



# NURSING FACILITY PAYMENT REVIEW AND REDESIGN

Building Block #6: Case mix, equity and  
demographics III

February 18, 2021



## AGENDA

- Overview
- Recap
  - Data, modeling protocols and analytic plan
  - RUGs IV v. PDPM nursing component
  - Questions and Comments
- Case Mix, Equity and Demographics
  - Net income by payer allocation and facility characteristics
  - Consideration of potential policy priorities
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- Next Steps

HFS proposes a structured and transparent approach to develop, deliberate, adopt and implement nursing home payments to achieve improved outcomes and increased accountability with an emphasis on patient-centered care. HFS believes the rate mechanism, funding model, assessment, quality metrics, and staffing requirements can and should be updated in conjunction with any new or additional appropriated funding. Further, additional federal funding should be captured to improve these areas through an increase in the current nursing home bed tax.

Building blocks in a comprehensive NF payment:

- Staffing (3 meetings)
- Quality (2 meetings)
- Physical Infrastructure (2 meetings)
- Rebalancing (2 meetings)
- Capacity (2 meetings)
- Case Mix, Equity and Demographics (3 meetings)
- Modeling (multiple meetings)

Note: COVID has had a profound impact on long term care. Infection control is assumed to be an integral component of each building block.



# ORIGINAL OBJECTIVES AND PRINCIPLES FOR REFORM

- **Transparent, outcome driven, patient-centered model with increased accountability**
- **Transition away from RUGS to federal PDPM case-mix nursing component**
- **Modify the support and capital rate into a set base rate similar to Medicare non-case-mix rate**
- **End the \$1.50 bed fee and increase the occupied bed assessment to create a single assessment program which maximizes federal revenue**
- **Directly tie funding/rates/incentives to demonstrable and sustained performance on key quality reporting metrics**
- **Documentation to support, review and validation of level of care coding and appropriateness, outliers, actual patient experiences, etc.**
- **Align regulation and payment incentives to the same goals**
- **Ensure appropriate incentives for community placement, including both uniform and MCO-specific incentives**
- **Recalibrate/rethink payment for nursing home infrastructure to support emerging vision for the industry in the wake of the COVID-19 crisis, including single-occupancy rooms, certified facilities**
- **Integrate emerging lessons and federal reforms related to the COVID pandemic**
- **Improved cooperation, support and follow up, data sharing and cross-agency training from other agencies (OIG, IDPH, DoA)**
- **Build in flexibility to evolve as the industry evolves and establish ongoing channels of communication for new, proposed, or upcoming changes**



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## Data Used in RUGs v. PDPM Analysis

- Expense and Day information: Primary Source 2019 Medicare Cost Report Information - from Healthcare Cost Report Information System (HCRIS) public use files. Includes a small number of 2018 Medicare CRs for those not in 2019 database, and HFS Medicaid CRs for those that are not Medicare certified.
- All Payer CMI (for cost normalization) - Q3 2017 - Q4 2019
- Medicaid CMI : (PDPM and RUG) - Q4 2020 preliminary MDS records
- Special Population Add-on Resident Counts - Q4 2020 preliminary MDS records
- Medicaid Days: 2019 HFS Cost Reports
- Regional Wage Adjustment Factors: Current values



# Aligning on Data Sharing and Modeling Protocols

## Collaborative Approach to Modeling

- Identify data sources, inclusion criteria, and timeframes on ongoing basis
- Provide HFS-only data upon request
  - IDPH licensure data on room numbers
  - CMIs
  - MMIS facility type classifications
- Full disclosure of modeling rules, formulas, and specifications for model options presented by HFS
- Comprehensive set of analytics





# RUGs v. PDPM Nursing Component CMI

## Key Comparisons

- Cost-neutral comparison of CMIs
- CMIs versus allocated Medicaid nursing costs
- Overall net income

## Demographics

- Regional shifts
- Medicaid payer mix

## Special Conditions

- Alzheimer's
- SMI
- TBI
- Overall case mix

## Emerging Policy Priorities

- Nurse staffing levels
- Room crowding

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# A shift from RUGs 48 to PDPM would collapse 43 non-Rehab groups into 25

<b>PDPM Group</b>	<b>PDPM HIPPS Code Identifier</b>	<b>Comparable RUG Group</b>
ES3	A	ES3
ES2	B	ES2
ES1	C	ES1
HDE2	D	HE2/HD2
HDE1	E	HE1/HD1
HBC2	F	HC2/HB2
HBC1	G	HC1/HB1
LDE2	H	LE2/LD2
LDE1	I	LE1/LD1
LBC2	J	LC2/LB2
LBC1	K	LC1/LB1
CDE2	L	CE2/CD2
CD1	M	CE1/CD1

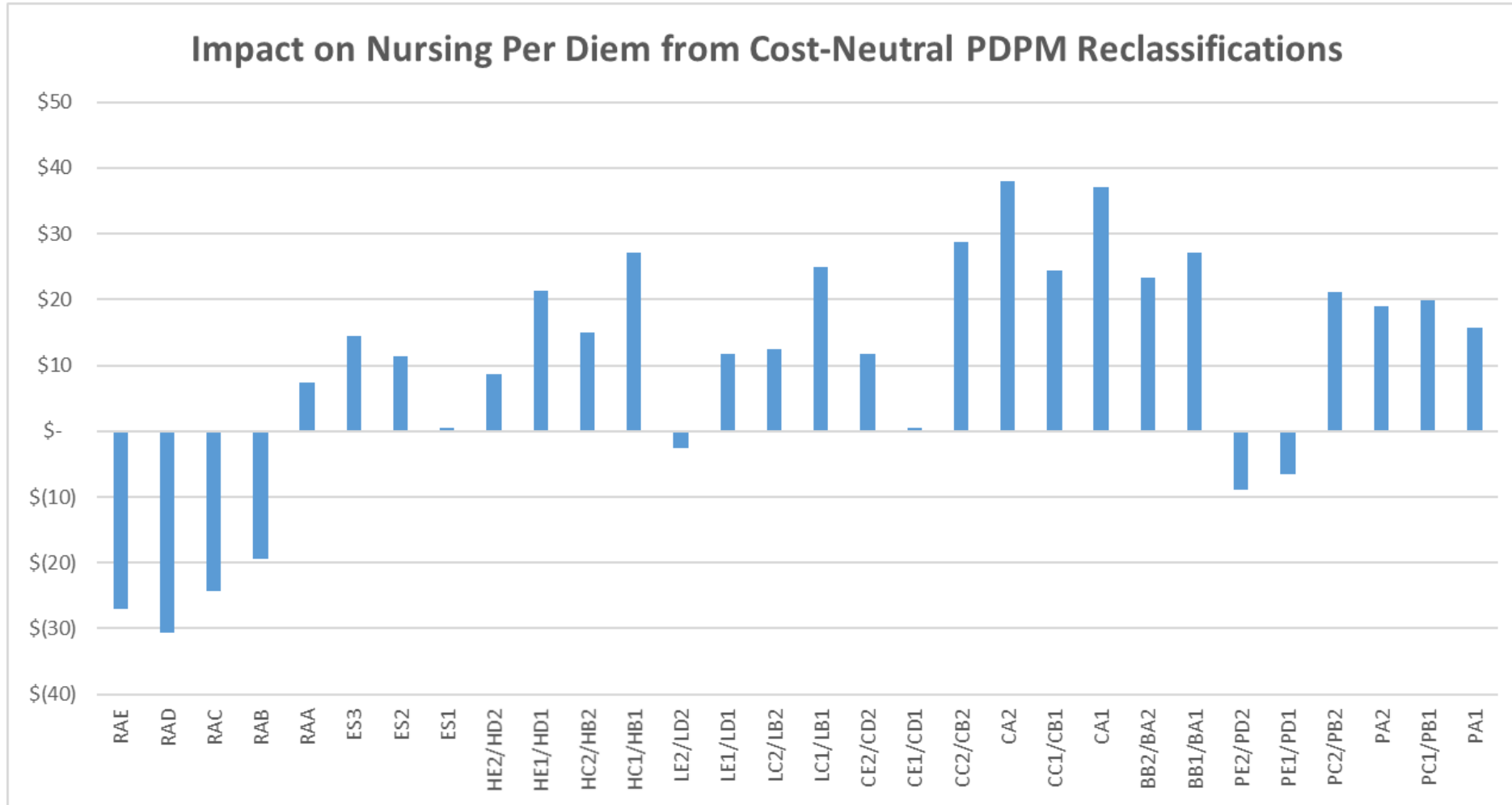
<b>PDPM Group</b>	<b>PDPM HIPPS Code Identifier</b>	<b>Comparable RUG Group</b>
CBC2	N	CC2/CB2
CA2	O	CA2
CBC1	P	CC1/CB1
CA1	Q	CA1
BAB2	R	BB2/BA2
BAB1	S	BB1/BA1
PDE2	T	PE2/PD2
PDE1	U	PE1/PD1
PBC2	V	PC2/PB2
PA2	W	PA2
PBC1	X	PC1/PB1
PA1	Y	PA1

