Scott Walker
Governor

Linda Seemeyer
Secretary

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State of Wisconsin
Department of Health Services

Agenda

Nursing Home Industry Meeting
Wisconsin Medicaid Nursing Facility Payment Methods

Thursday, June 28, 2018
10:00 a.m. - 12:00 p.m.
Conference Room 751

1. Welcome and opening remarks – Rene Eastman

2. *Methods* Simplification and Re-Organization Update – Rene Eastman

3. Updates on Proposed *Methods* changes – Rene Eastman
    a. Key Personnel Compensation – Cost Report Schedule 45
    b. Investment Income Offset
    c. Hospice Days and Supplemental Payments

4. Preliminary rate modelling estimates – Jim Robinson
    a. Census and Case Mix trend
    b. Patient liability revenue forecast
    c. Preliminary modeling scenarios
        i.   Direct Care – Nursing and Direct Care – Other by the same percentage
        ii.   Equal percentage increases in Direct Care – Nursing, Direct Care – Other, and Support Services
        iii. 75% of funds in Direct Care and 25% in Support Services
        iv.   50% of funds in Direct Care and 50% of funds in Support Services
        v.   40% in Direct Care – Nursing, 40% in Direct Care – Other and 20% in Support Services
    d. Inflation forecast

5. Next Steps – Rene Eastman
    a. Final Public Meeting – Monday, August 20, 2018

Nursing Home *Methods*

Public Meeting
June 28, 2018
10 a.m.–12 p.m.
1 West Wilson, Room 751

Presenters

Rene Eastman, section chief
Nursing Home Policy and Rate Setting
Division of Medicaid Services

Jim Robinson, director
Center for Health Systems Research and
Analysis (CHSRA) UW-Madison

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Agenda

- *Methods* simplification and re-organization update (Rene)
- Proposed *Methods* changes (Rene)
- Preliminary rate modeling estimates (Jim)
- Allocation of budgeted funds (Rene)
- Next steps (Rene)

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Methods Simplification and Re-Organization Update

Goals

- Re-organize by cost center to match the flow of rate calculations
- Plain language, shorten, and simplify
- Eliminate duplicative information that could otherwise be found in Durable Medical Equipment (DME) / Durable Medical Supplies (DMS) Index or ForwardHealth Provider Handbook

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Methods Simplification and Re-Organization Update

Timeline

- Association review
- Public web posting by mid-July
- Submission to Centers for Medicare & Medicaid (CMS) due September 30, 2018

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Methods Simplification and Re-Organization Update

Old Table of Contents

- Introduction
- Payment Rate Allowances Described
- Calculation of Payment Allowances
- Special Payment Rate Adjustments and Recalculations
- Appendices Related to Reimbursement
- Addendum for State Plan Purposes

New Table of Contents

- Introduction: Rate-Setting Procedures
- Direct Care
- Support Services
- Property
- Property Tax
- Incentives
- Other Payment Calculations

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Proposed *Methods* Changes

Key Personnel Compensation– Schedule 45

Eliminate this schedule or move reporting to a supplemental document or one provided at auditor request.

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Proposed *Methods* Changes

Investment Income Offset

Change Methods language to match regular practice of applying investment income offsets prior to other reductions.

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Proposed *Methods* Changes

Hospice Days and Supplemental Payments

Align supplemental payment allocations to consider fee-for-service Hospice patient days, aligning treatment to that of Managed Medicaid Hospice.

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Preliminary Rate Modeling Estimates

- Census and Case Mix trend
- Patient liability revenue forecast
- Preliminary modeling scenarios
- Inflation forecast

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Next Steps

- Medicaid director and DHS secretary will make final decisions regarding State Plan Amendment before final public meeting on August 20
- CMS submission by September 30
- Full appraisals ongoing – if not yet scheduled, email scott@kellenbergervaluation.com

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WI Nursing Home Census and Case Mix History

Excludes state owned/operated facilities and non-Medicaid facilities; excludes DD, vent. and TBI residents

