid payments (Est. $44.0 m.)

State Roles in Nursing Facilities Oversight

- DPH
  - State Licensure/Federal Medicaid and Medicare Certification
  - Receivership- DSS, Office of Attorney General
- DSS
  - Medicaid Rate Setting
  - Certificate on Need- Renovations, Bed additions/reductions, CCNH/RHNS conversions.
  - Receiverships/Bankruptcies- DPH, AG Office

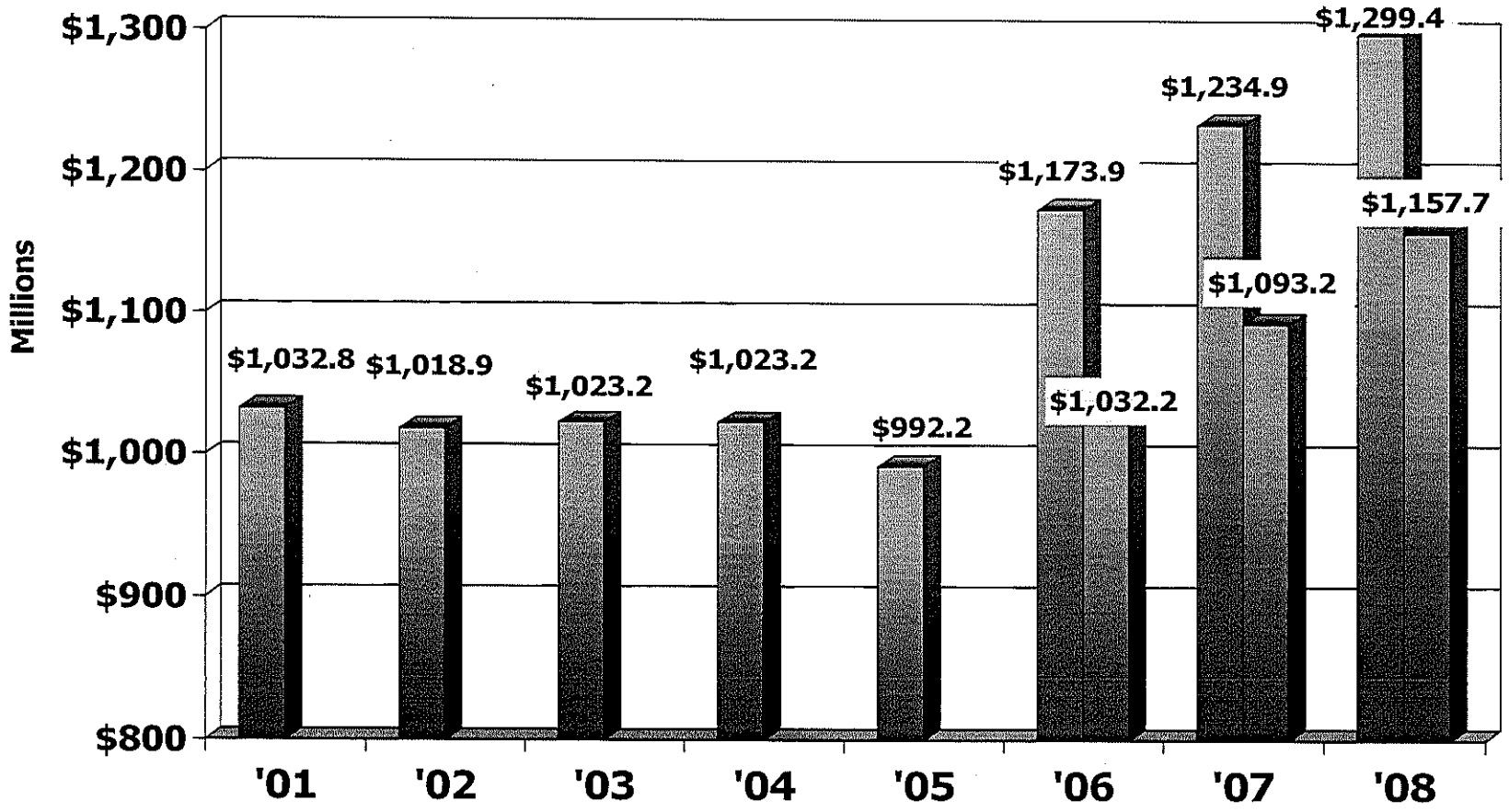
Nursing Home Expenditures

- SFY 2007: $ 1,234,857,610
- SFY 2008: $ 1,299,358,420
  Increase of 5.2%
- SFY 2009: $ 1,278,351,000
  (Decrease of 1.6%)

