



Photo credit: Heather Steffl

HOUSE BILL 1090 NURSING HOME PAYMENT REFORM

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AGENDA

- How did we get here?
- What does House Bill 1090 propose?
 - Department of Human Services staff, members of the North Dakota Long Term Care Association (NDLTCA), along with a consultant hired by NDLTCA met nine times since 2019.
 - Meetings resulted in a joint endorsement of a new:
 - pricing reimbursement model for care (including direct, indirect, and other care) and
 - property reimbursement model.

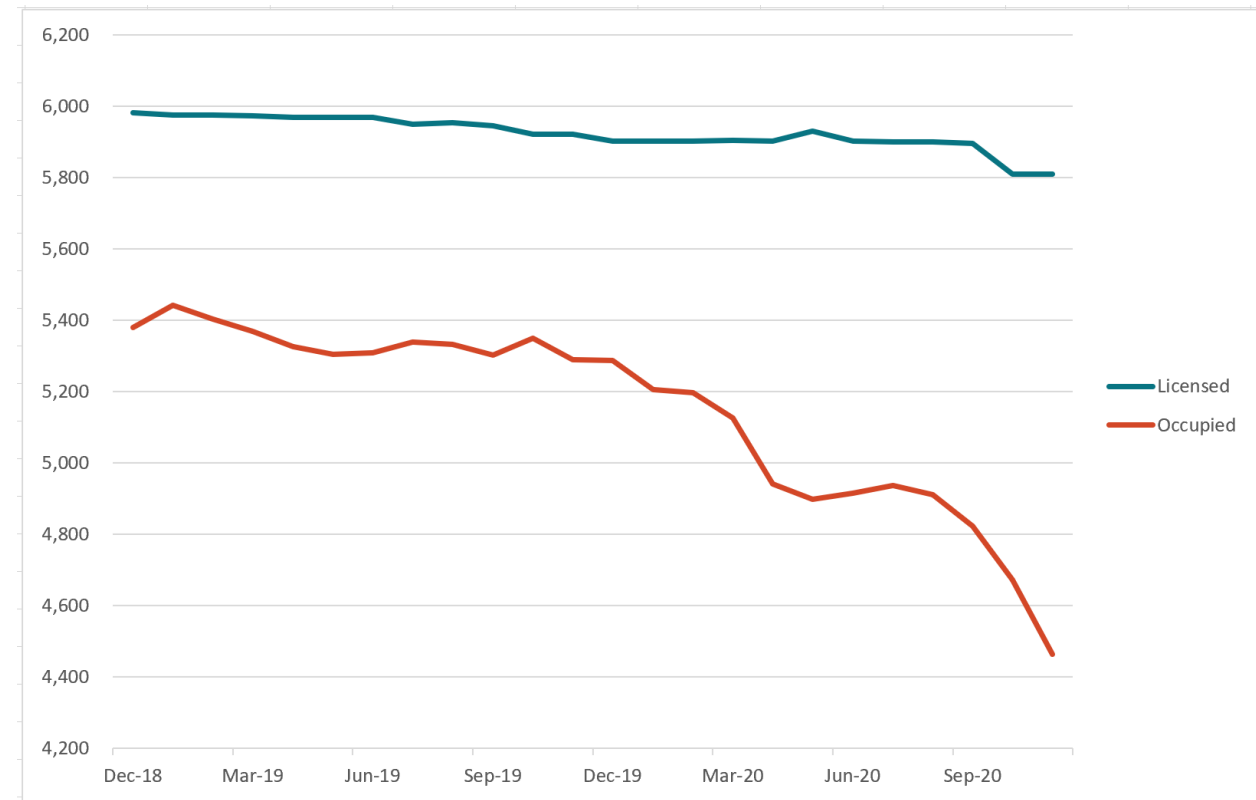
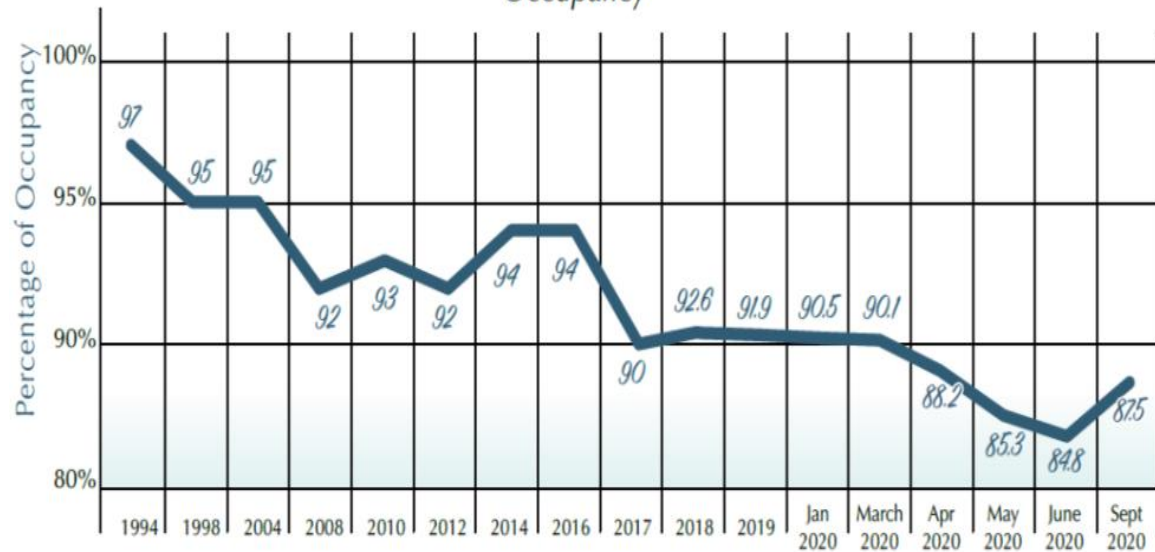
History



