



Themes from Interviews on the Development of Nursing Facility Payment Methods

Medicaid and CHIP Payment and Access Commission

Robert Nelb

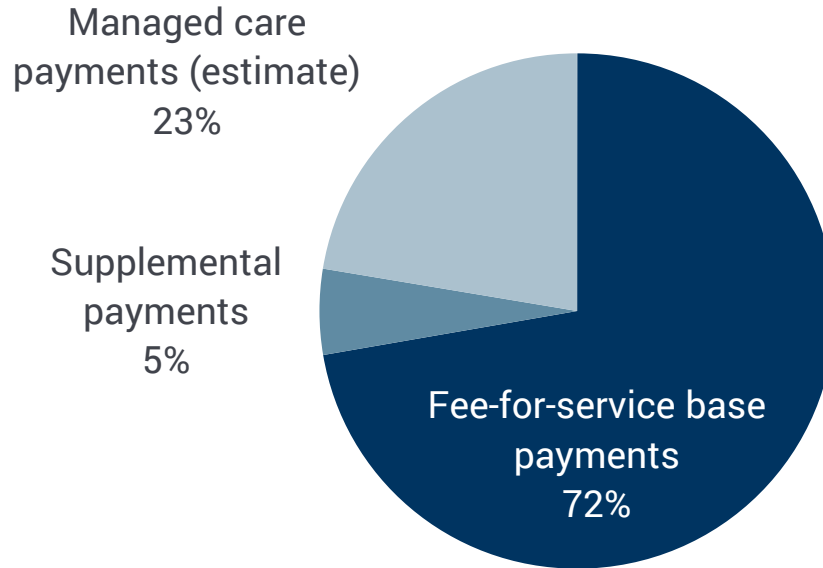
Overview

- Background
- Themes
 - Value-based payment
 - Supplemental payments
 - Managed care
 - Acuity adjustment
 - Response to COVID-19 pandemic

Background

- Nursing facility services are the second-largest category of Medicaid spending
 - \$56.7 billion in fiscal year (FY) 2016
 - 10 percent of Medicaid spending and 34 percent of spending on long-term services and supports (LTSS)
- In 2017, Medicaid was the primary payer for 62 percent of nursing facility residents
- In 2019, approximately 84 percent of Medicaid-covered nursing facility residents were also eligible for Medicare

Base and Supplemental Payments as a Share of Total Payments to Nursing Facilities, FY 2016



Notes: FY is fiscal year. Estimated managed care payments are based on state-reported spending for all states except California, Michigan, and South Carolina.

Source: MACPAC, 2019, analysis of CMS-64 Financial Management Report net expenditure data as of July 20, 2018 and Eiken et al. 2018, Medicaid expenditures for long-term services and supports in FY 2016, available at:

<https://www.medicaid.gov/sites/default/files/2019-12/ltssexpenditures2016.pdf>.

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Methodology

- MACPAC contracted with RTI International to conduct structured interviews in seven states
- For each state, we researched current payment policies and interviewed state, nursing facility, and managed care representatives
- We also interviewed national experts and staff from the Centers for Medicare & Medicaid Services (CMS)

Characteristics of Nursing Facility Payment Policies in Study States, FY 2019

State	Basis for rates	Acuity adjustment method	Distribution of Medicaid nursing facility payments		
			FFS base	FFS supplemental	Managed care
Alabama ¹	Facility costs	None	100%	0%	0%
Colorado	Facility costs	RUG-III	86%	14%	0%
Kansas	Facility costs	RUG-III	6%	0%	94%
New York	Price	RUG-III	66%	5%	29%
Rhode Island	Price	RUG-IV	74%	0%	26%
Utah	Price	RUG-III	68%	33%	0%
Wisconsin	Facility costs	RUG-IV	72%	6%	22%

Notes: FY is fiscal year. FFS is fee-for-service. RUG is Resource Utilization Group.

¹ Alabama began a quality-based supplemental payment program effective October 1, 2020.

Source: RTI, 2020, analysis for MACPAC of Medicaid state plans and interviews with state officials.

Use of Value-Based Payment

- States have been slow to move from cost-based to price-based payment methods
- Value-based payment initiatives were limited to pay-for-performance incentives
 - No discussion of efforts to adopt alternative payment models
 - Some states participated in past CMS value-based payment demonstrations with mixed results

Supplemental Payments

- Most supplemental payments were financed by providers through provider taxes or intergovernmental transfers (IGTs)
- In Utah, most facilities have been reclassified as government-owned in order to receive IGT-funded supplemental payments

Managed Care

- In study states, managed care organizations paid nursing facilities according to fee-for-service rates and methods
- Aligned dual eligible special needs plans (D-SNPs) did not report many efforts to coordinate the Medicare and Medicaid nursing facility benefits
- Some nursing facilities were interested in forming institutional special needs plans (I-SNPs)

Acuity Adjustment

- On October 1, 2019, Medicare stopped using the resource utilization group (RUG) method of acuity adjustment that most Medicaid programs use
- Study states were in the early stages of assessing the implications of this change
 - Need for more analysis about how new acuity adjustment models would affect payments to providers
 - Concern about limited state capacity

COVID-19 Pandemic

- Many states made temporary rate increases to nursing facilities during the pandemic
 - Because of limited state funding, many study states used CARES Act grants, which expire December 30
 - No plans yet for long-term changes in study states
- Some stakeholders have called for long-term changes in Medicaid payment policies to address staffing and quality issues raised by COVID-19

Next Steps

- We plan to publish the contractor report from these interviews to MACPAC's website
- Staff would appreciate Commissioner feedback on how the findings from these interviews can inform our future work in this area



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