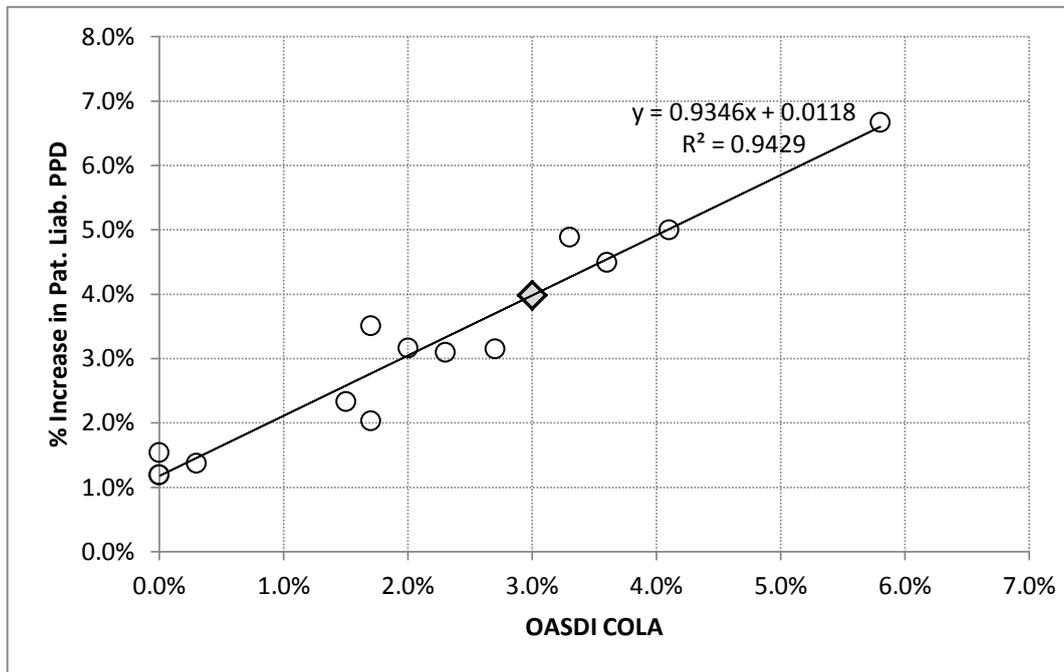| Picture Quarter	Rate Quarter	All Res Census	T19 FFS Census	T19 MCO Census	T19 Census	T18 Census	Non-T18/T19 Census	All Res CMI	T19 FFS CMI	T19 MCO CMI	T19 CMI	T18 CMI	Non-T18/T19 CMI
2011Q1	2011Q4	28,993.3	16,231.2	1,843.4	18,074.5	4,655.1	6,263.6	1.036	0.958	1.037	0.966	1.304	1.040
2011Q2	2012Q1	28,614.1	15,996.2	1,896.9	17,893.1	4,640.8	6,080.1	1.048	0.971	1.046	0.979	1.308	1.055
2011Q3	2012Q2	28,493.1	15,900.4	2,012.7	17,913.0	4,277.8	6,302.3	1.047	0.973	1.052	0.981	1.307	1.056
2011Q4	2012Q3	28,453.1	15,881.0	1,954.5	17,835.5	4,282.7	6,334.9	1.051	0.976	1.055	0.985	1.307	1.065
2012Q1	2012Q4	28,358.9	15,718.7	2,004.5	17,723.2	4,375.6	6,260.1	1.061	0.980	1.068	0.990	1.315	1.084
2012Q2	2013Q1	27,926.3	15,497.1	2,008.7	17,505.9	4,240.3	6,180.2	1.068	0.993	1.075	1.002	1.321	1.081
2012Q3	2013Q2	27,664.0	15,389.2	2,057.1	17,446.3	4,056.9	6,160.8	1.069	0.993	1.084	1.003	1.319	1.088
2012Q4	2013Q3	27,457.4	15,164.4	2,050.3	17,214.7	4,059.4	6,183.4	1.068	0.990	1.091	1.002	1.323	1.086
2013Q1	2013Q4	27,308.4	14,648.9	2,048.0	16,697.0	4,409.1	6,202.3	1.082	0.997	1.099	1.009	1.326	1.104
2013Q2	2014Q1	26,773.9	14,440.4	2,058.7	16,499.1	4,167.9	6,106.9	1.080	1.000	1.088	1.011	1.334	1.093
2013Q3	2014Q2	26,646.1	14,407.2	2,085.1	16,492.3	4,077.6	6,076.2	1.075	0.995	1.099	1.008	1.324	1.090
2013Q4	2014Q3	26,653.5	14,337.1	2,103.7	16,440.7	4,112.8	6,099.9	1.077	0.999	1.091	1.011	1.323	1.091
2014Q1	2014Q4	26,620.2	14,106.1	2,095.5	16,201.6	4,337.9	6,080.6	1.087	1.005	1.095	1.016	1.327	1.102
2014Q2	2015Q1	26,254.3	13,940.5	2,125.5	16,066.1	4,156.3	6,031.9	1.092	1.012	1.105	1.024	1.326	1.111