SFY 2008 5.2% Expenditure Increase - Breakdown

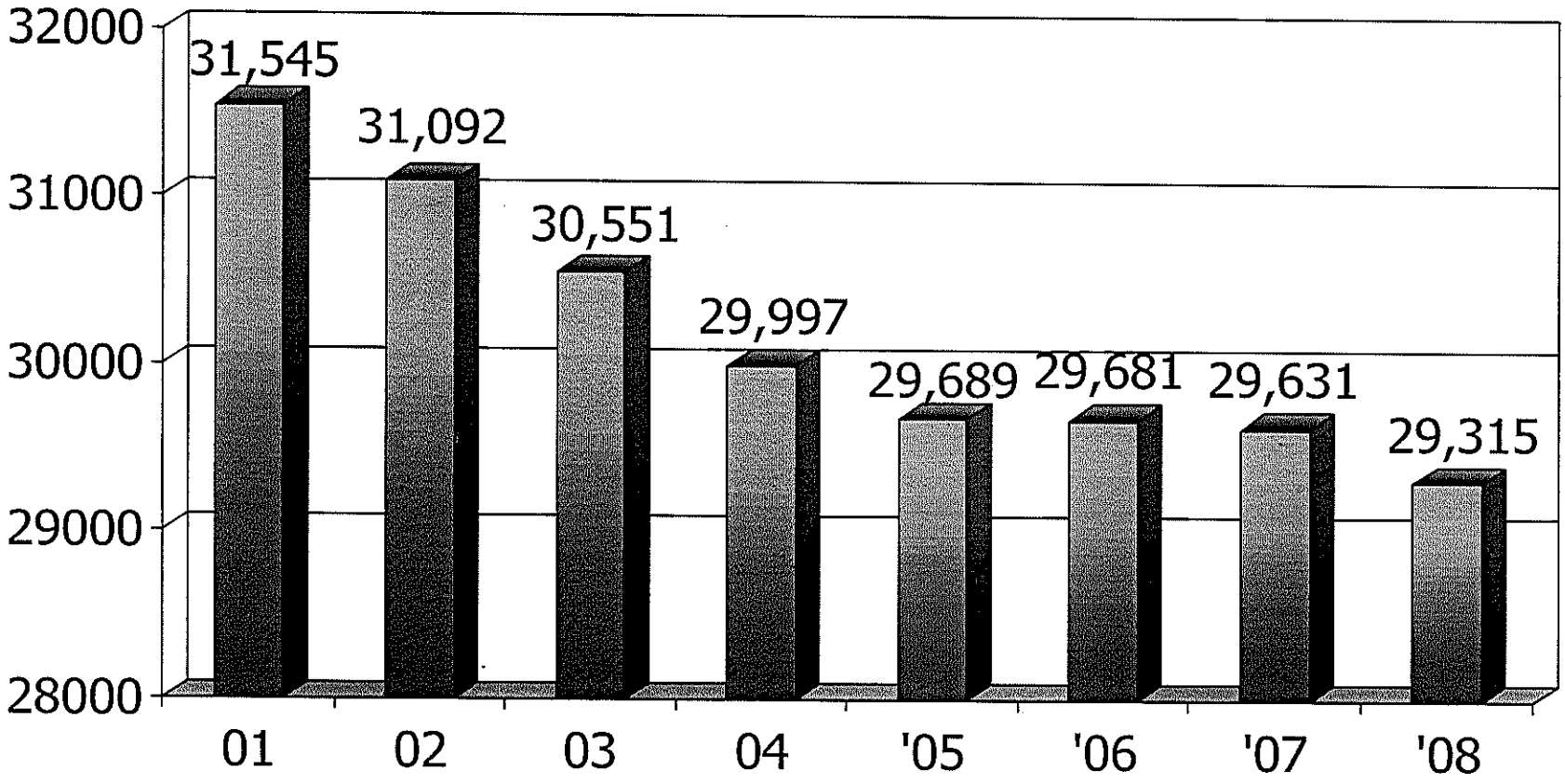
■ Elimination of June ½ Month	$52.0 mil.
■ 2.9% Rate Increase	$39.0 mil.
■ Annualizations, Fair Rent, Interims	$15.5 mil.
■ Caseload Reduction Savings	($42.0)mil.
	$64.5 mil.