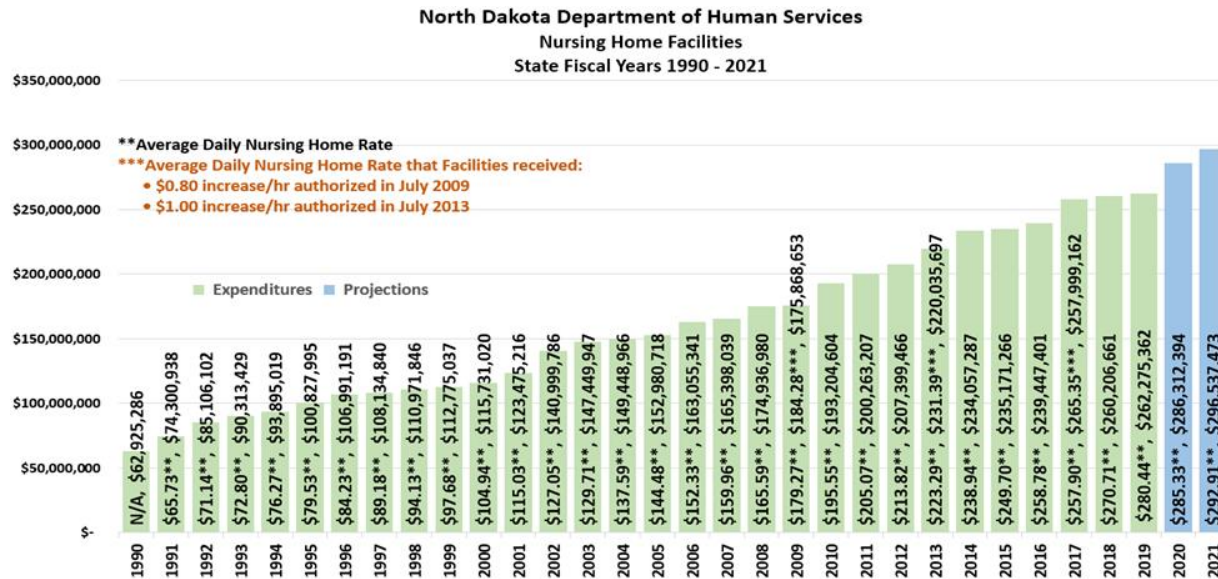
Photo credit: ND Tourism

OCCUPANCY RATES AND BEDS

Nursing Facilities
Occupancy



EXPENDITURE HISTORY

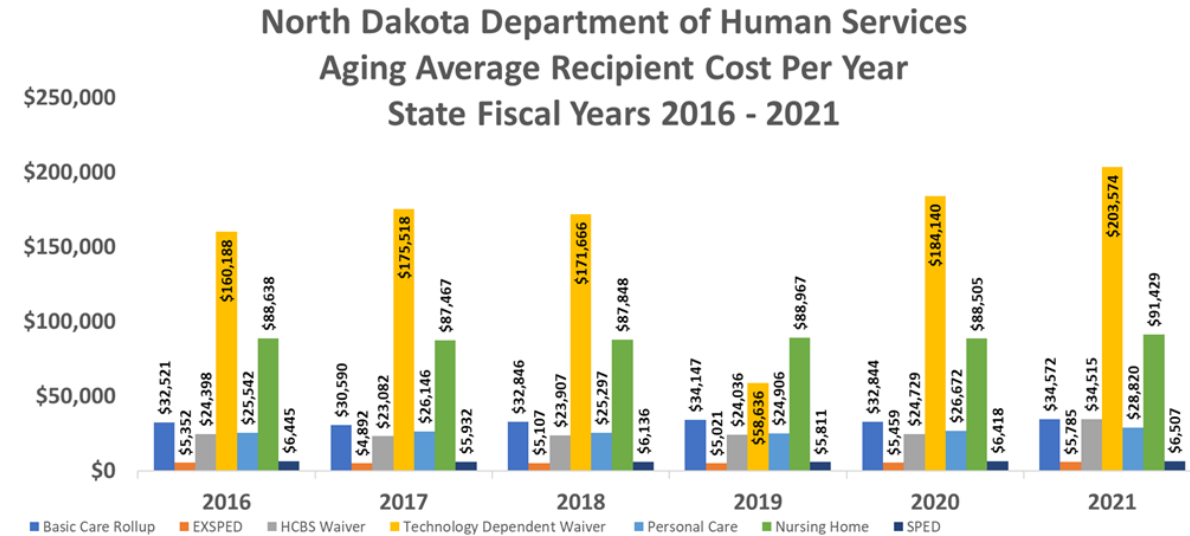


Data is based on paid date

*1990 - 2017 represents actual expenditures

2018 and 2019 represents estimated expenditures in the Executive Budget

The average daily nursing home rate is effective January 1 of each year unless otherwise indicated



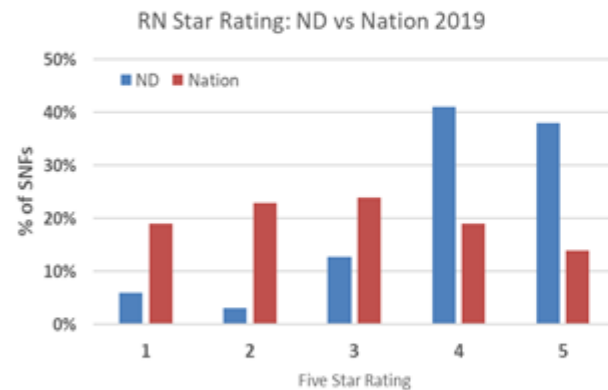
Data is based on paid date

2020-2021 based on estimated expenditures, remaining years are based on actual paid claims

HCBS does not include room and board

STAFF IS THE LARGEST COST DRIVER

ND vs Nation: Staffing Star Rating 2019



Improving Lives by Delivering Solutions for Quality Care



PRICING MODEL REFORM



Photo credit: ND Tourism

The goals of the pricing model reform were to develop an overall *budget neutral* payment methodology that would:

 Reduce variation among facilities

 Dampen the growth in nursing home spending over time

 Encourage efficiency across the system

NEW PRICING MODEL FEATURES

Current Cost Method

No incentive to reduce cost

Rates are not predictable

Price Method

Incentive to reduce cost

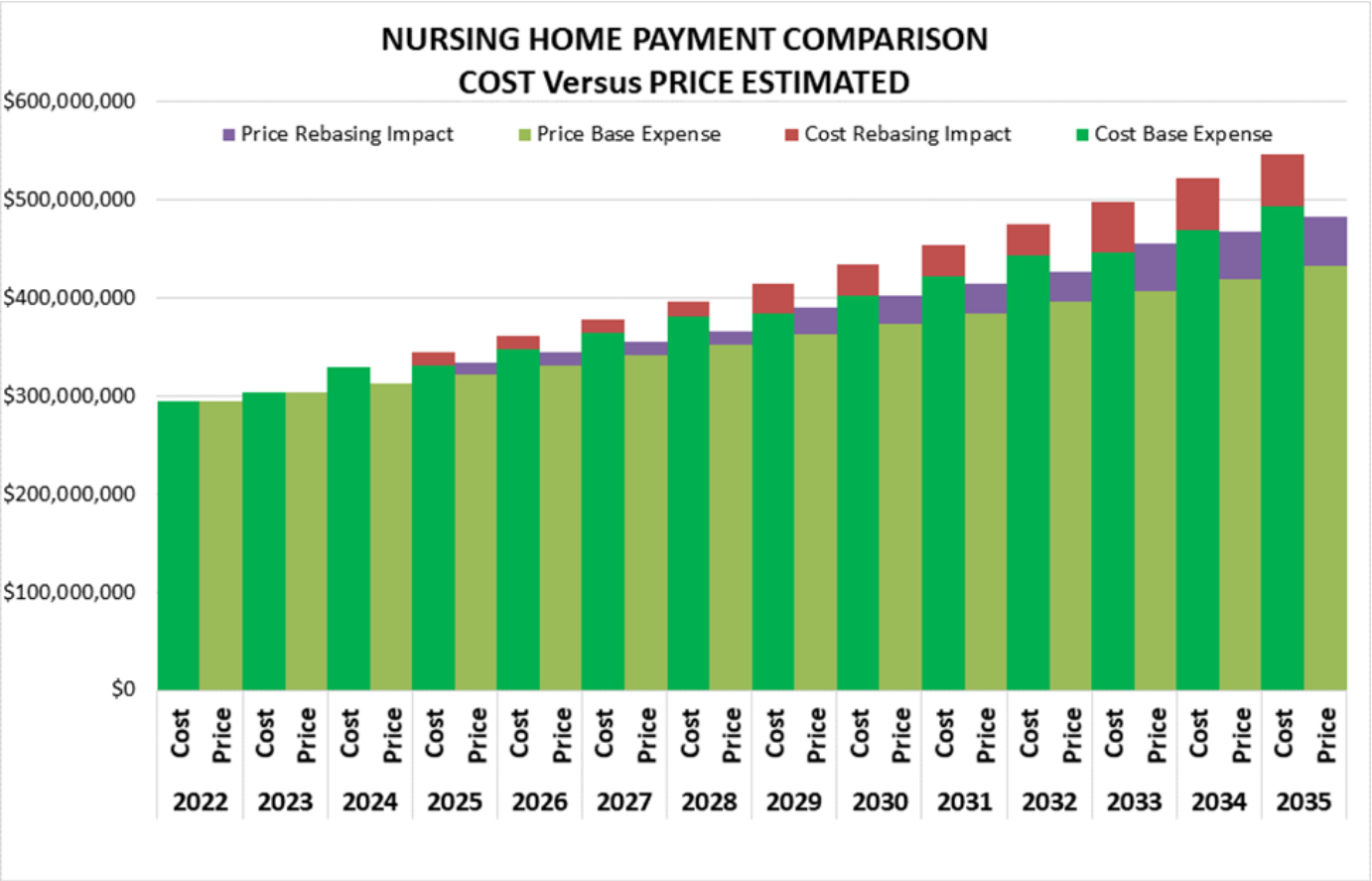
Rates are predictable

NEW PRICING MODEL FEATURES

- Although the new system is budget neutral overall, there will be some facilities that fall above and below the pricing levels
- Those that have lower costs than the pricing level will “gain” in the new system
- Those that have higher costs than the pricing level will “lose” in the new system. To combat this loss, it is recommended that a hold harmless provision be used to supplement these losses.