2014Q3	2015Q2	26,011.2	13,826.1	2,205.5	16,031.7	3,949.4	6,030.2	1.090	1.013	1.102	1.025	1.329	1.107
2014Q4	2015Q3	25,939.0	13,550.9	2,300.6	15,851.4	3,982.8	6,104.8	1.097	1.016	1.110	1.030	1.328	1.122
2015Q1	2015Q4	25,804.1	13,172.8	2,277.8	15,450.5	4,211.7	6,141.9	1.111	1.024	1.118	1.037	1.336	1.143
2015Q2	2016Q1	25,228.7	12,853.7	2,340.5	15,194.3	3,837.6	6,196.8	1.111	1.025	1.129	1.041	1.345	1.137
2015Q3	2016Q2	25,167.9	12,790.4	2,469.3	15,259.8	3,650.0	6,258.1	1.102	1.019	1.120	1.035	1.347	1.123
2015Q4	2016Q3	24,990.4	12,653.6	2,569.5	15,223.0	3,573.6	6,193.8	1.098	1.014	1.116	1.031	1.341	1.121
2016Q1	2016Q4	24,682.8	12,420.4	2,567.1	14,987.5	3,620.8	6,074.5	1.101	1.014	1.117	1.032	1.336	1.132
2016Q2	2017Q1	24,200.6	12,273.5	2,541.8	14,815.4	3,456.5	5,928.7	1.106	1.024	1.125	1.041	1.340	1.133
2016Q3	2017Q2	24,090.3	12,174.7	2,640.9	14,815.6	3,238.9	6,035.7	1.098	1.016	1.111	1.033	1.344	1.126
2016Q4	2017Q3	23,926.0	11,909.5	2,714.6	14,624.1	3,199.8	6,102.1	1.102	1.016	1.119	1.035	1.337	1.137
2017Q1	2017Q4	23,675.2	11,557.8	2,735.5	14,293.3	3,347.9	6,034.0	1.108	1.019	1.121	1.039	1.347	1.141
2017Q2	2018Q1	23,321.6	11,266.7	2,784.4	14,051.1	3,245.4	6,025.2	1.113	1.024	1.134	1.046	1.344	1.144
2017Q3	2018Q2	23,092.7	11,153.5	2,884.3	14,037.9	3,052.4	6,002.4	1.104	1.017	1.121	1.038	1.348	1.135
2017Q4	2018Q3	22,795.0	10,949.4	2,839.3	13,788.6	3,076.9	5,929.5	1.105	1.016	1.118	1.037	1.349	1.137
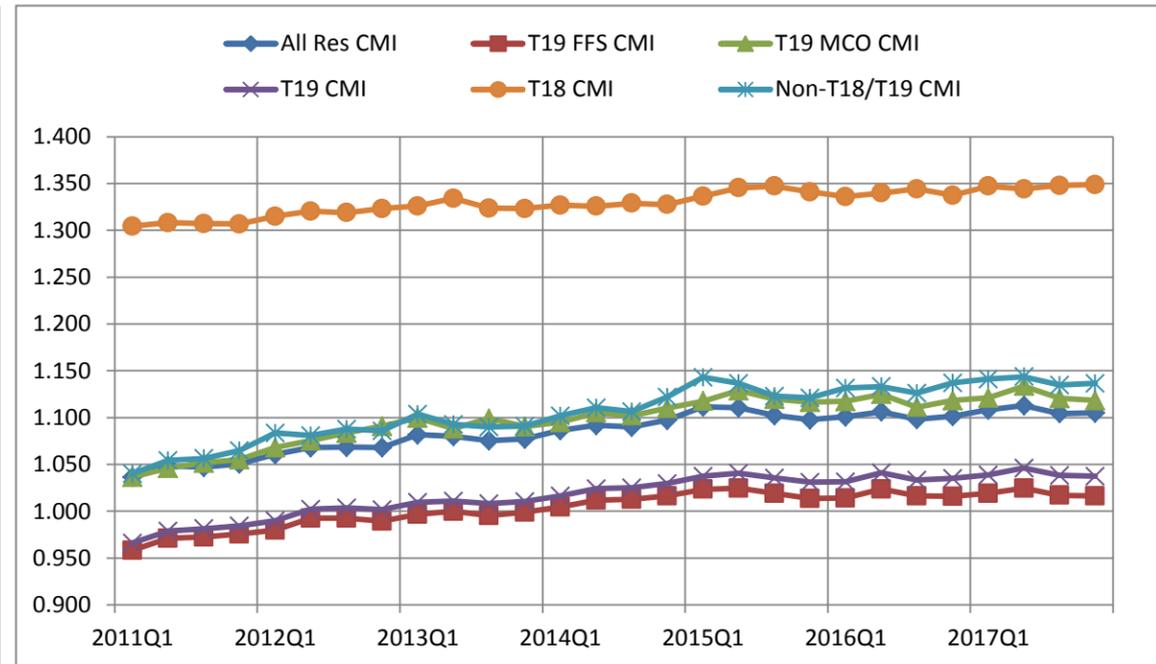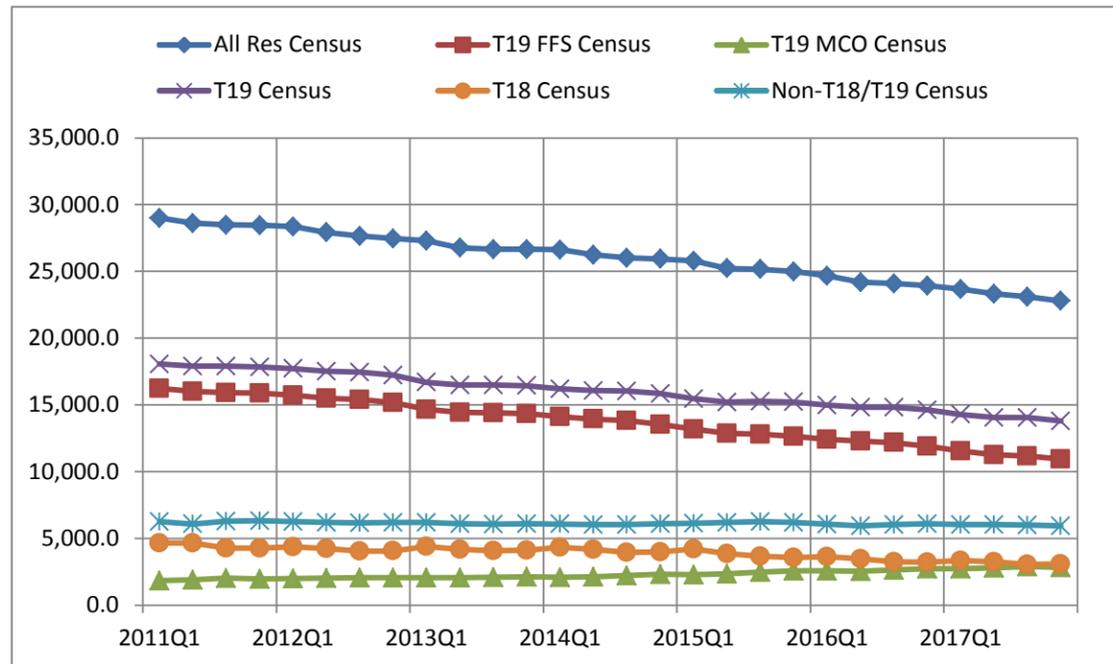
WI Nursing Home Census and Case Mix History