Medicaid Nursing Home Expenditure Comparison

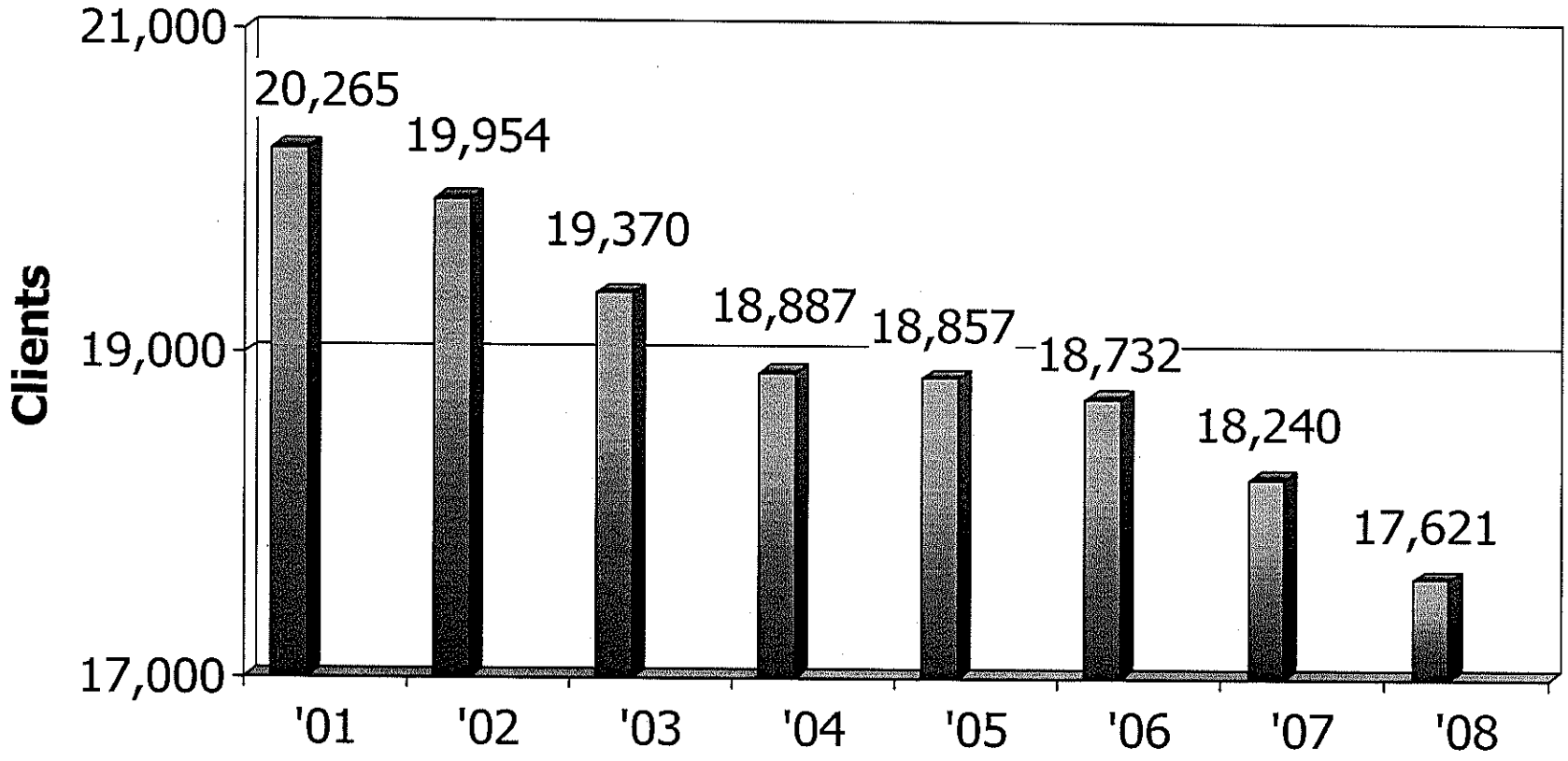


06-08 Expenditures without user fee

Licensed Nursing Home Beds



Nursing Home Clients Receiving Medicaid



Reasons for Reductions in Nursing Facility Beds

- Assisted Living facilities
- DSS Home Care Program
- Elders with higher income, Medicaid ineligible

- New initiatives- MFP and Mental Health Waiver – impact yet to be determined

Government Payment Options – How Nursing Homes Are Paid

- Cost-Based (Prospective and/or Retrospective)
  - Pro-Define allowable costs and limit payments to those costs.
  - Con- May not encourage efficiency, audit and settlement adjustments, not linked to client needs.
- Fixed Fees including Case Mix Based (Medicare Resource Utilization Group Pricing)
  - Pro - Designed to link $'s to care needs, encourages efficiency.
  - Con - Payments may not be used for care, need to review care level designations/potential gaming.
- Combination/Hybrids- Adjust for case mix with cost settlement. Select components for cost-based and fee.
- Purchase/Bid Option- Not practical for LTC.

Related Issue: Oversight in Funding Use/Industry Health

- Range from total control to none- Grants with budget approval and cost settlement to fixed fees/no cost reporting.
  - Portion of provider revenues derived from government payers a consideration. Service availability in event of failure/risk to public/taxpayers.
  - SB 845 Oversight of Nursing Homes- Governor and Attorney General's bill.

Nursing Facility Rate Setting

Rate Setting in Connecticut

- State specific subject to Federal CMS approval
- Connecticut: Cost Based
- 5 Cost Categories (3 with cost limits)
- Year-to-Year Increases
- Interim Rates – Financially Distressed

