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State of Wisconsin
Department of Health Services

Agenda

Nursing Home Industry Meeting
Wisconsin Medicaid Nursing Facility Payment Methods

Friday, July 31, 2020
1:00 PM - 3:00 PM

Join Skype Meeting
Or Join by phone
(608) 316-9000
Conference ID: 60046816

1. Welcome – Rene Eastman

2. Acuity Specific Billing – Rene Eastman
   a. MDS Assessment State Election
   b. Timeline

3. PDPM Implications on SFY21 – Jim Robinson

4. COVID-19 Updates – Rene Eastman
   a. CARES Act Provider Payments Applications
   b. 2020 Cost Reporting Implications
   c. Appraisals Conducted Remotely

5. Proposed Methods Changes – Rene Eastman
   a. Eliminate Investment Income Interest Offset – Section 4.53(d)
   b. Allow Voluntary Municipal Service Fees – Section 5.20
   c. Restructure Private Room Incentives – Sections 6.20 and 6.30

6. Open Discussion/Call for Suggestions – Rene Eastman

7. Preliminary Rate Modelling Estimates – Jim Robinson
   a. Funds Available / Patient Liability Increases
   b. Census & CMI Projections
   c. Labor Region Information

8. Next Steps – Rene Eastman
   a. Final Public Meeting – Friday September 4, 2020 from 10:00 a.m. - 12 p.m.

Medicare SNF PDPM Implications for the Wisconsin Medicaid Nursing Facility Payment System

Introduction: The Patient-Driven Payment Model (PDPM) became effective for the Medicare SNF Prospective Payment System on October 1, 2019. This new resident classification system replaces the 66-cell RUG-IV classification system currently used to determine Medicare SNF Part A daily rates. RUG-IV uses two case-mix-adjusted components (nursing and rehab therapies), plus two non-case-mix-adjusted components (base and non-rehab therapies). PDPM employs five case-mix-adjusted rate components (nursing, OT, PT, speech language pathology and non-therapy ancillaries), plus a sixth non-case-mix-adjusted component. In addition to the increased number of components, PDPM, unlike RUG-IV, independently determines resident nursing and therapy case mix classifications and indices. See the Medicare SNF PPS Final Rule for FFY 2020, published in the Federal Register on August 8, 2018, for more details (https://www.govinfo.gov/content/pkg/FR-2018-08-08/pdf/2018-16570.pdf). Also, see the CMS PDPM website (https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/PDPM.html) for a number of useful supporting documents.

Implications for Medicaid Case Mix Systems: While Medicare's move to PDPM includes some additions and changes to MDS items and assessment types, these changes are largely limited to Medicare assessments and do not prevent RUG-IV classifications, such as the 48-cell version employed for WI Medicaid nursing facility rate-setting, from being applied to non-Medicare assessments through FFY 2020 (i.e., through September 30, 2020).

CMS had proposed removing MDS data elements no longer needed for the new PDPM classification logic (such as Section G) effective October 1, 2020. If these MDS changes had been implemented, RUG-IV classifications would no longer have been possible and states would likely have elected to adopt aspects of the PDPM classification system for use in setting Medicaid NF rates. In response to industry feedback, however, CMS has delayed these plans to eliminate MDS items needed by the RUG classification system and has more recently offered states the option to include the new PDPM MDS items on non-Medicare OBRA assessments starting 10/1/2020. This will allow both RUG and PDPM classification of non-Medicare MDS assessments.

Options/Opportunities for WI Medicaid: Wisconsin has elected to require the new PDPM MDS items for MDS assessments with reference dates on/after 10/1/2020. While this will require facilities to complete the new MDS items, it does not require that facilities compute and submit the corresponding PDPM classifications in Section Z. A non-fatal submission warning will be issued if the PDPM HIPPS codes are not included. CMS will compute the PDPM HIPPS coding based on the MDS content and include this information as part of the MDS transmission to Wisconsin.

For SFY 2021, no changes need to be made to the RUG-IV 48-cell classification system used to set Medicaid FFS daily rates, since all of the case mix calculations for the SFY 2021 WI Medicaid rate year relate to picture quarters prior to October 1, 2020. Depending on what changes are made to the MDS after October 1, 2020, a change to the WI FFS nursing home payment system may be needed after SFY 2021 (for example, when CMS eventually replaces Section G with Section GG).