Excludes state owned/operated facilities and non-Medicaid facilities; excludes DD, vent. and TBI residents
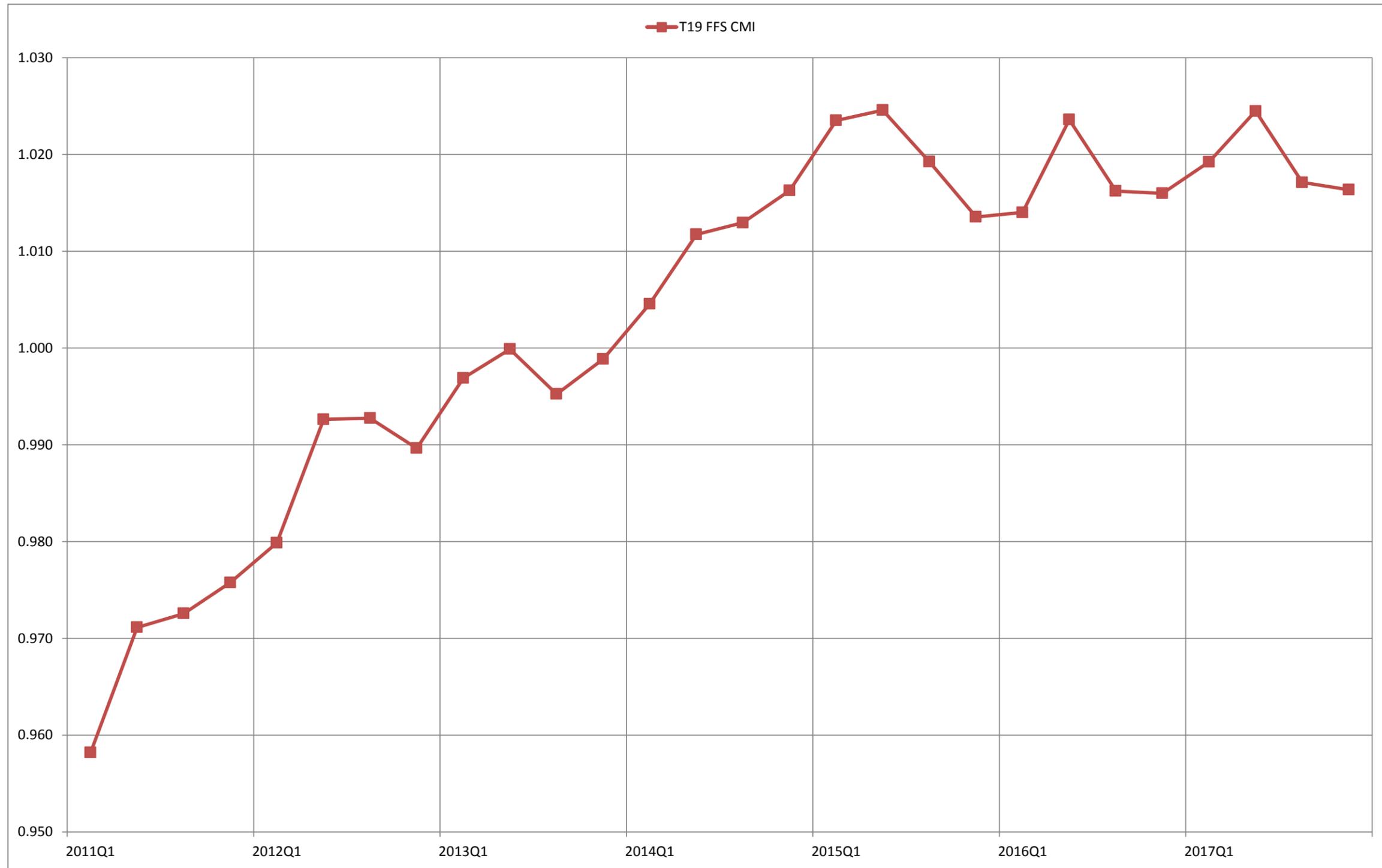
WI Medicaid FFS Nursing Home Non-DD In-House Patient Liability History