Medicaid Rates

- Medicaid Rates- SFY 2009
  - Average $217.00
  - Range High $270.40
    Low $124.52 (RHNS)*

* Rest Home with Nursing Supervision

Nursing Facility Rate Setting

- State Rates – 2008
  - Alaska $384.00
  - District of Columbia $234.00
  - New York $216.00
  - Connecticut $215.00
- Other Northeast
  - New Jersey $200.00
  - Massachusetts $189.00
  - Rhode Island $182.00

Connecticut Nursing Facility Payer Mix

■ Medicaid	68%
■ Private Pay	15%
■ Medicare	14%
■ Other (Veterans, NY Medicaid)	3%

Categorization of Costs

- **Direct**-Nursing and nurse aide personnel salaries, fringe benefits and nursing pool costs
- **Indirect**-Prof. fees, dietary, housekeeping, laundry personnel costs, and expenses and supplies related to patient care
- **Administrative and General**-Maintenance and plant operation expenses, salaries and fringe benefits for admin. And maintenance personnel

Categorization of Costs, cont.

- **Property (Fair Rent)**-Calculated constant amount each year in lieu of interest and depreciation costs
  - Amortized value of property over remaining useful life
  - Apply rate of return (rate linked to Medicare borrowing rate)
- **Capital**-Property taxes, provider user fee, insurance, equipment leases and depreciation

Cost Component Maximums

	Direct	Indirect	Admin./Gen.
7/1/91	140%	130%	125%
7/1/92	140%	125%	115%
7/1/93	135%	120%	110%
7/1/94	135%	120%	105%
7/1/95 to 7/1/98	135%	115%	100%
7/1/99 to 7/1/00	135%	125%	100%
7/1/01 Forward	135%	115%	100%

Cost Component Limit Amounts
July 1, 2009-June 30, 2009

	Direct	Indirect	Admin./Gen.
Fairfield County			
CCNH	$174.25	$55.00	$27.68
RHNS	$104.11	$55.00	$27.68
Non-Fairfield County			
CCNH	$154.17	$55.00	$27.68
RHNS	$ 90.98	$55.00	$27.68