A relatively minor issue relates to the calculation of the all-resident case mix index used to determine the SFY21 rates for facilities whose Direct Care costs fall below the Direct Care base. This all-resident

CMI covers the 2019 cost reporting period which, for some facilities, extends beyond 10/1/2019. Medicare residents in 2019Q4 will have a RUG-able 5-day assessment, but any Medicare IPA assessments (i.e., for significant changes since the 5-day assessment) are not RUG-able (since they include Section GG but not Section G). These IPA assessments will be ignored in the tabulation of the Medicaid all-resident CMI for 2019Q4. If the resident change motivating the IPA is sufficiently severe, then there should be an OBRA significant change assessment, which is RUG-able. So, it is not expected that non-RUG-able will have a significant impact on the aggregate all-resident CMI.

Since SFY21 MCO nursing home rates are not based on current case mix information (i.e., rather than using a prior picture quarter), it is possible that CMS could remove Section G effective 3/1/2021 (for example), preventing nursing homes from determining RUG classifications for MCO resident days following the next MDS assessment and prior to the end of SFY21. In such as case, it would be necessary to consider accelerating transition of Medicaid rates to a PDPM basis or reasonable stop-gap options to allow MCO resident rates to be calculated.

To assess the impact of adopting PDPM after SFY 2021, we would like to add PDPM case mix information to the SFY 2021 quarterly case mix rosters. Unfortunately, we will not be able to apply the PDPM classification logic to Medicaid assessments without some estimation until the 2020Q4 picture quarter. For SFY 2021 FFS PDPM calculations (using picture quarters 2019Q4 through 2020Q3), we have constructed an empirical crosswalk from Section G-based RUG-IV functional scores to Section GG-based PDPM functional scores, to fill the gap. The crosswalk is calibrated using recent Medicare Part A 5-day resident assessments, where both RUG-IV and PDPM functional scores can be applied (since both Section G and Section GG are completed). With this, approximate PDPM nursing and NTA classifications and case mix indices can be derived, displayed on the case mix rosters and compared to the RUG-IV values used to set rates in SFY 2021.

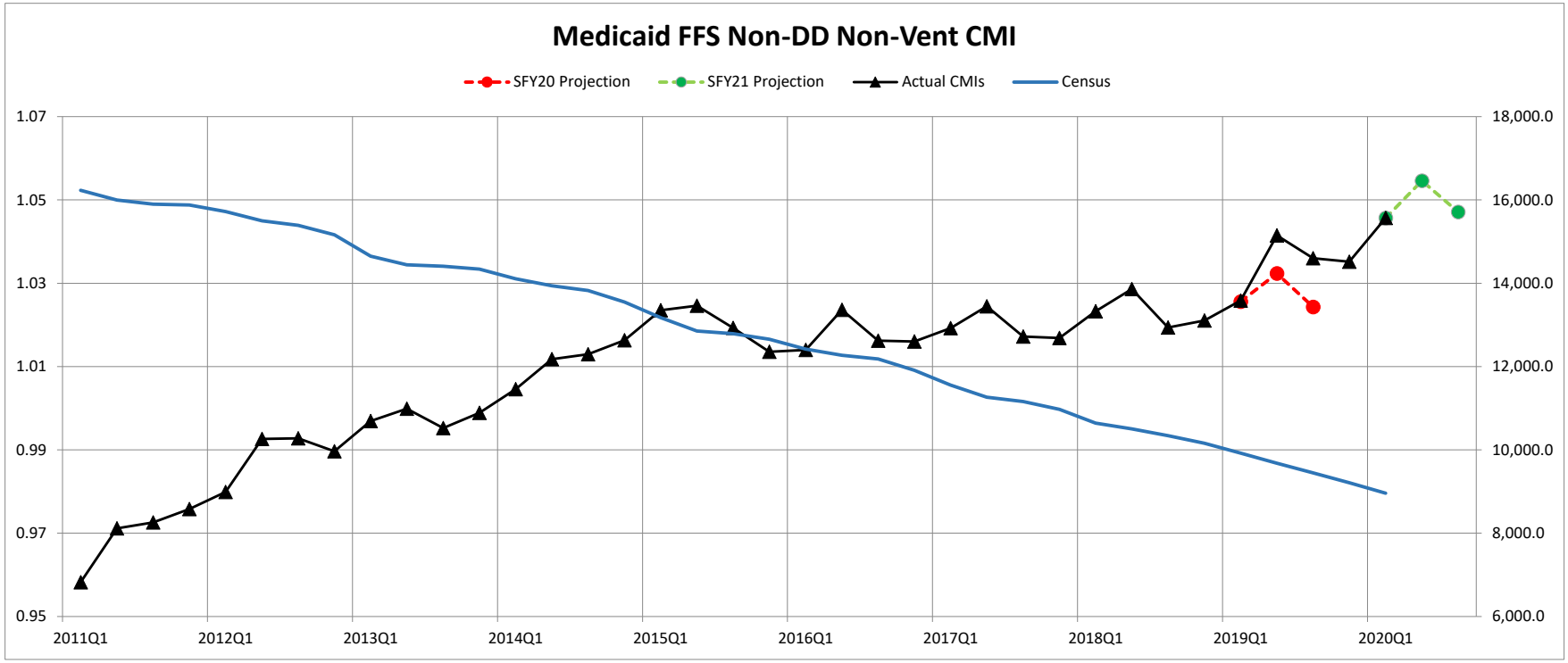
If PDPM is adopted after SFY 2021, there are several interesting opportunities to be considered:

- Should WI simply replace the current RUG-IV 48-cell classification system with the PDPM nursing case mix system and ignore the other PDPM components? For example, the non-therapy ancillary (NTA) component of PDPM might be considered for use in case mix adjusting the Other Direct Care rate allowance, rather than using the nursing case mix component (which would be used for the Nursing Direct Care allowance).
- Could the use of PDPM affect the need for the Beh/CI access and improvement rate incentives?
- Could the use of PDPM affect the need for the ventilator rate add-on?

Other Implications of PDPM: In addition to its impact on WI Medicaid FFS nursing facility rate calculations, PDPM will have less direct effects due to its impact on the upper limit test applied to projected expenditures from proposed Medicaid rates each year. The upper limit calculates the hypothetical payment that might be paid if Medicare provided Medicaid services to Medicaid nursing facility residents. A federal match on Medicaid rate payments is only available up to this upper limit. The adoption of PDPM on 10/1/2019 will affect this calculation for the proposed SFY 2020 Medicaid rates. In addition, state/tribal-owned facilities receive rates equal to this upper limit. Finally, the supplemental payments to local-government facilities are limited to the upper limit, along with any federal match on deficits incurred by these facilities in providing care to Medicaid residents. These PDPM effects took place in SFY 2020, even though PDPM had no direct impact on the WI Medicaid rate formula.

WI Nursing Home Case Mix History - Preliminary SFY21 Projection

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



SFY 2020 Model CMI Projection

Cal Year	Q1	Q2	Q3	Q1->Q2	Q2->Q3
2016	1.014	1.024	1.016	100.95%	99.28%
2017	1.019	1.024	1.017	100.51%	99.29%
2018	1.023	1.029	1.019	100.52%	99.10%
2019	1.026	1.032	1.024	100.66%	99.22%

Observe quarterly % chg in CMI from previous qtr of each year

Use average % chg from prior three years to project current year

SFY 2021 Model CMI Projection

Cal Year	Q1	Q2	Q3	Q1->Q2	Q2->Q3
2016	1.014	1.024	1.016	100.95%	99.28%
2017	1.019	1.024	1.017	100.51%	99.29%
2018	1.023	1.029	1.019	100.52%	99.10%
2019	1.026	1.041	1.036	101.53%	99.47%
2020	1.046	1.055	1.047	100.85%	99.29%

Observe quarterly % chg in CMI from previous qtr of each year

Use average % chg from prior three years to project current year

Note: 4th quarter values are not needed to project 2nd and 3rd quarter values and are excluded from the projection tables.