## PDPM v. Illinois RUGS-48 Classifications

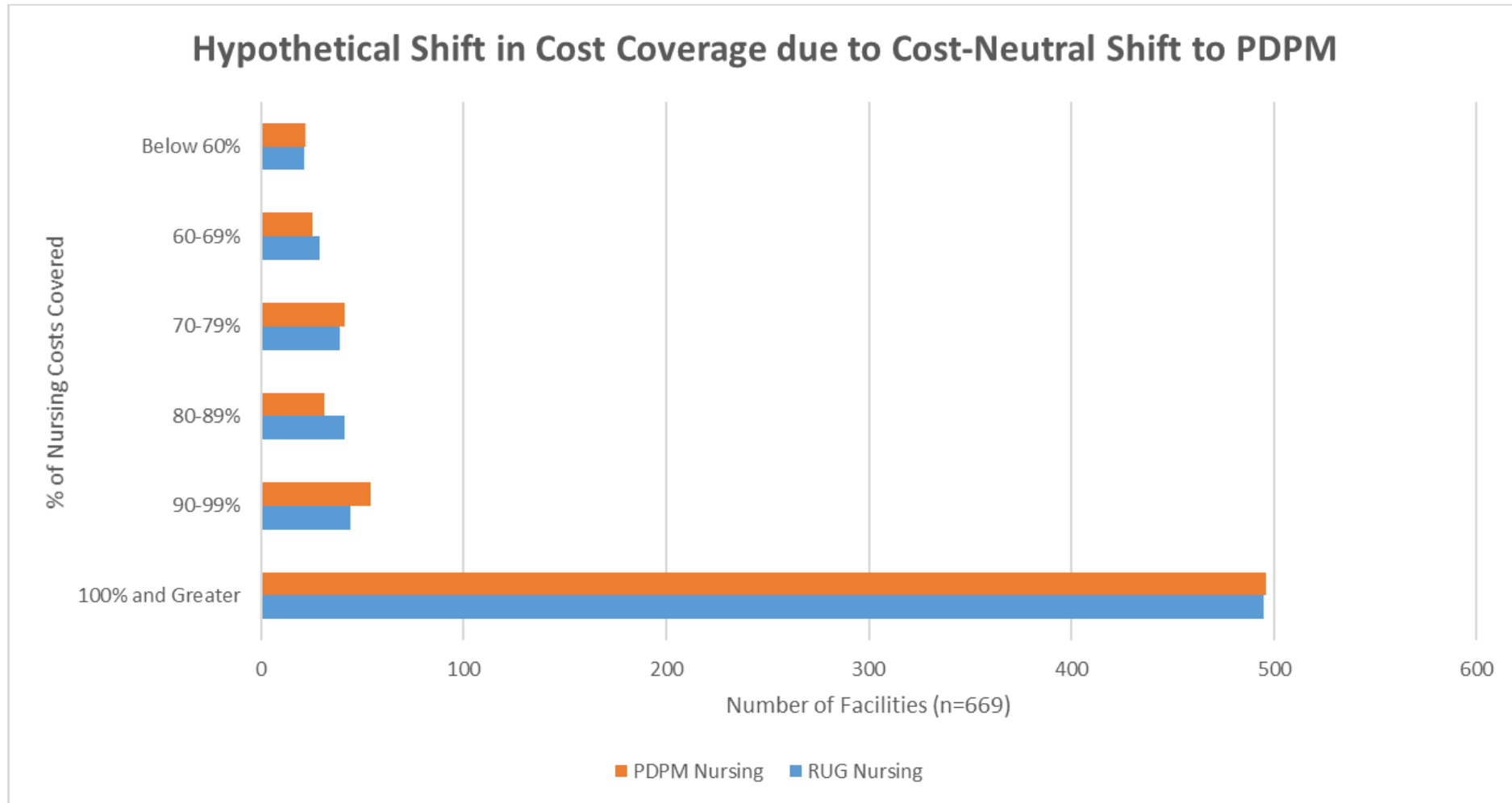
## Medicaid Residents

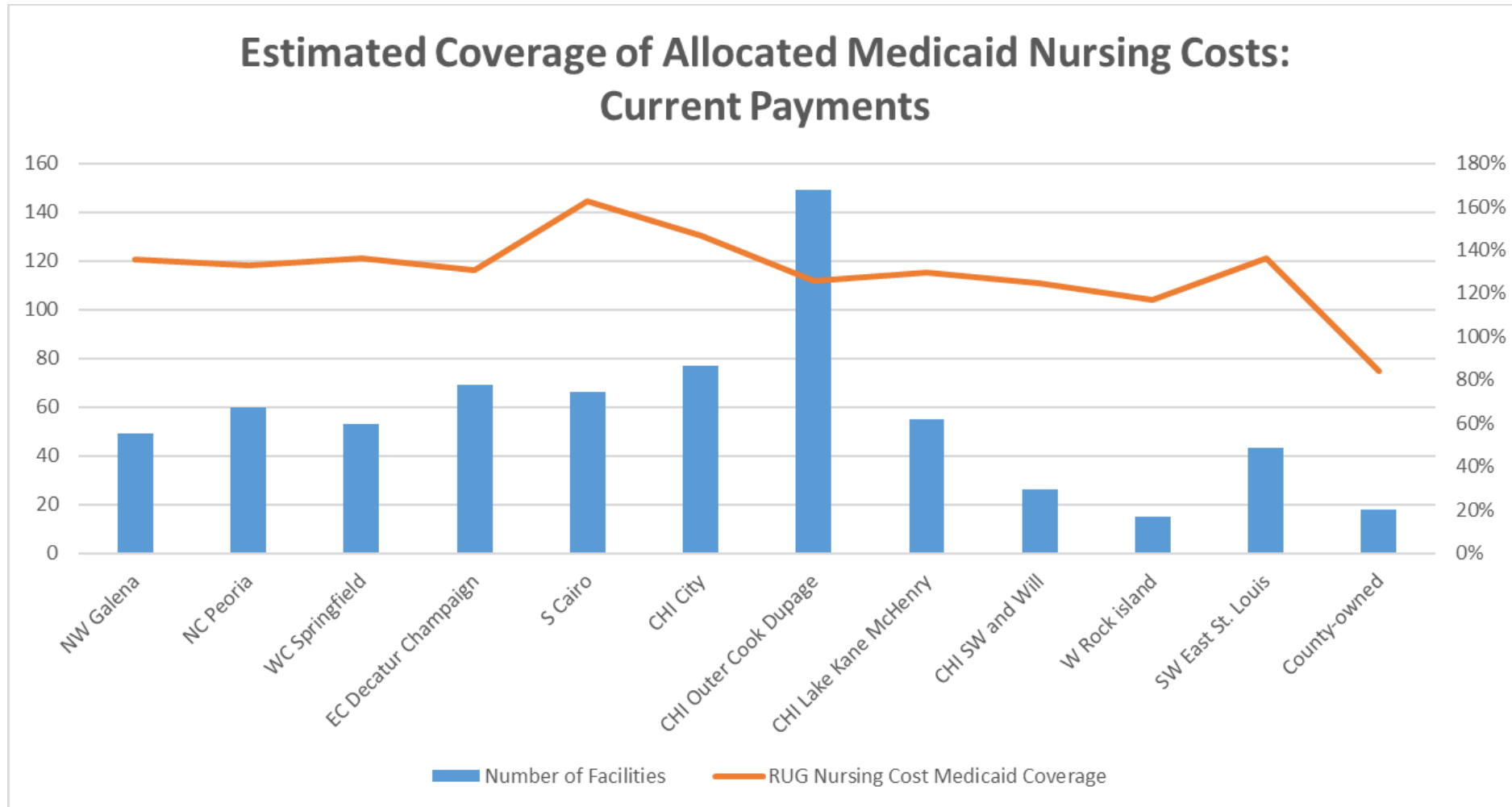
Reclassified Rehab RUGs	12,009	30%
Other reclassified RUGs --> higher weight	2,533	6%
Other reclassified RUGs--> lower weight	3,546	9%
Not reclassified	<u>21,566</u>	<u>54%</u>
	39,654	100%