This is also true in the current system: 20 > direct care limit, 26> indirect limit, 21> other direct limit

ESTIMATED PRICING EXPENSES





PROPERTY MODEL REFORM

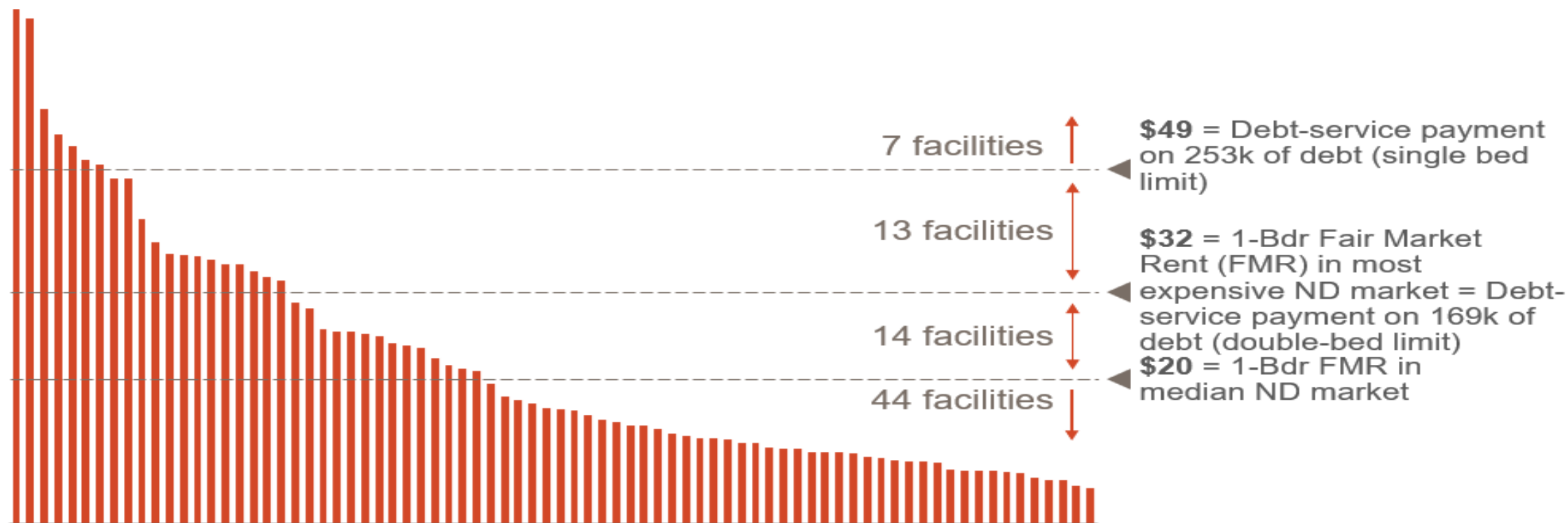
CURRENT PROPERTY MODEL

- Calculated annually based on historical cost
- Per bed cost limitation on new construction and renovation
 - July 1, 2020 limits are \$253,550 for single and \$169,033 for double
- No inflation factor
- 2019 rates range from \$4.85 - \$82.67 per day

CURRENT PROPERTY MODEL

Property Rate Payment by Facility

\$ per occupied per bed-day for "Property" cost category (includes pass-throughs¹)



1 Pass-throughs are typically very small (~\$2-5) compared to depreciation and interest expense
Source: Nursing facility cost reports

NEW PROPERTY MODEL FEATURES

- Called Fair Rental Value System (FRVS)
- Price for use of space irrespective of actual accounting cost
 - Economic value vs. financial accounting value
- Price = Facility value which increases over time based on replacement cost and proper upkeep times a rental rate
- Value based upon professional standards
 - Professional market appraisal
 - Proxy appraisal – Simulated appraisal value using commercial valuation systems such as Marshall Swift/Boeckh or RS Means
- Does not eliminate the need for minimum occupancy thresholds

WHY FRVS?

A well-designed fair rental value system will:

- Differentiate reimbursement based upon age/condition
- Provide incentives to generate capital resources for renovation, improvement and replacement
- Encourage investment in physical plant upgrades and renovations
- Impact the physical environment that can result in improvement of resident quality of life
- Simplify administration and allow the State to exert reasonable budget predictability and control

COMBINED PRICE AND PROPERTY RECOMMENDATIONS

| | Recommendation |
|--|--|
| Total new Medicaid dollars for pricing and property models for the biennium (2 years) | \$4.1 million for pricing and \$3.1 million for property= \$7.2 million for the biennium |
| Funding Split of \$7.2 million Request | \$3,348,000 General Funds; \$3,852,000 Federal Funds |



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QUESTIONS