Cal. Year	PDs	PMs	Paid	Paid PPD	Pat Liab	PL PPD	Total PPD	PL PPM	Inc. PL PPM	% Inc.	COLA*	PL%
2004	8,188,381	22,373	823,307,575	100.55	200,581,440	24.50	125.04	747.12				19.6%
2005	7,912,599	21,678	802,885,169	101.47	200,484,314	25.34	126.81	770.68	23.55	3.2%	2.7%	20.0%
2006	7,649,363	20,957	780,357,119	102.02	203,499,483	26.60	128.62	809.19	38.51	5.0%	4.1%	20.7%
2007	7,270,090	19,918	753,115,272	103.59	202,857,270	27.90	131.49	848.72	39.53	4.9%	3.3%	21.2%
2008	6,954,760	19,002	752,099,999	108.14	199,518,777	28.69	136.83	874.99	26.27	3.1%	2.3%	21.0%
2009	6,685,233	18,316	765,947,444	114.57	205,136,689	30.69	145.26	933.34	58.35	6.7%	5.8%	21.1%
2010	6,411,649	17,566	772,470,550	120.48	199,092,598	31.05	151.53	944.49	11.15	1.2%	0.0%	20.5%
2011	6,050,619	16,577	738,513,946	122.06	190,774,175	31.53	153.59	959.03	14.54	1.5%	0.0%	20.5%
2012	5,871,261	16,042	730,035,941	124.34	192,909,617	32.86	157.20	1,002.13	43.10	4.5%	3.6%	20.9%
2013	5,518,913	15,120	705,292,295	127.80	185,525,645	33.62	161.41	1,022.50	20.37	2.0%	1.7%	20.8%
2014	5,304,120	14,532	691,157,536	130.31	182,461,083	34.40	164.71	1,046.33	23.83	2.3%	1.5%	20.9%
2015	4,930,691	13,509	650,452,095	131.92	175,571,967	35.61	167.53	1,083.08	36.75	3.5%	1.7%	21.3%
2016	4,685,054	12,801	623,105,782	133.00	168,351,066	35.93	168.93	1,095.98	12.90	1.2%	0.0%	21.3%
2017	4,307,542	11,801	588,168,772	136.54	157,337,935	36.53	173.07	1,111.00	15.03	1.4%	0.3%	21.1%
2018	1,525,322	10,101	211,231,934	138.48	57,886,841	37.95	176.43	1,146.11	35.10	3.2%	2.0%	21.5%
2019 (est)						39.18		1,191.77	45.66	4.0%	3.0%	

