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June, 2021 Joint Committee on Finance Paper #336

Nursing Home Reimbursement (Health Services -- Medical Assistance)

[LFB 2021-23 Budget Summary: Page 256, #4]

CURRENT LAW

The Department of Health Services (DHS) reimburses nursing homes and intermediate care facilities for individuals with intellectual disabilities (ICFs-IID) for services they provide to individuals who are eligible for medical assistance (MA) according to a prospective payment system that DHS updates annually. Each facility's reimbursement rate is based on five "cost centers" that reflect several factors, such as resident acuity (a measure of residents' functional abilities), and the wage rates paid within each facility's designated geographic region (labor region adjustments). MA certified facilities are provided funding under this payment system from amounts budgeted within the total MA benefits budget.

In 2019-20, the average MA payment rate to nursing homes was $191.11 per day, excluding the state centers and the veterans homes. Of that amount, patient liability accounted for $36.47 (19.1%) and MA payment accounted for $154.64 (80.9%). Rate increases discussed in this paper do not apply to the patient liability portion of the MA payment rate.

In 2020 and 2021, nursing homes incurred significant costs in providing care for individuals with COVID-19. During this period, many nursing homes faced increased costs relating to staffing and personal protective equipment. In addition, nursing homes saw declining occupancy rates, in part due to hospitals performing less elective procedures earlier in the pandemic (resulting in fewer discharges to skilled nursing facilities) and in part due to guidelines surrounding restricted nursing home admissions when a suspected or confirmed case of COVID-19 was identified in a facility.

Recent federal legislation has provided financial assistance to states, and directly to nursing homes and other health care providers, to fund costs related to the COVID-19 pandemic. The attachment to this paper provides a brief summary of some of the main sources of federally-funded financial assistance the state's nursing homes have received to support these costs. However, this

paper addresses ongoing, MA-supported reimbursement to nursing homes in the 2021-23 biennium.

DISCUSSION POINTS

1. There are two broad categories of nursing homes in Wisconsin. The first type are skilled nursing facilities (SNFs), which are institutions that provide rehabilitation services for injured, disabled, or sick individuals, as well as skilled nursing and health-related care and services to individuals who, because of their mental or physical condition, require services that can be made available to them only through residential care. SNFs primarily serve older adults and people with physical disabilities. The second type of facilities are intermediate care facilities for individuals with intellectual disabilities (ICFs-IID), which are defined in federal law as institutions, or a distinct part of an institution, that primarily provide health or rehabilitative services and active treatment services to individuals with intellectual disabilities.

2. As of February, 2021, there were 363 licensed nursing homes, with a total of 28,297 licensed nursing home beds, in Wisconsin. Of these, 341 facilities, or approximately 94% of all facilities, were Medicaid certified providers. In addition, there were four ICFs-IID (excluding the three state centers) in Wisconsin, with a total of 94 licensed ICF-IID beds. All ICFs-IID in Wisconsin are certified to participate in the Medicaid program.

3. According to the Department of Health Services (DHS) during the seven-year period from 2007-08 through 2014-15, an average of three nursing homes closed per year in Wisconsin. However, DHS indicates that since 2015-16 annual closures accelerated, as 47 nursing homes closed from 2015-16 through 2019-20. The number of licensed nursing home beds in the state decreased by 5,250 from 2015-16 through 2019-20.

4. The Medicaid program has experienced a long-term trend of declining nursing home utilization, which is largely due to two underlying factors: (1) a reduction in the total number of individuals using nursing home services over time and (2) a decrease in the average length of a nursing home stay. DHS projects that the monthly average census of Medicaid nursing home residents that receive services on a fee-for-service basis (not through managed care) will decrease from approximately 12,580 in 2015-16 to 7,130 by 2022-23.

5. DHS indicates that since 2012, the nursing home industry has experienced significant restructuring in terms of payer mix. In 2012, 45 facilities received Medicaid reimbursement for 80% or more of total resident days, with those facilities accounting for 17% of total Medicaid resident days that year. In 2018, however, only six facilities received Medicaid reimbursement for 80% or more of total resident days, with those facilities accounting for only 2% of total Medicaid resident days.