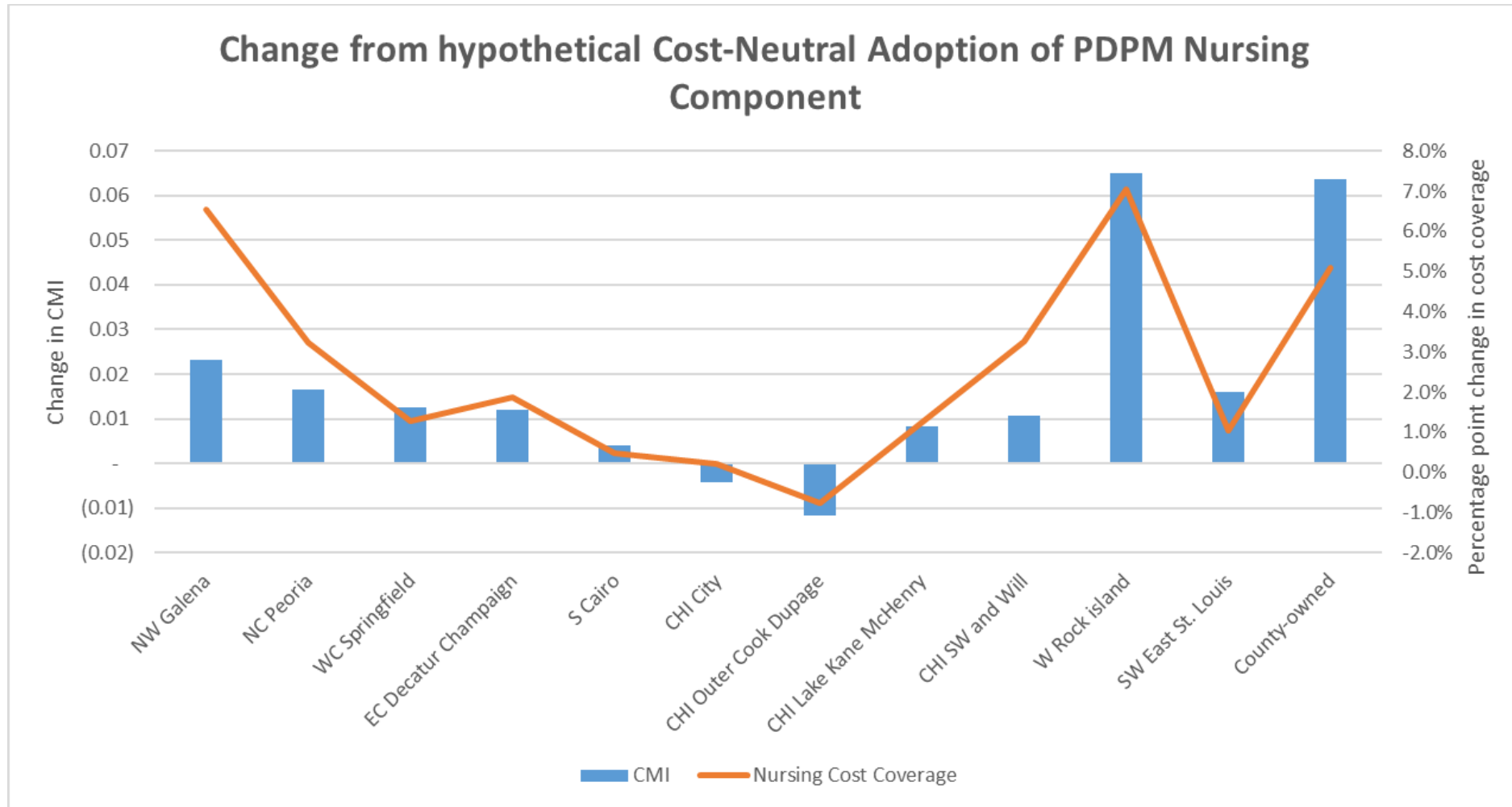
# From 48 RUGs to 25 PDPM groups



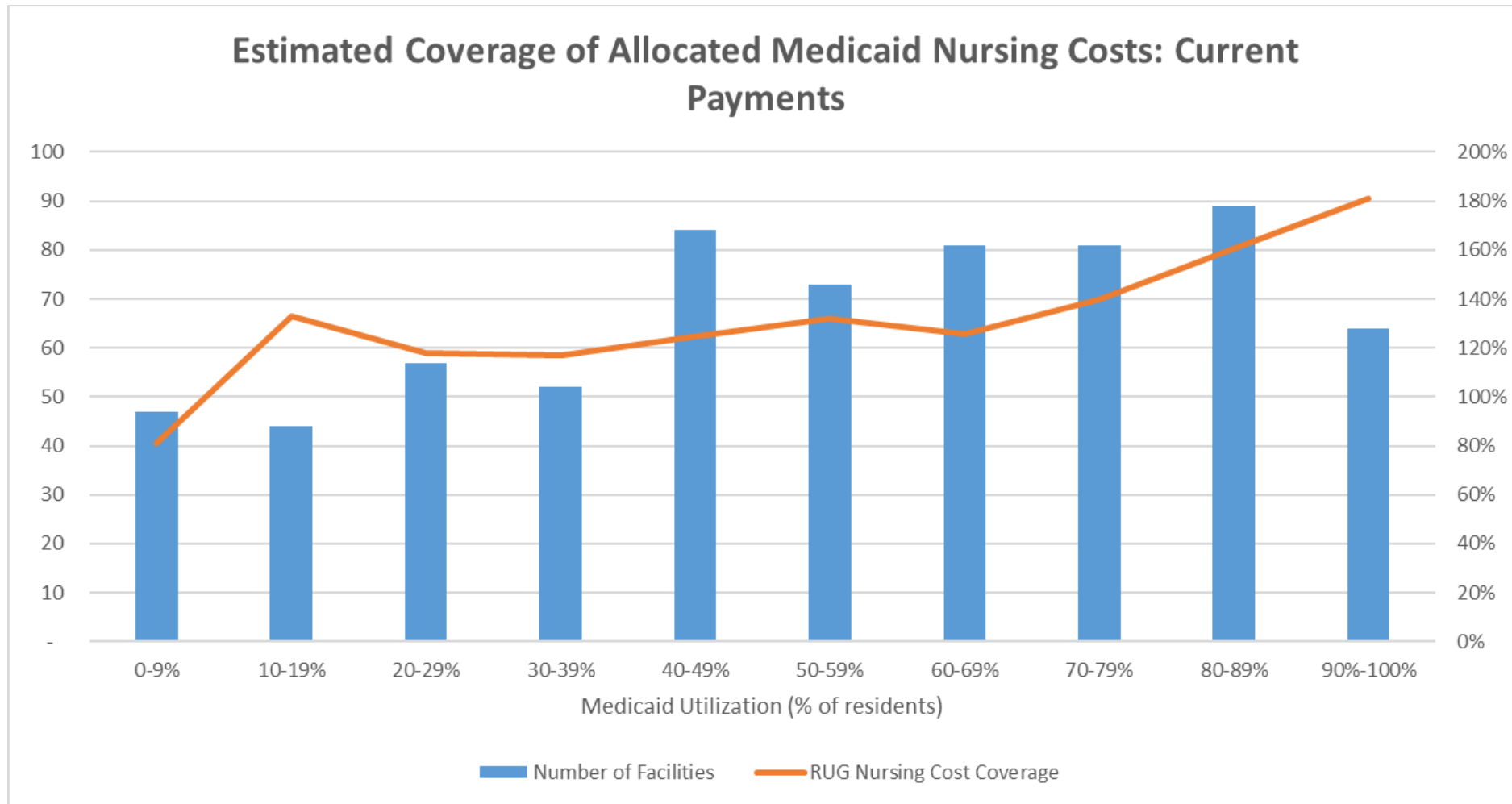
# Distributive Impact of PDPM: Nursing Component Only