Year	COLA*	PL % Inc
2004 to 2005	2.7%	3.2%
2005 to 2006	4.1%	5.0%
2006 to 2007	3.3%	4.9%
2007 to 2008	2.3%	3.1%
2008 to 2009	5.8%	6.7%
2009 to 2010	0.0%	1.2%
2010 to 2011	0.0%	1.5%
2011 to 2012	3.6%	4.5%
2012 to 2013	1.7%	2.0%
2013 to 2014	1.5%	2.3%
2014 to 2015	1.7%	3.5%
2015 to 2016	0.0%	1.2%
2016 to 2017	0.3%	1.4%
2017 to 2018**	2.0%	3.2%
2018 to 2019	3.0%	4.0%

* www.ssa.gov/cgi-bin/bri.cgi
** SFY18 Est   2.9%   3.9%

y = 0.9346x + 0.0118
R² = 0.9429

(scatter chart: % Increase in Pat. Liab. PPD vs OASDI COLA)

SFY	PL PPM	Chg PPM	CHG PPD
2005	$ 758.90		
2006	789.93	$ 31.03	$ 1.02
2007	828.95	39.02	1.28
2008	861.85	32.90	1.08
2009	904.16	42.31	1.39
2010	938.91	34.75	1.14
2011	951.76	12.85	0.42
2012	980.58	28.82	0.95
2013	1,012.31	31.73	1.04
2014	1,034.41	22.10	0.73
2015	1,064.70	30.29	1.00
2016	1,089.53	24.82	0.82
2017	1,103.49	13.96	0.46
2018	1,128.56	$ 25.07	$ 0.82
2019	1,168.94	$ 40.38	$ 1.33

SFY19 WI NH Modeling Scenarios

Scen 1: Internal scenario for model calibration

Scen 2: SFY19 Base Scenario using SFY18 average rates & SFY18 average T19 CMI's, with DHS SFY19 budgeted PDs

Scen 3: Impute 2017 CRs (from available 2016 final CRs) and calculate rates for SFY19 using SFY18 formula and average SFY18 acuity