6. Medicaid payments to certified facilities are funded as part of the total Medicaid benefits budget. However, due to the decline in nursing home bed days and a decrease in overall occupancy rates of nursing homes, when rate increases have been provided as a percentage of base funding, the nursing home industry has typically received less than the amounts budgeted for rate increases as actual utilization has decreased at greater rates than budget projections.

7. To address the gap between the budgeted amount and the expended amount, 2019 Act 9 (the 2019-21 biennial budget act) provided nursing homes with a sum certain GPR increase, as well as the corresponding federal matching percentage (FMAP) in each year of the biennium. Specifically, 2019 Act 9 provided $15.0 million GPR in 2019-20 and $15.0 million GPR in 2020-21, to increase Medicaid payments to nursing homes, equivalent to a fee-for-service rate increase of approximately 5.9%, as well as a 1.0% cost-to-continue funding adjustment relating to resident acuity.

8. 2019 Act 9 also contained a session law provision that directed DHS to use the additional reimbursement funding to support staff in those facilities who provide direct care. As such, the Department applied 58.7% to the direct care nursing cost center, 10.0% to the direct care other supplies and services cost center, and 31.2% to the support services cost center. ("Cost centers" are components of the total MA reimbursement nursing homes receive.)

9. Direct care nursing services include the services of registered nurses, nurse practitioners, licensed practical nurses, resident living staff, feeding staff, nurse's assistants, nurse aide training, and training supplies. The direct care other supplies and services cost center includes: personal comfort supplies; medical supplies; over-the-counter drugs; and the non-billable services of a ward clerk, activity person, recreation person, social workers, volunteer coordinator, certain teachers or vocational counselors, religious persons, therapy aides, and counselors on resident living. The support services cost center includes dietary services, maintenance, transportation, housekeeping, laundry, security services, fuel and utility costs, and administrative and general costs.

10. However, despite the rate increase provided in 2019 Act 9, the average Medicaid fee-for-service nursing home daily rates do not fully fund the daily nursing home service costs for Medicaid recipients.

11. Assembly Bill 68/SB 111 would provide $78,288,100 ($29,084,000 GPR and $49,204,100 FED) in 2021-22 and $163,689,900 ($65,574,200 GPR and $98,115,700 FED) in 2022-23 to increase MA reimbursement for nursing home services, including services provided on a fee-for-service basis, through managed care, and hospice room and board services. The administration estimates that this funding would increase the average Medicaid fee-for-service nursing home daily rate by 11.5% in 2021-22 and an additional 11.7% in 2022-23. DHS indicates that this increase would make nursing home reimbursement rates more consistent with current per diem reimbursement rates for psychiatric, long-term acute care, and rehabilitation hospitals, for which MA covers approximately 86% of total costs [Alternative 1].

12. Alternatively, the Committee could consider several alternatives to the reimbursement proposal contained in AB 68/SB 111, as shown in the following table.

Nursing Home Rate Increase Alternatives
2021-23

	2021-22			2022-23		
	GPR	FED	Total	GPR	FED	Total
Alt. 2 (3%/3%)	$7,618,700	$12,889,900	$20,508,600	$16,182,700	$24,602,900	$40,785,600
Alt. 3 (5%/5%)	12,697,800	21,483,200	34,181,000	27,236,900	41,408,800	68,645,700
Alt. 4 (15%/15%)	38,093,400	64,449,500	102,542,900	85,696,600	130,286,300	215,982,900

13. The percentage increases in the table are calculated based on an increase in each year of the upcoming biennium. For example, if the Committee selected Alternative 2, those amounts are based on a 3% increase on July 1, 2021, and an additional 3% increase on July 1, 2022. However, funding amounts included in the table are based on current estimates of (declining) patient bed days. If actual patient bed days decrease more than the current projections, the total cost of reimbursement payments may be less than the amounts budgeted. Conversely, if actual patient bed days exceed current estimates, the total cost of reimbursement payments may be more than the amounts budgeted.