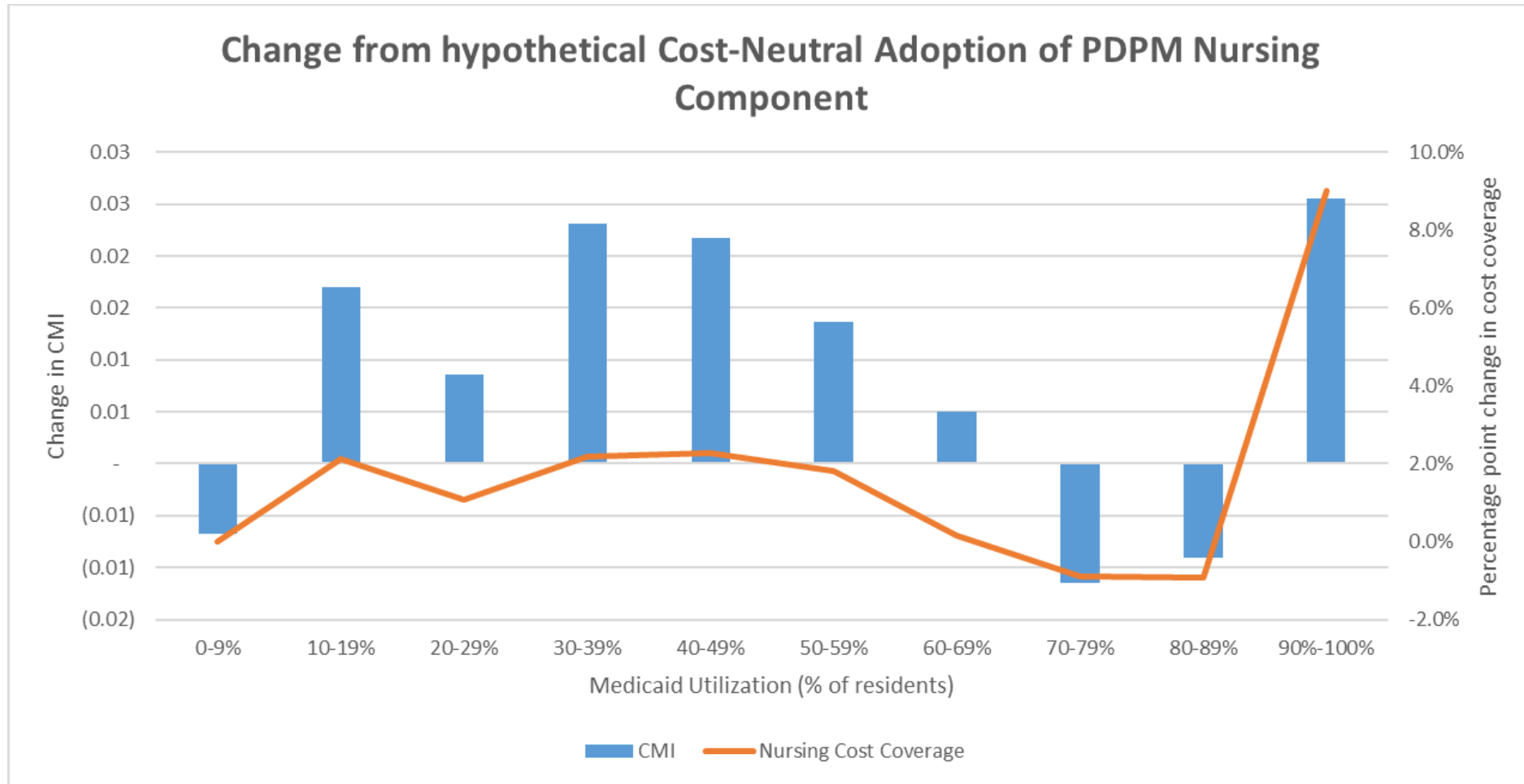


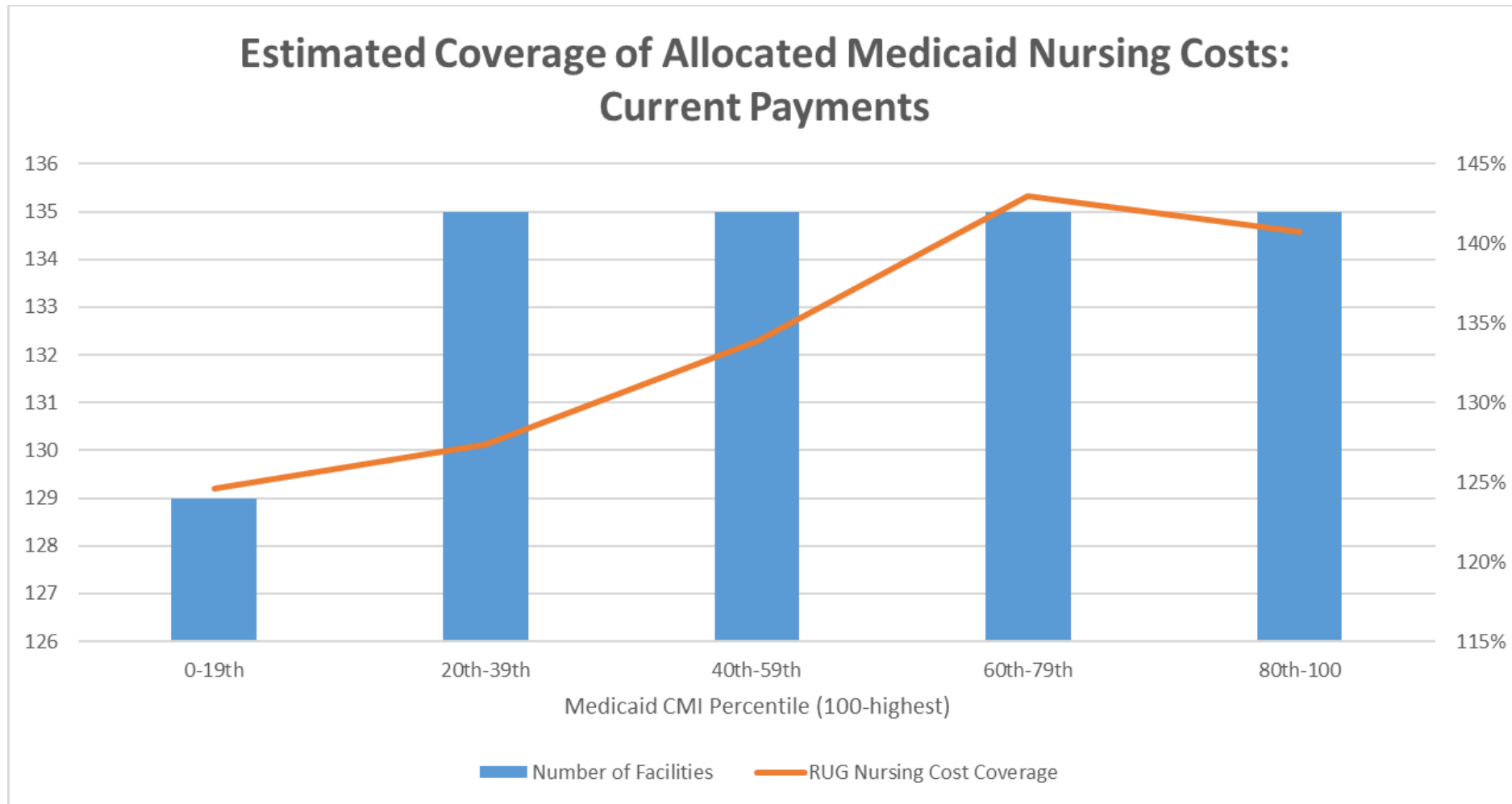


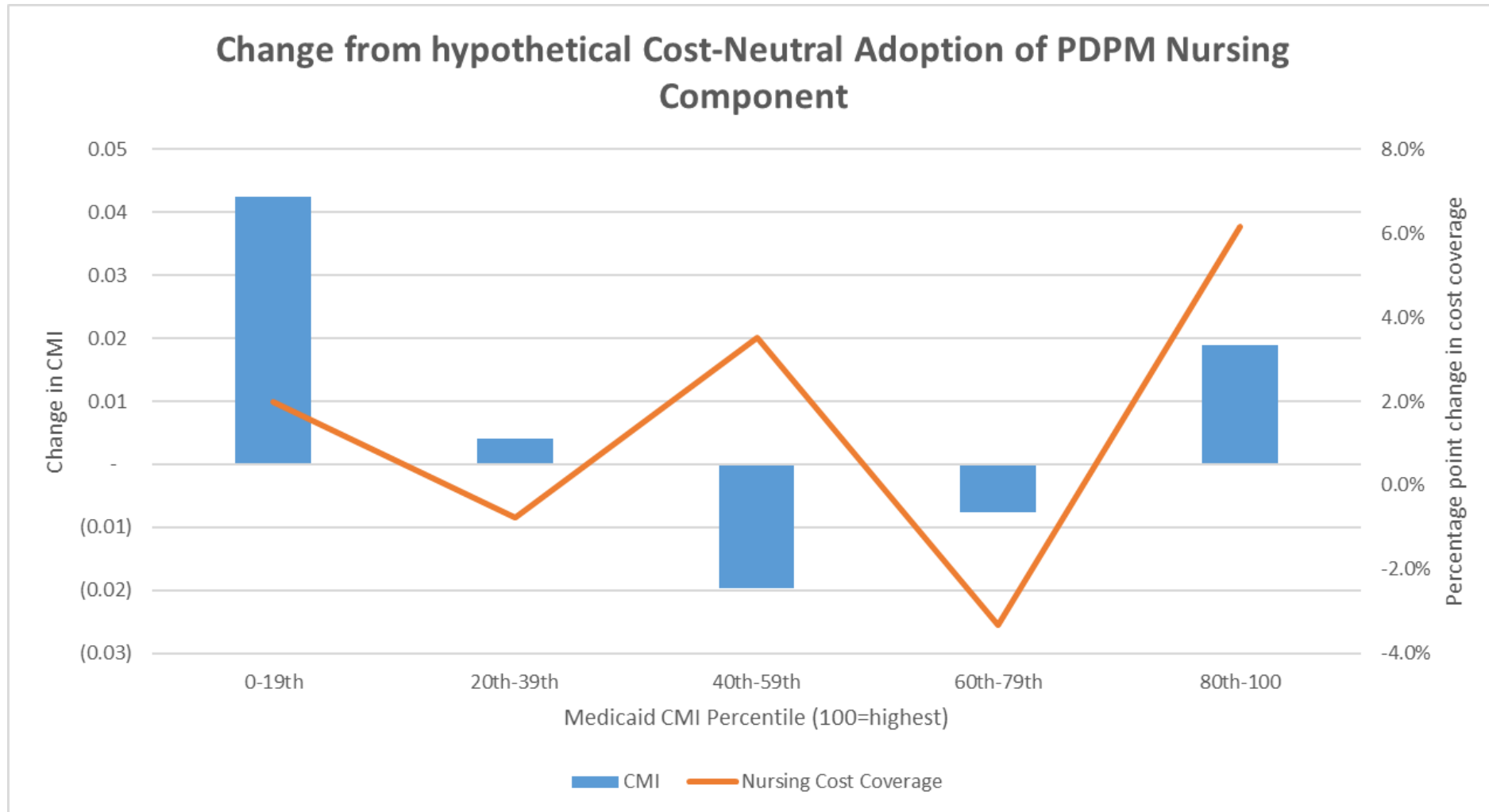




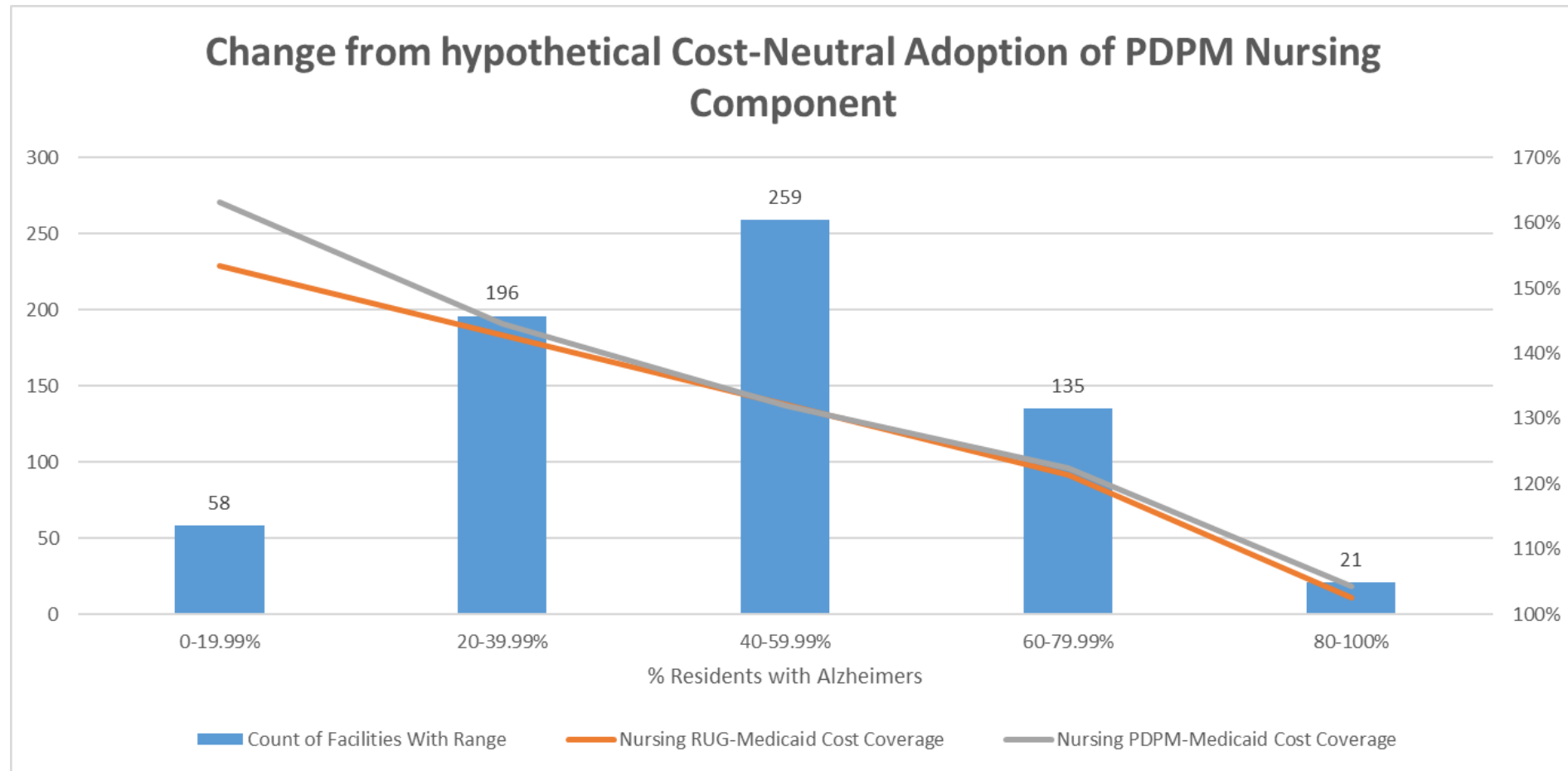




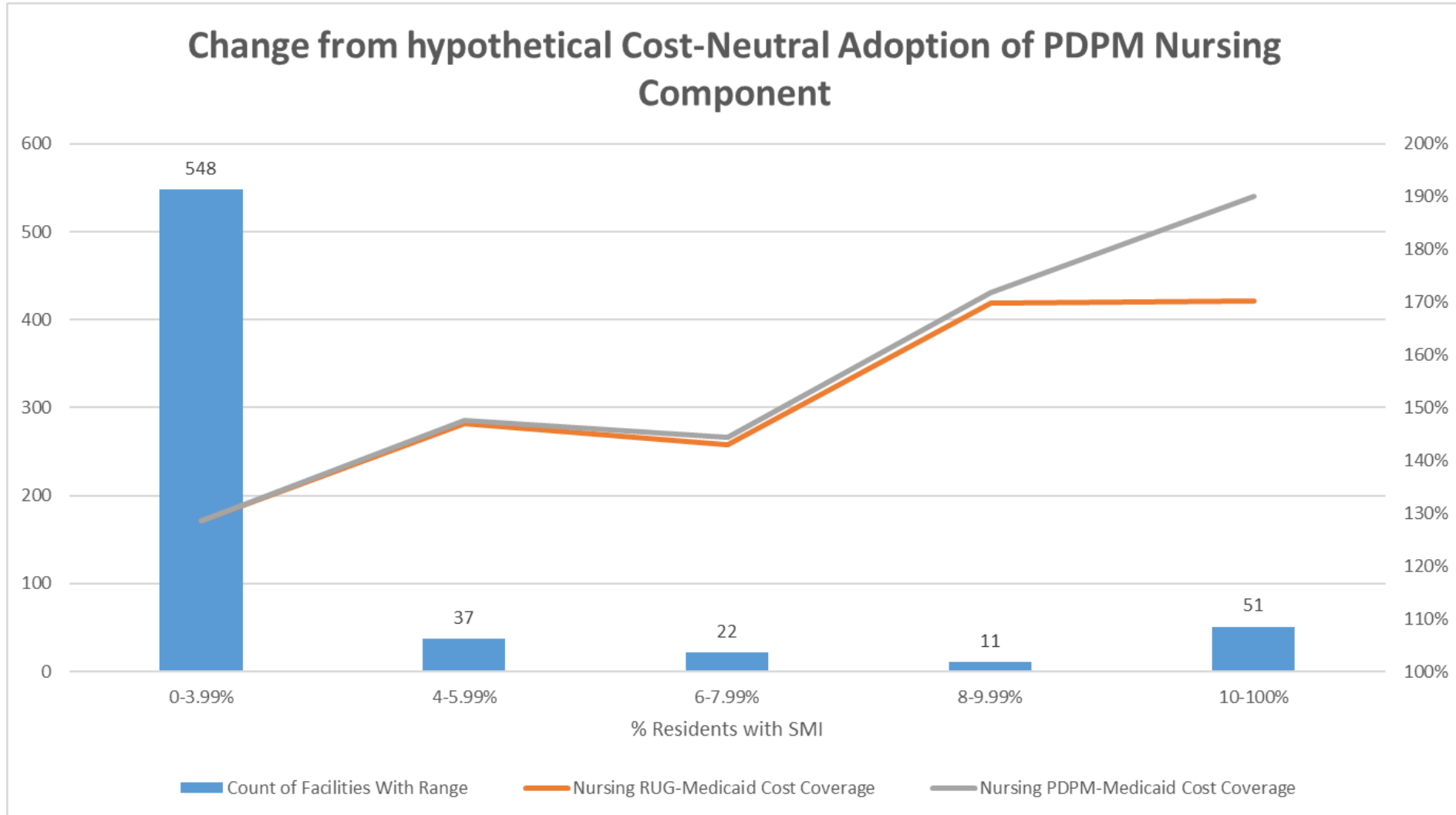


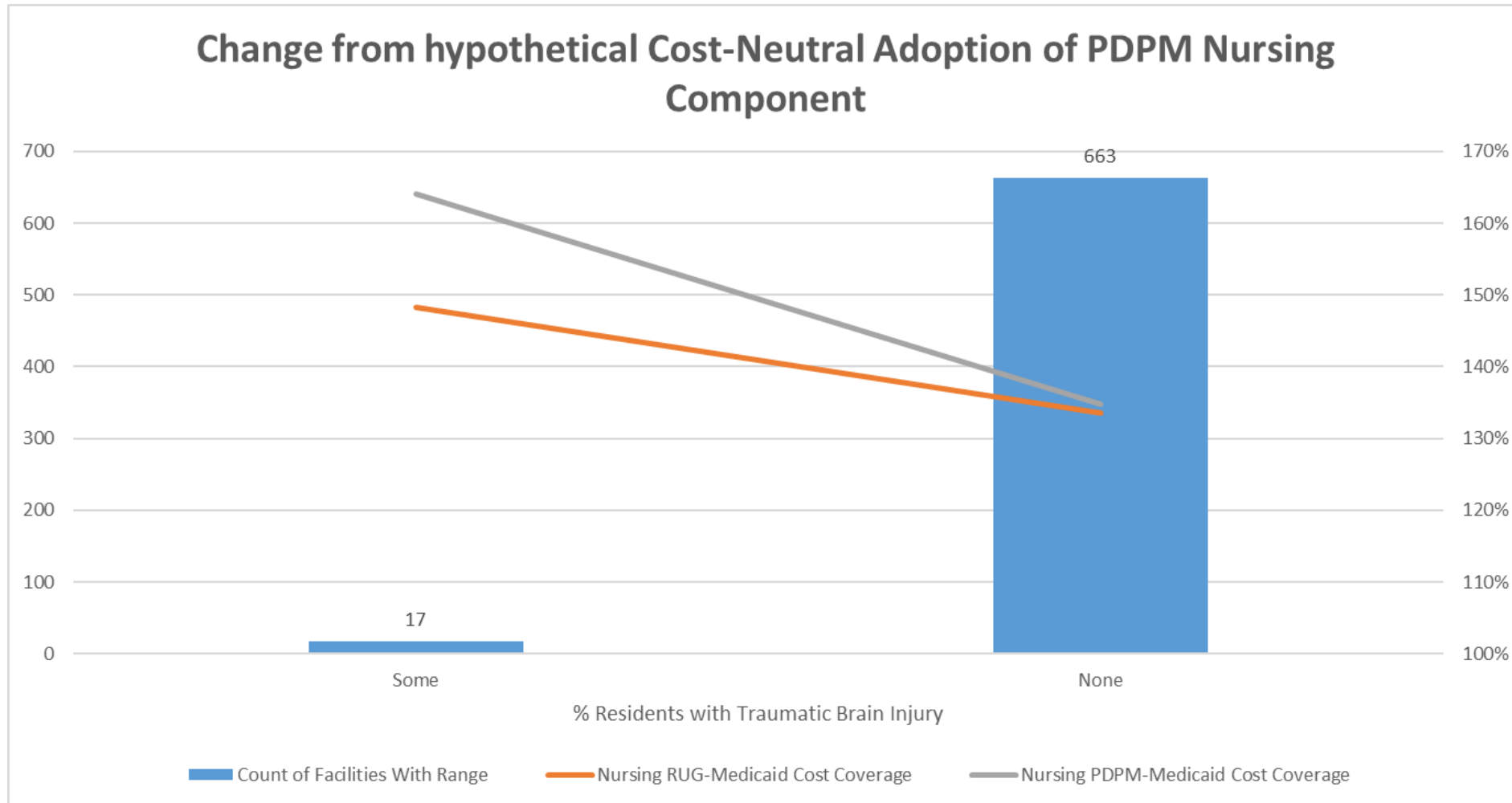


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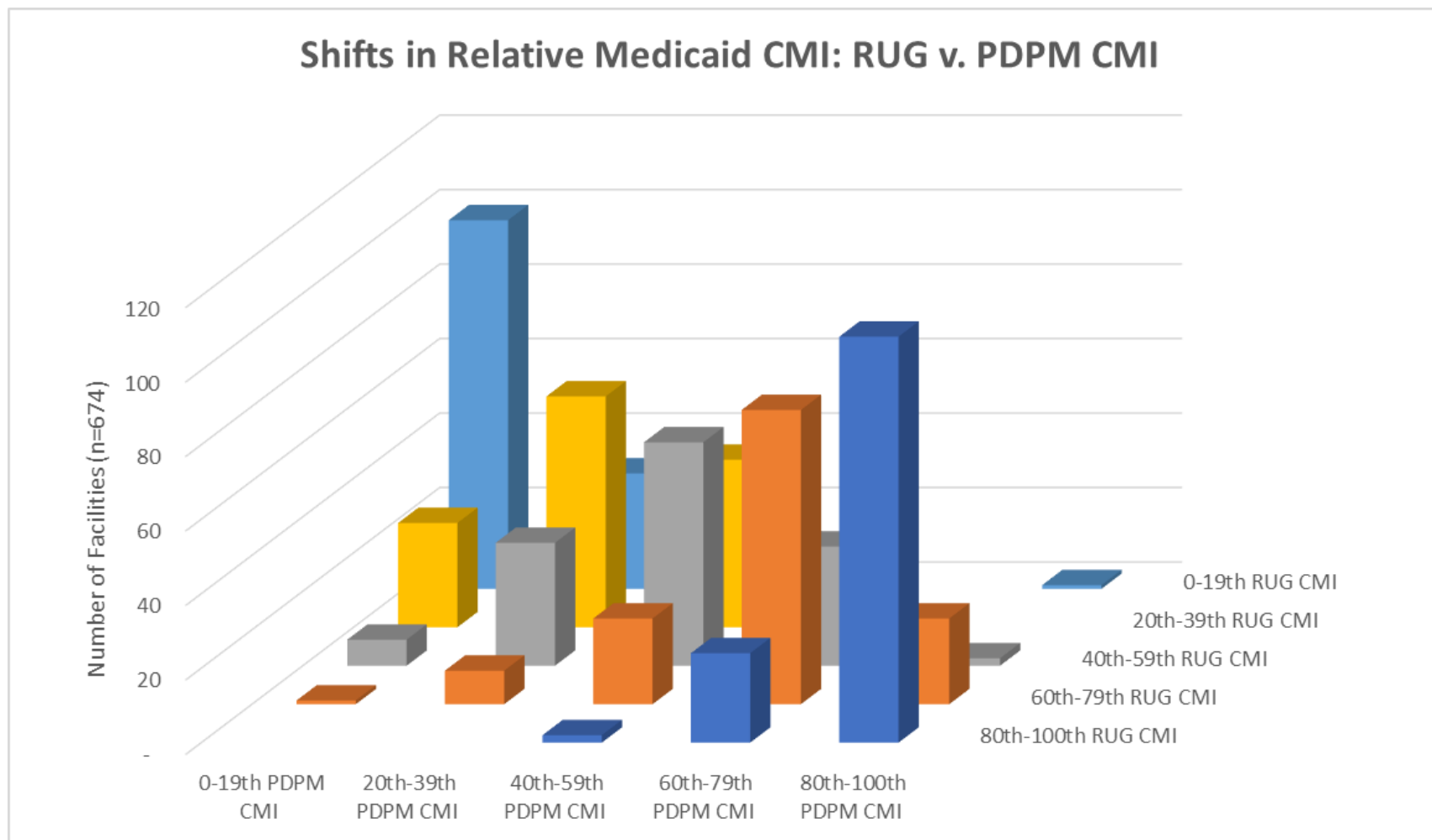
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# Impact of PDPM on Facility Case Mix Rankings





