The most significant nursing facility payment legislation in decades has been passed. Now what??

Care Providers of Minnesota has created a website where we have posted resources for you on the 2015 payment reform: summaries, actual language of the law, timeline for implementation steps, list of business partner resources who can help you with your specific circumstances, and a dynamic question and answer document where we will continue to add questions and answers as they come to us.

Find it here: www.careproviders.org/Information Center (for members only). Select PAYMENT SOURCES and then Medicaid Payment Reform for Nursing Facilities and Elderly Waiver Providers.

“As we express our gratitude, we must never forget that the highest appreciation is not to utter words but to live by them.”

John F. Kennedy
NEW PAYMENT SYSTEM: COMMUNICATING RATE INCREASES

SUMMARY OF MEDICAID PAYMENT REFORM FOR NURSING FACILITIES AND ELDERLY WAIVER PROVIDER

ELDERLY WAIVER AND ALTERNATIVE CARE PROGRAMS
For providers of Elderly Waiver (EW) services (including 24-hour Customized Living) and the Alternative Care (AC) program services, the reform adopted is straightforward. Beginning on July 1, 2016, this legislation re-institutes the link between the budget caps and service rate limits for EW/AC and nursing facility rate increases. What does this mean? It means that the budget caps and service rate limits for Elderly Waiver and Alternative Care will increase by the greater of the nursing facility rate increase and the increase to home and community based services rates during a state fiscal year. So, as nursing facility rates increase, so too will the caps and service rate limits. While the unit rates for a specific service remain the same, the Elderly Waiver and Alternative Care programs will allow for more services (when needed) to be authorized.

NURSING FACILITY PROGRAM
For nursing facility providers, the legislature adopted an entirely new approach to setting operating rates called Value Based Reimbursement or VBR. Beginning January 1, 2016, operating payments to nursing facilities will be based on:

- Each nursing facility’s Medicaid cost Report, and
- Each nursing facility’s quality score.

On January 1, 2016, nursing facility’s rate setting will be centered on three components (note property payment will not change but is scheduled to do so on January 1, 2017):

**Care-Related Rate:** This component pays for nursing, social services, raw food and activities. It is calculated using the actual costs reported on the cost report by each facility.
- The nursing portion of this per diem is adjusted for case mix to address variation in the needs of residents. The non-nursing care portion is not adjusted for case mix.
- A facility’s care related rate is the lower of the actual facility cost per diem or a limit.
- The limit is determined by two components, the 7-county twin cities median cost per diem and a facility’s quality score.

**Other Operating Rate:** This component pays for dietary staff, housekeeping, laundry, utilities and administrative costs such as property and liability insurance.
- Each nursing facility will receive the same payment or price, which is calculated as 105% of the 7-county twin cities median cost per diem.

**External Fixed Rate:** This component pays for a number of items that are out of the control of the facility or do not change annually, including bed closure incentives, surcharge, property taxes, license fees and the surcharge.
- The biggest change is the addition of health insurance costs, which is defined as “premium expenses for group coverage and reinsurance, actual expenses incurred for self-insured plans, and employer contributions to employee health reimbursement and health savings accounts. Premium and expense costs and contributions are allowable for employees who meet the definition of full-time employees and their spouse and dependents under the federal Affordable Care Act, Public Law 111-148, and part-time employees.”

**Property Payment Rate:** As noted above, the property payment formula does not change on January 1, 2016. Instead, the state received funding from the legislature to conduct appraisals later this fall of each nursing facility in the state in order to begin developing a system on January 1, 2017.

Please send your questions to Todd Bergstrom, Care Providers of Minnesota by email (tbergstrom@careproviders.org) or via phone (952-851-2486).
DISCUSSIONS ABOUT PAYMENT REFORM WITH FAMILIES, STAFF AND CONSUMERS IS ABOUT EDUCATION.

Be straightforward and direct in laying out the facts of the new payment system, why it is needed, and how your organization plans to respond to this new investment.

As of 2016, Minnesota's payment system will follow three important principles. These principles are fair, easy to understand and transparent to all.

- The full cost of care will be covered by the payment rate.
- All residents — regardless of whether they receive state assistance — will pay the same rate.
- Resident’s ability to pay will still determine what portion of the rate they pay “out of pocket.”