14. In addition to nursing homes admitting fee-for-service Medicaid residents, Family Care and PACE/Partnership managed care organizations also contract for nursing home services, and hospice providers contract with nursing homes for room and board services. As such, fee-for-service nursing home rate increases also increase Medicaid managed long-term care and hospice costs.

15. Historically, DHS has estimated that 17% of nursing home patient days are attributable to managed care and an additional 4% to hospice care. However, based on the decrease in fee-for-service patient days and the increase in long-term managed care enrollment, resulting in an associated increase in nursing home services utilization under managed care, these estimated percentages have been updated. In 2019-20, 38% of nursing home patient days were paid by managed care organizations, rather than on a fee-for-service basis. DHS expects this percentage to increase to approximately 43% in 2020-21, 49% in 2021-22, and 55% in 2022-23.

16. As to hospice care, previous estimates of the percentage of nursing home patient days attributable to these services should be updated. Specifically, DHS estimates that for 2021-22 and 2022-23, 9.3% of nursing home patient days will be attributable to hospice care. For Medicaid enrollees receiving hospice services while in a nursing home, per diem rates for hospice nursing home room and board are reimbursed to the hospice provider at a rate equal to 95% of the nursing home rate, net of resident cost-share. The hospice provider is responsible for passing the room and board payment through to the nursing facility.

17. For these reasons, any funding increase provided by the Committee under Alternative 1, 2, 3, or 4 would be applied to nursing home services provided on a managed care and fee-for-service basis, as well as hospice days.

18. Additionally, each of the four alternatives presented in this paper and the corresponding funding estimates are based on the assumption that average rates paid to the four non-State Center ICFs-IID in the state would be increased by the same percentage as the one selected by the Committee

for skilled nursing facilities. However, due to the much more limited number of ICF-IID beds in the state it is estimated that less than 2% of the biennial all funds estimates provided will fund an increase in the ICF-IID rate.

19. Policies adopted under the federal Families First Coronavirus Response Act (FFCRA) provide a temporary 6.2 percentage point increase to the state's federal matching rate (FMAP), applicable for any quarter that the federal public health emergency associated with the COVID-19 pandemic is in effect. Based on communication from the federal Department of Health and Human Services, the 6.2 percentage point increase under provisions of FFCRA is expected to be in effect for the first six months of the 2021-23 biennium. For this reason, the alternatives presented in the previous table assume an FMAP of 62.85% in 2021-22 and 60.32% for 2022-23.

20. In addition, the Committee may wish to include a non-statutory provision to require that the rate increase, or a portion of the rate increase, selected under Alternative 1, 2, 3, or 4 be allocated to support staff in those facilities who perform direct care in light of the ongoing staffing shortages in the facilities [Alternative 5].

21. Specifically, a 2020 survey of long-term care providers found that of the long-term care providers surveyed nursing homes were experiencing registered nurse and licensed practical nurse vacancy rates of nearly 22%. Additionally, across assisted living facilities and nursing homes, nearly 50% of respondents indicated that they were unable to compete with non-healthcare employers; more than one in three providers reported not getting a single application for available caregiver positions; 70% said there were no qualified applicants for caregiver openings; and one in two said they could not increase wages because of inadequate Medicaid and Family Care reimbursement.

22. On the other hand, the Committee may wish to allow the Department to determine where best to allocate the additional funding without a recommendation from the Committee. Historically, DHS has worked with providers in identifying the greatest areas of needed funding as part of the state's development of its nursing home reimbursement methodology it submits annually to the Centers for Medicare and Medicaid Services (CMS). As such, the Committee would select the desired rate increase from Alternative 1, 2, 3, or 4, with no additional session law provision directing the allocation of the increase.

23. Finally, the Committee may choose to take no action on this item [Alternative 6].

ALTERNATIVES

1. Provide $78,288,100 ($29,084,000 GPR and $49,204,100 FED) in 2021-22 and $163,689,900 ($65,574,200 GPR and $98,115,700 FED) in 2022-23 to increase MA reimbursement rates paid to nursing homes by 11.5% on July 1, 2021, and by an additional 11.7% on July 1, 2022.