# Developing a Measure of Net Income

## Medicare Cost Report Tabulation of SNF/NF Revenue and Costs

**Free Standing Facilities, Medicare Form 2540-10:** Take SNF/NF Net Patient Revenues, and remove SNF/NF Cost to arrive at SNF/NF Net Income

### SNF/NF Net Patient Revenue

Take SNF/NF Routine Revenue from Worksheet G -2, Column 1, Lines 1 & 2,

Add Total Ancillary Revenue from Worksheet G-2, Columns 1 & 2, Line 6, pro-rated based on the ratio of SNF/NF Routine Revenue above to Total Revenue (less Total Ancillary Revenues) from Worksheet G-3, Column 1, Line 1

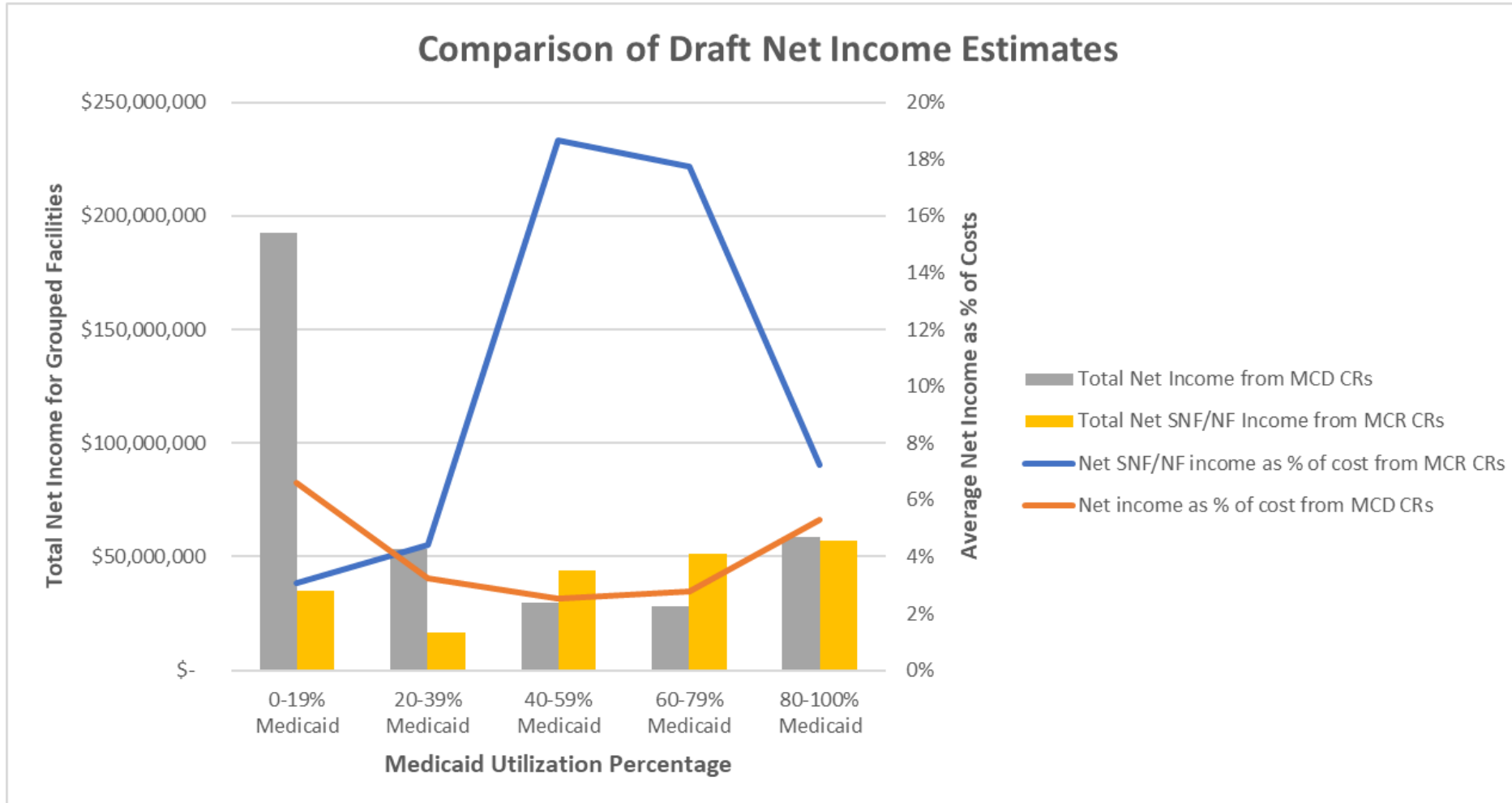
Remove Total Contractual Adjustments from Worksheet G-3, Column 1, Line 2, pro-rated based on the ratio of the sum of SNF/NF Routine Revenues and pro-rated Total Ancillary Revenues, to Total Revenues as listed above.