Cost Limitations Under Medicaid Regulation 17-311-52

- Administrator Salary/Relatives (b)
- Fair Rent (f) Replaces Depreciation/P&L
- Management Fees (g)
- Professional Associations (h)
- Tuition (i)(3)
- Directors Fees (i)(4)
- Travel (i)(6)- Out of US and limits to one person
- Bad Debts (i)(9)
- Advertising (i)(10)- Except "help wanted"

Legislative Yearly Rate Increase Limits

- July 1, 1998 — 3.0%
- July 1, 1999 — 1.0%
- July 1, 2000 — 2.0%
- July 1, 2001 — 2.5%
- Jan. 1, 2003 — 2.0%
- Jan. 1, 2005 — 1.0%
- July 1, 2005 — 14.0% (4.0% net)
- July 1, 2006 — 3.0%
- July 1, 2007 — 2.9%
- July 1, 2008 — 0%

Interim Rates (CGS 17b-340)

- Criteria
  - The Department must consider:
    - Nursing home bed utilization and projected bed need
    - Physical plant condition and the ability of the owner to implement necessary improvements
    - Licensure and certification compliance history
    - Reasonableness of actual and projected expenses
    - Ability of the facility to meet wage and benefit costs
  - Increase over 115% of median (Fairfield-$266.21, Non-Fairfield-$253.39) requires OPM approval
  - Rate Increase penalty for sale within 5 years

Interim Rates

Cost Report and Financial Analysis

- Review of Medicaid allowable cost per day (2008)
- Reasonableness of costs (industry comparisons)
- Analysis of management company/salary charges, rent and asset based debt, related company payments.
- Viability- Profits/Losses and Assets/Liabilities

Interim Rates

- SFY 2008
  - 16 facilities received rate relief
  - Annual impact $4.6 million- requested $11.2 million
- SFY 2009
  - 34 facilities received rate relief to date*, $10.7 mil. – requested $27.7
  - Approximately 30 pending to date, $21.5 mil. requested

* 10 of the 14 facilities are former Haven, $3.6 mil. relief, $9.0 requested

Receiverships/Bankruptcies

- Receiverships –
  - Affinity/Crescent Manor
  - Haven/Danielson, Windham, Norwich
  - Marathon/Prospect, Torrington, Norwalk, West Haven, Waterbury, New Haven
- Bankruptcies –
  - Affinity/Alexandria, Blair, Douglas, Ellis Manor
  - Village Manor

Nursing Facility Closures

Facility Closures

SFY	# Facilities	# Beds	Avg. Size
2002	3	267	89
2003	4	324	81
2004	5	498	100
2005	3	487	162
2006	1	59	59
2007	2	180	90
2008	0	0	0
2009 YTD	4	280	125

Nursing Facility Closures

- 2007 Closures
  - Darien Health Center 120
  - Oakcliff, Waterbury 60
- 2009 YTD
  - New Coleman, Bridgeport 100
  - Haven Waterford 90
  - Griswold Health 90
  - Sterling Manor, E. Hartford 90
    - Within 30 days of the filing of a Letter of Intent for facility closure, DSS must hold a Public Hearing at the nursing home (PA 07-209). No CON or DSS hearing if a closure approved by Court/State Receivership.

Resident Day User Fee

- Public Act 05-251
  - Federal approval September 2, 2005
  - Retroactive to July 1, 2005
  - $15.90 per day user fee on non-Medicare resident days/$12.20 for municipal owned and over 230 beds
  - Payable to the Department of Revenue Services-Quarterly

Impact on Nursing Facilities SFY 06

▪ Medicaid Rate Increases	$184
▪ Estimated Resident User Fee	($132)
▪ Net Gain	$ 52

(Average net gain - 4%)

Impact on State - SFY 06

▪ Medicaid Rate Increases	($184)
▪ Federal Share	$ 92
▪ User Fee Revenue	$132
▪ Gain used for home care and other increases	$ 40

Impact on Federal Government - SFY 06

- Increased Federal Share ($ 92)