Scen 4: Apply 2017 R2 cost reports fields (bed count, property valuation, PDs for EMMUA, single occ. rooms, prop. tax, private room affidavit, incentives, etc.)
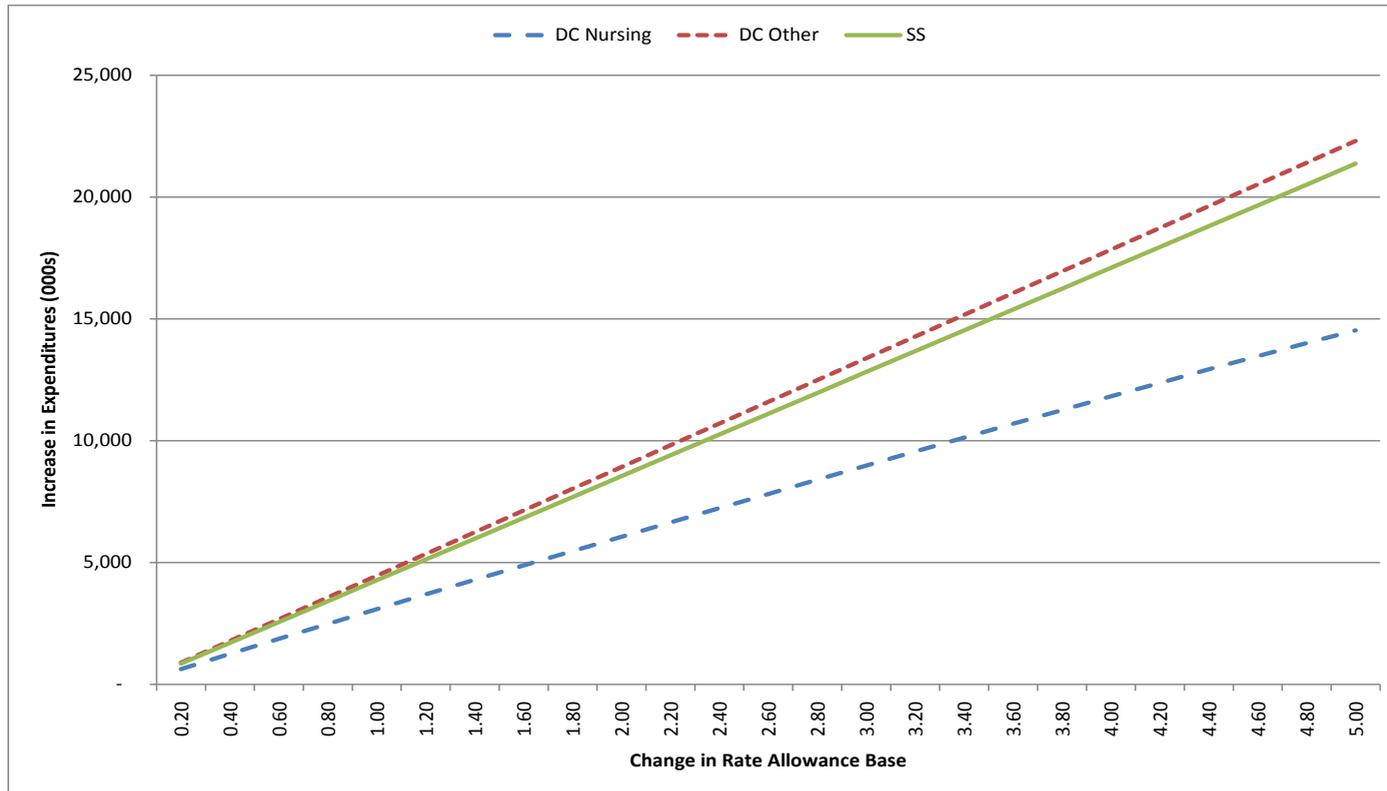
Scen 5: Labor Factors - Update to SFY19

Scen 6: Average SFY19 acuity and BEH/CI incentive

Scen 7+: Adjust Cost Center Bases to Hit Expenditure Targets

Hypothetical Changes to SFY18 Rate Allowances

Suppose $15 million was available to augment the final model scenario for SFY18.

All Direct Care - Same % Chg to DC-Nursing and DC-Other

Rate Allowance	Base	Inc. Exp.	%	Base Chg	New Base	% Chg
DC Nursing	$ 81.33	$ 11,955	79.7%	$ 4.05	$ 85.38	5.0%
DC Other	$ 13.66	$ 3,045	20.3%	$ 0.68	$ 14.34	5.0%
SS	$ 46.21	$ -	0.0%	$ -	$ 46.21	0.0%
Total		$ 15,000	100.0%			

Direct Care and Support Services - Same % Chg to DC-Nursing, DC-Other and SS

Rate Allowance	Base	Inc. Exp.	%	Base Chg	New Base	% Chg
DC Nursing	$ 81.33	$ 7,335	48.9%	$ 2.43	$ 83.76	3.0%
DC Other	$ 13.66	$ 1,815	12.1%	$ 0.41	$ 14.07	3.0%
SS	$ 46.21	$ 5,850	39.0%	$ 1.37	$ 47.58	3.0%
Total		$ 15,000	100.0%			