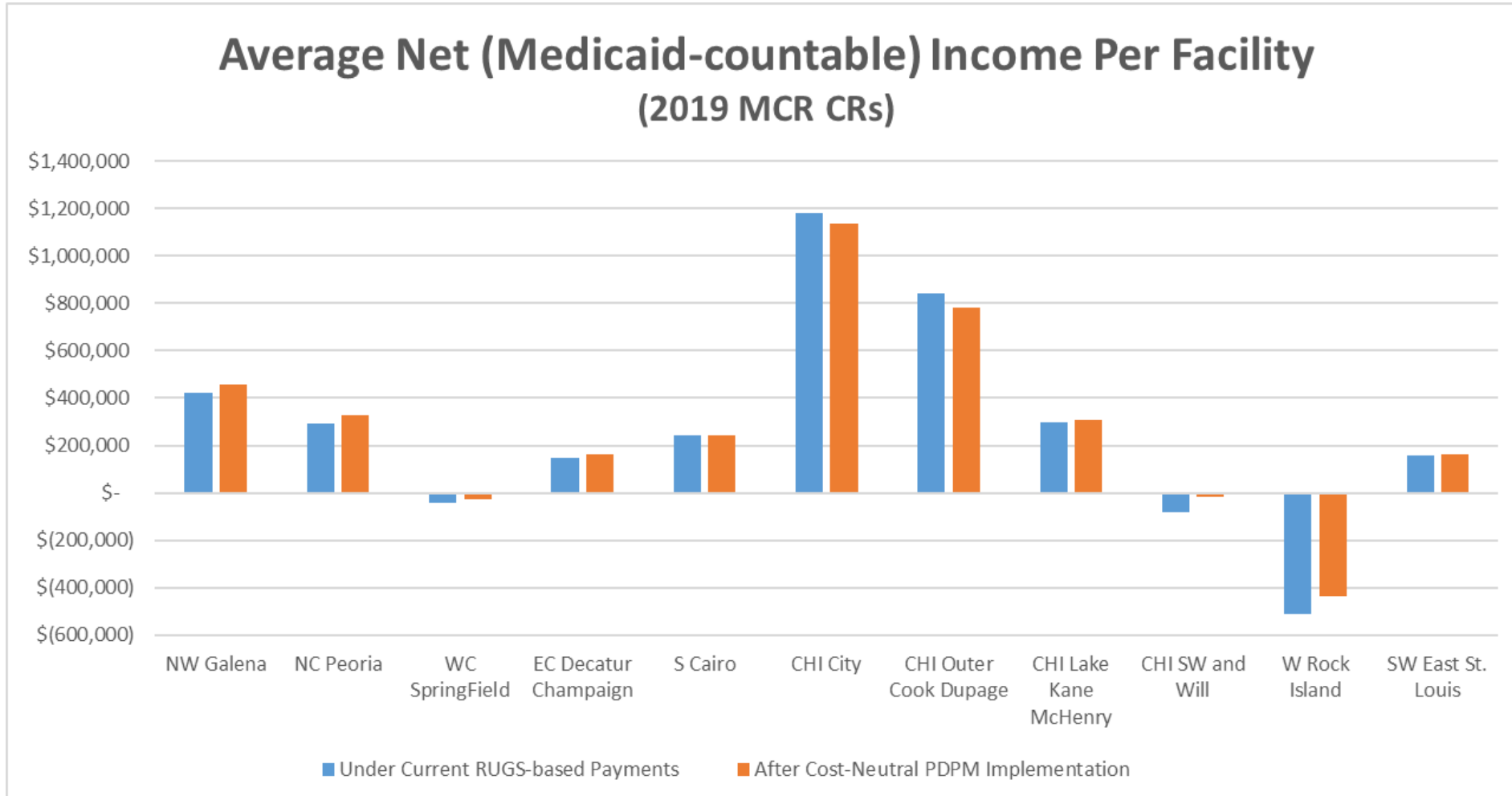
### SNF/NF Cost

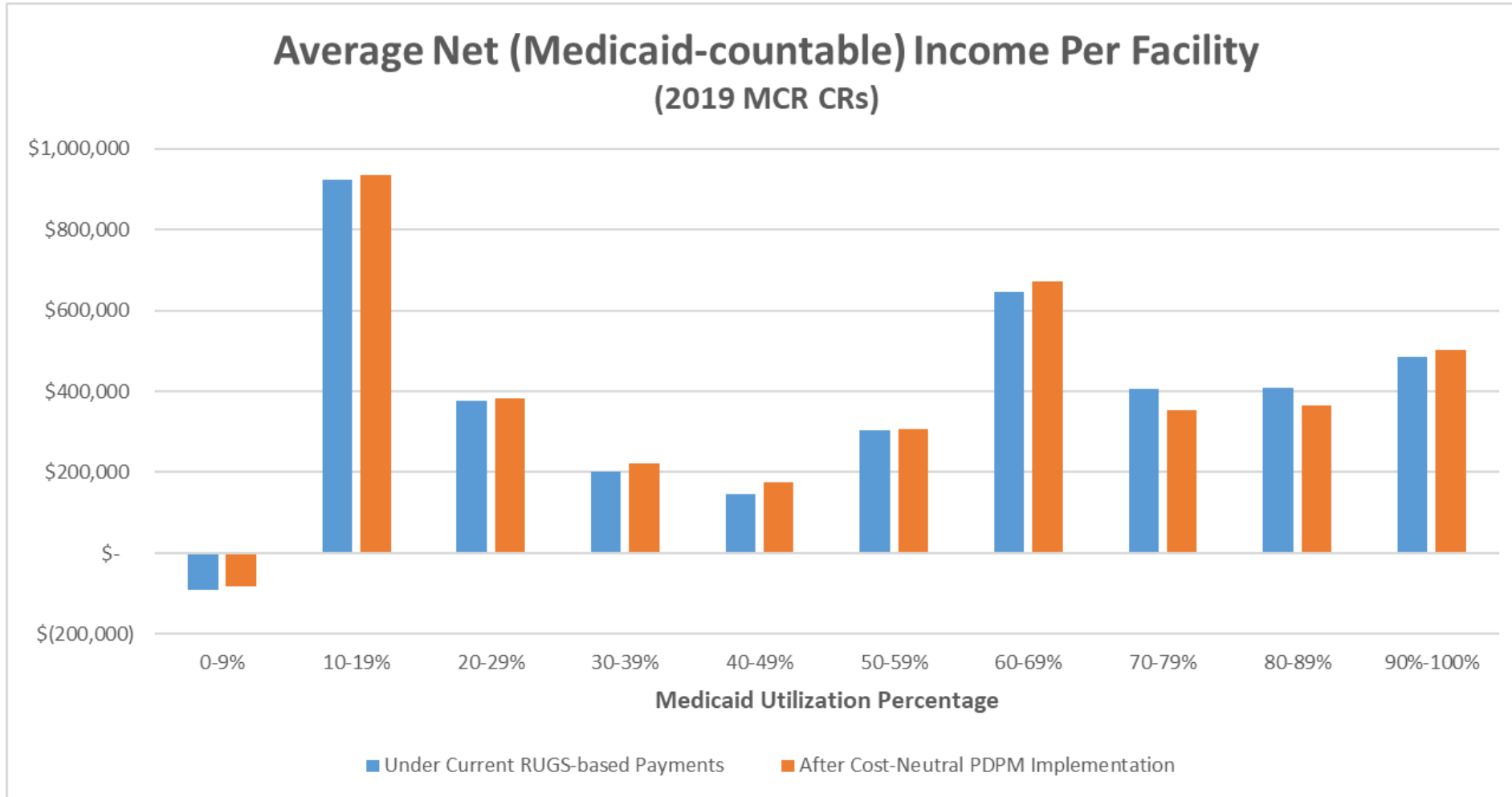
Take SNF/NF Routine Cost from Worksheet B Part I, Column 18, Lines 30 & 31,

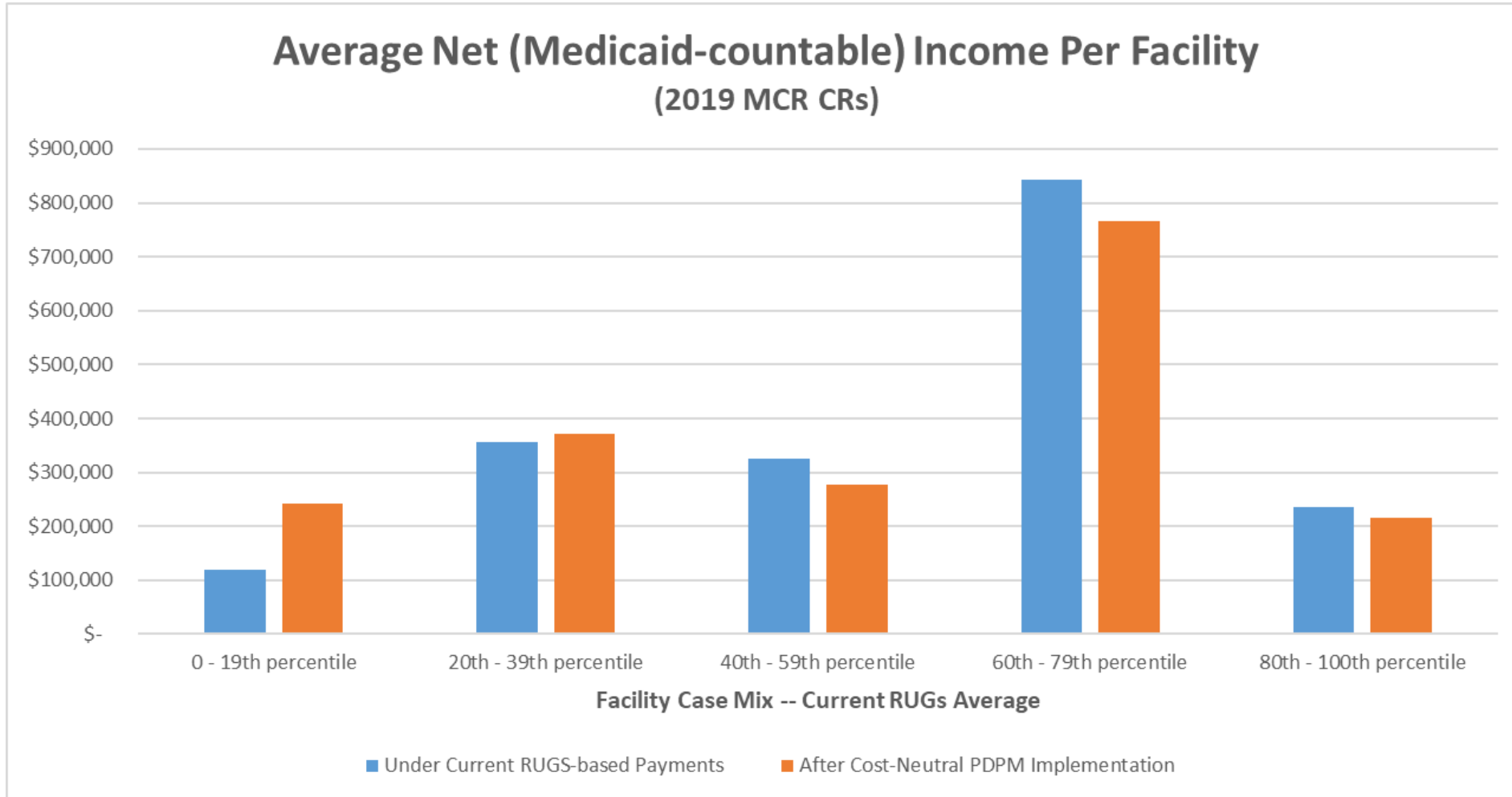
Add Total Ancillary Cost from Worksheet B Part I Column 18, Lines 40-59.xx, pro-rated based on the ratio of SNF/NF Routine Revenue above to Total Revenue (less Total Ancillary Revenues) from Worksheet G-3, Column 1, Line 1