ALT 1	Change to Base
GPR	$94,658,200
FED	147,319,800
Total	$241,978,000

2. Provide $20,508,600 ($7,618,700 GPR and $12,889,900 FED) in 2021-22 and $40,785,600 ($16,182,700 GPR and $24,602,900 FED) in 2022-23 to increase to increase MA reimbursement rates paid to nursing homes by 3% on July 1, 2021, and by an additional 3% on July 1, 2022.

ALT 2	Change to Base
GPR	$23,801,400
FED	37,492,800
Total	$61,294,200

3. Provide $34,181,000 ($12,697,800 GPR and $21,483,200 FED) in 2021-22 and $68,645,700 ($27,236,900 GPR and $41,408,800 FED) in 2022-23 to increase to increase MA reimbursement rates paid to nursing homes by 5% on July 1, 2021, and by an additional 5% on July 1, 2022.

ALT 3	Change to Base
GPR	$39,934,700
FED	62,892,000
Total	$102,826,700

4. Provide $102,542,900 ($38,093,400 GPR and $64,449,500 FED) in 2021-22 and $215,98,900 ($85,696,600 GPR and $130,286,300 FED) in 2022-23 to increase to increase MA reimbursement rates paid to nursing homes by 15% on July 1, 2021, and by an additional 15% on July 1, 2022.

ALT 4	Change to Base
GPR	$123,790,000
FED	194,735,800
Total	$318,525,800

5. Direct the Department to increase the Medical Assistance rates paid for direct care to skilled nursing facilities and ICFs-IID by the amount selected in Alternative 1, 2, 3, or 4, or a portion of such amount, to support staff in those facilities who perform direct care.

6. Take no action.

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Attachment

ATTACHMENT

Federal Legislation to Support Nursing Homes' One-time COVID-Related Costs

During the COVID-19 pandemic, nursing homes have been eligible for various sources of federal funding. Most significantly, of the $1.99 billion provided to Wisconsin through the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund (CRF) nursing homes received approximately $105.6 million in direct payments from DHS. These payments were distributed through the CARES Act Provider Payment (CAPP) program and the skilled nursing facility post-acute care admission incentive program. Additionally, nursing homes received testing support and personal protective equipment funded through the CRF.

Under the CAPP program, specific health care provider types could apply for funds to offset COVID-19-specific losses and expenses they incurred between March and August, 2020. Funding under this program was distributed in two main rounds. Round 1 was intended to cover the period from March through May, with any potential payments offset by other CARES Act payments including loans from the payroll protection program. Round 2 was intended to cover the period from June through August, and was not offset by other CARES Act payments received by providers. Between the two rounds, a total of $75.6 million was paid to nursing homes under this program.

The second DHS direct payment program targeted at nursing homes was the post-acute care admission incentive program. This program offered a $2,900 payment for every admission a nursing home received directly from a hospital, covering admissions between the last two weeks of October and until all funds were expended or through December 30, 2020, whichever was earlier. DHS indicated that the intent of the program was to increase the number of staffed nursing home beds that can accept hospital discharges. In total $30 million was paid to nursing homes under this program, which was the total amount set aside for this program.

Beyond payments directly from the state, some nursing homes may have, applied and, been eligible for payments directly from the federal government. Examples of such funding include the CARES Act provider relief fund payments directly from the U.S. Department of Health and Human Services and payroll protection program loans from the federal Small Business Administration.

The federal CARES Act provider relief fund payments were distributed in a number of issuances, some general and some targeted to specific provider types. It is not known how much of the funding distributed under the general distribution rounds went to nursing homes. However, of the approximately $7.4 billion targeted to nursing homes, facilities in Wisconsin received $135,336,850. Additionally, nursing homes were eligible to receive funding through the Nursing Home Quality Incentive program. Under this provision, approximately $1.9 billion was provided to reward nursing homes that created and maintained safe environments for their residents. Of this amount, Wisconsin nursing homes received a total of $57,288,048.