75% Direct Care and 25% Support Services - Same % Chg to DC-Nursing and DC-Other

Rate Allowance	Base	Inc. Exp.	%	Base Chg	New Base	% Chg
DC Nursing	$ 81.33	$ 8,985	59.9%	$ 3.00	$ 84.33	3.7%
DC Other	$ 13.66	$ 2,265	15.1%	$ 0.51	$ 14.17	3.7%
SS	$ 46.21	$ 3,750	25.0%	$ 0.88	$ 47.09	1.9%
Total		$ 15,000	100.0%			

50% Direct Care and 50% Support Services - Same % Chg to DC-Nursing and DC-Other

Rate Allowance	Base	Inc. Exp.	%	Base Chg	New Base	% Chg
DC Nursing	$ 81.33	$ 6,015	40.1%	$ 1.98	$ 83.31	2.4%
DC Other	$ 13.66	$ 1,485	9.9%	$ 0.33	$ 13.99	2.4%
SS	$ 46.21	$ 7,500	50.0%	$ 1.75	$ 47.96	3.8%
Total		$ 15,000	100.0%			

40% Direct Care - Nursing, 40% Direct Care - Other and 20% Support Services

Rate Allowance	Base	Inc. Exp.	%	Base Chg	New Base	% Chg
DC Nursing	$ 81.33	$ 6,000	40.0%	$ 1.98	$ 83.31	2.4%
DC Other	$ 13.66	$ 6,000	40.0%	$ 1.34	$ 15.00	9.8%
SS	$ 46.21	$ 3,000	20.0%	$ 0.70	$ 46.91	1.5%
Total		$ 15,000	100.0%			

Cost Report Wage History

CR Year	RN Wage Rate	LPN Wage Rate	NA Wage Rate	Dietary Wage Rate	Maint Wage Rate	House-keeping Wage Rate	Laundry Wage Rate
2006	$ 26.48	$ 19.68	$ 12.20	$ 11.40	$ 16.02	$ 10.59	$ 10.52
2011	28.97	21.40	13.29	12.79	16.97	11.76	11.75
2014	29.70	21.97	13.68	12.62	18.70	12.00	11.79
2015	30.48	22.67	14.18	13.30	19.54	12.22	12.01
2016	31.49	23.41	14.63	13.49	19.58	12.68	12.31

10 yr annual growth	*1.7%*	*1.8%*	*1.8%*	*1.7%*	*2.0%*	*1.8%*	*1.6%*
5 yr annual growth	*1.7%*	*1.8%*	*1.9%*	*1.1%*	*2.9%*	*1.5%*	*0.9%*
2 yr annual growth	*3.0%*	*3.2%*	*3.4%*	*3.4%*	*2.3%*	*2.8%*	*2.1%*

Inflation from CR Period to Reimbursement Period

SFY18 Rate Formula - Inflation from 2016 CR to SFY18 Rate Period (2017Q1 Global Insight)				
Cost Category	Cost Report Year 2016 - Ending Quarter			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
DC-Wages	6.3%	5.6%	4.9%	4.0%
DC-Fringes	3.8%	2.9%	1.9%	1.5%
DC-Supplies/OTC	4.7%	4.4%	4.1%	3.6%
DC-Purchased Services	7.2%	6.4%	5.7%	4.9%
Support Services (composite)	5.3%	4.9%	4.3%	3.6%

SFY18 Rate Formula - Inflation from 2016 CR to SFY18 Rate Period (2018Q1 Global Insight)				
Cost Category	Cost Report Year 2016 - Ending Quarter			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
DC-Wages		6.8%		5.1%
DC-Fringes		1.5%		-0.5%
DC-Supplies/OTC		4.0%		3.3%
DC-Purchased Services		5.8%		4.2%
Support Services (composite)		5.4%		4.0%

SFY19 Rate Formula - Inflation from 2017 CR to SFY19 Rate Period (2018Q1 Global Insight)				
Cost Category	Cost Report Year 2017 - Ending Quarter			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
DC-Wages		6.3%		4.5%
DC-Fringes		1.5%		2.4%
DC-Supplies/OTC		4.3%		3.3%
DC-Purchased Services		6.2%		4.8%
Support Services (composite)		5.2%		4.0%