Elderly care has been underfunded for years — caregivers have not received wage increases, staff positions have been eliminated and investments in innovative care have been delayed because of this underfunding. Caregivers have worked hard to make sure that the quality of care has not suffered, but no care system can continually be underfunded. Eventually, it will affect the ability to recruit and retain quality caregivers.

The 2015 reform bill attempts to fix the problem of underfunding. The result of that change is, while the cost of the 2015 reform is largely paid for by the state and federal governments, privately paying residents who have the ability to pay (a minority of residents) will be required to pay their share.

60,000 Minnesotans will turn 65 this year, next year and every future year until at least 2030. There are a lot more seniors who will need care in the next two decades. The reform law will allow us to recruit and retain high quality caregivers, invest in improved care and innovation and continue Minnesota’s tradition of good local care throughout the state.

We will work with residents and families to help mitigate impact of the rate increase and we will answer everyone’s questions about the reform law. But the most important fact is that every Minnesotan who needs care, every employee who offers care, and every community that embraces their seniors will benefit from this law.

For employees, it is important to be transparent and to share how your organization will be using the new funds both in the short term and long term basis. It may mean adding back much needed staff positions rather than increasing wages; it might mean adding in health insurance for employees and their families rather than significant wage increases. Whatever your organization has identified (hopefully with staff input) as the greatest investment need should be disclosed to employees as well as families and residents.

SAMPLE/IDEAS FOR LETTER TO PRIVATE PAY AND FAMILIES

Dear family member/resident;

The purpose of this letter is to notify you of an increase in your daily rates effective January 1, 2016. After years of underfunding the costs of nursing home care, the Legislature and Governor agreed to increase payments to all nursing homes. The amount of this increase will vary depending upon past costs and rates of the facility. The increase for you will be XXXX which means effective XXXX your daily rate will be XXXX.

While we understand that this increase is a significant one for your family, we also want to put this increase into context. For the past dozen years, the state of Minnesota paid us a daily rate that on average was $25-$35 below our costs. This shortfall impacted both our private pay days as well as Medicaid (medical assistance) days due to a unique state policy known as rate equalization (where rates for privately paying customers are kept artificially low to match the state’s Medicaid rates). We desperately needed this increase in our rates to match the growing increase in our costs, especially the ability to recruit and retain a quality workforce.

Thank you for your understanding and trust in us.

Other possible points to include as appropriate:

- We are grateful to our elected leaders for adopting significant payment reform this legislative session; and while the reform does mean increases in your daily rate to us, the investment will be worth it to allow us to meet the needs of those entrusted to our care.
- We know how important it is for you to have consistent caregivers and our hope is that we will be able to use these new dollars to invest in both recruiting for vacant positions but also to retain the quality staff we have today.
- We would be happy to share with you our plan on how we will be investing the new funds we will be receiving into our staff, programs and services—just stop in to see XXXX.
RESOURCES FOR THE NEW NURSING FACILITY PAYMENT SYSTEM AKA VALUE BASED REIMBURSEMENT (VBR)

RESOURCES AVAILABLE AS OF SEPTEMBER 2015**

CARE PROVIDERS OF MINNESOTA

Medicaid Payment Reform for Nursing Facilities and Elderly Waiver Providers
https://www.careproviders.org/CPM/Information Center/Member/Payment-Sources/CPM/Information Center/Payment_Sources.aspx

Webinar on Cost Accounting Practices to Prepare for the New Payment System
Free for members
https://www.careproviders.org/CPM/Learning-Opportunities/OnDemandEducation/F082615_Cost_Accounting_Practices_for_the_New_Payment_System.aspx

Todd Talks
6 short videos explaining the new nursing facility payment system
https://www.careproviders.org/CPM/Communications/VIDEO_LIBRARY/Todd_Talks_Series/CPM/Communications/Videos/Todd_Talks.aspx

MINNESOTA DEPARTMENT OF HUMAN SERVICES

**Additional resources planned include learning opportunities at the 2015 Convention and Expo, a VBR Guidebook (November 2015), a December 8 webinar, and additional learning opportunities in 2016.

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