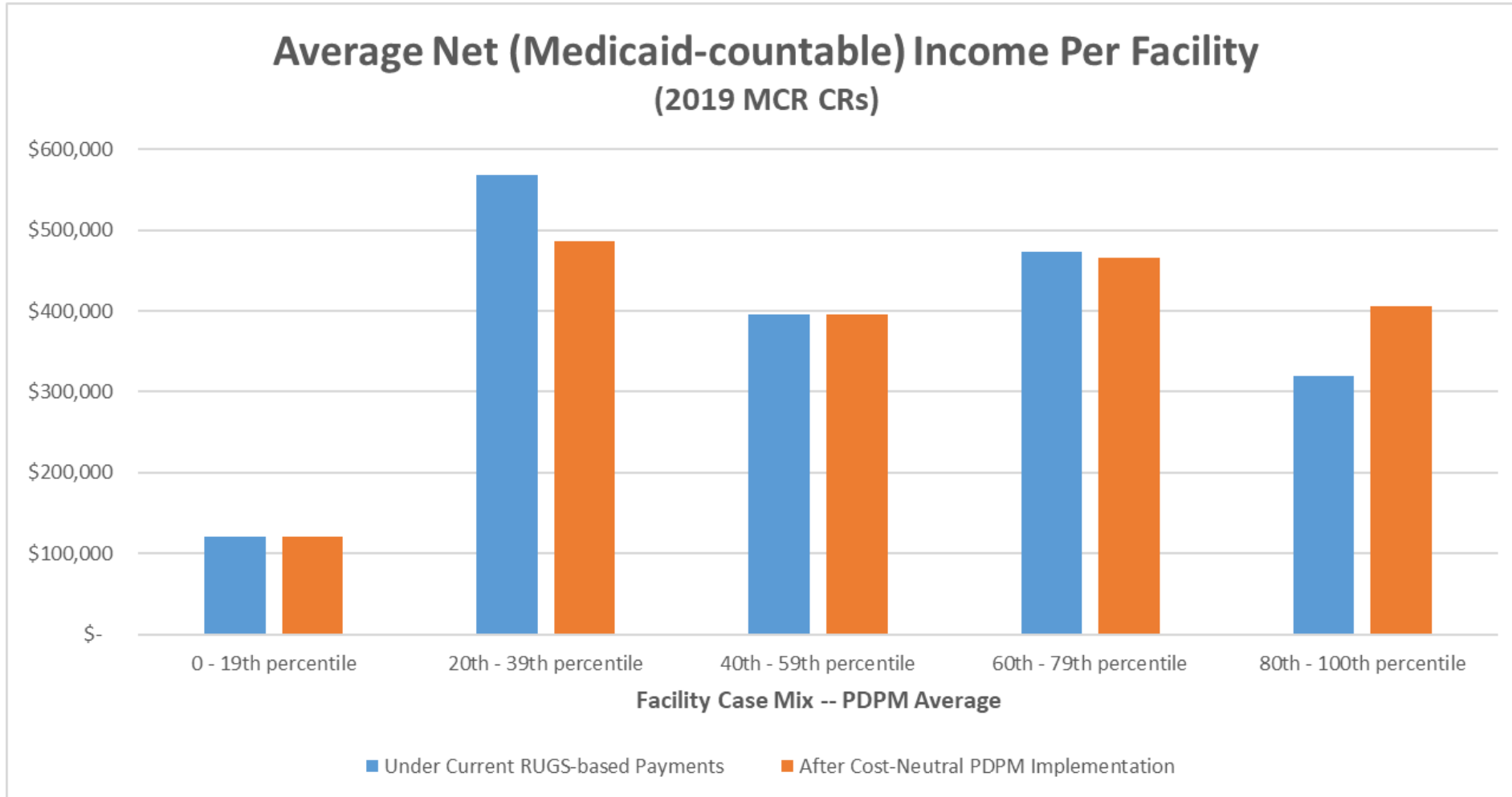
*Note: Hospital based facilities' ancillary cost centers do not appear to receive an accurate allocation of SNF expense and revenues and so will not be utilized for comparative purposes.*



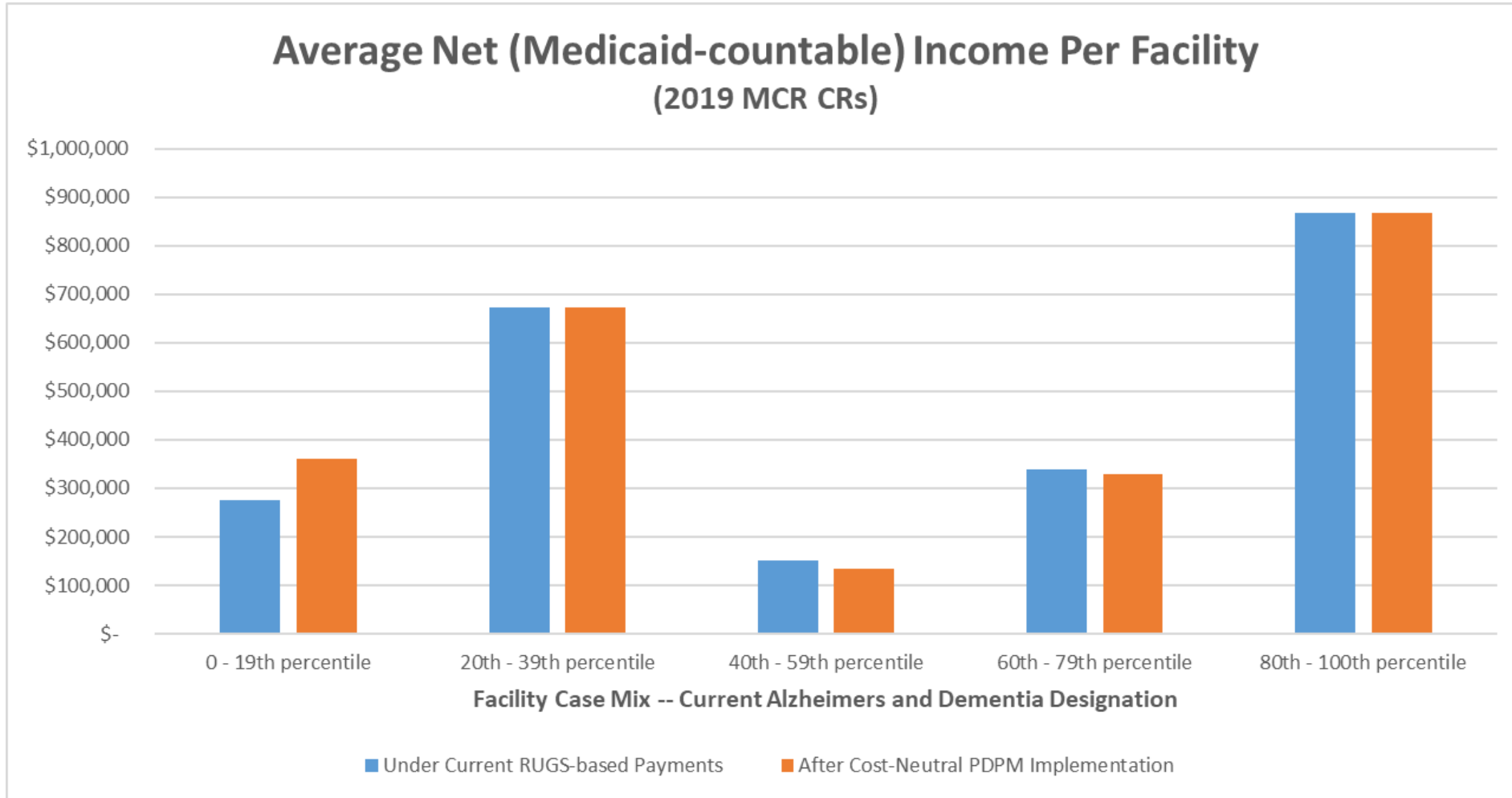


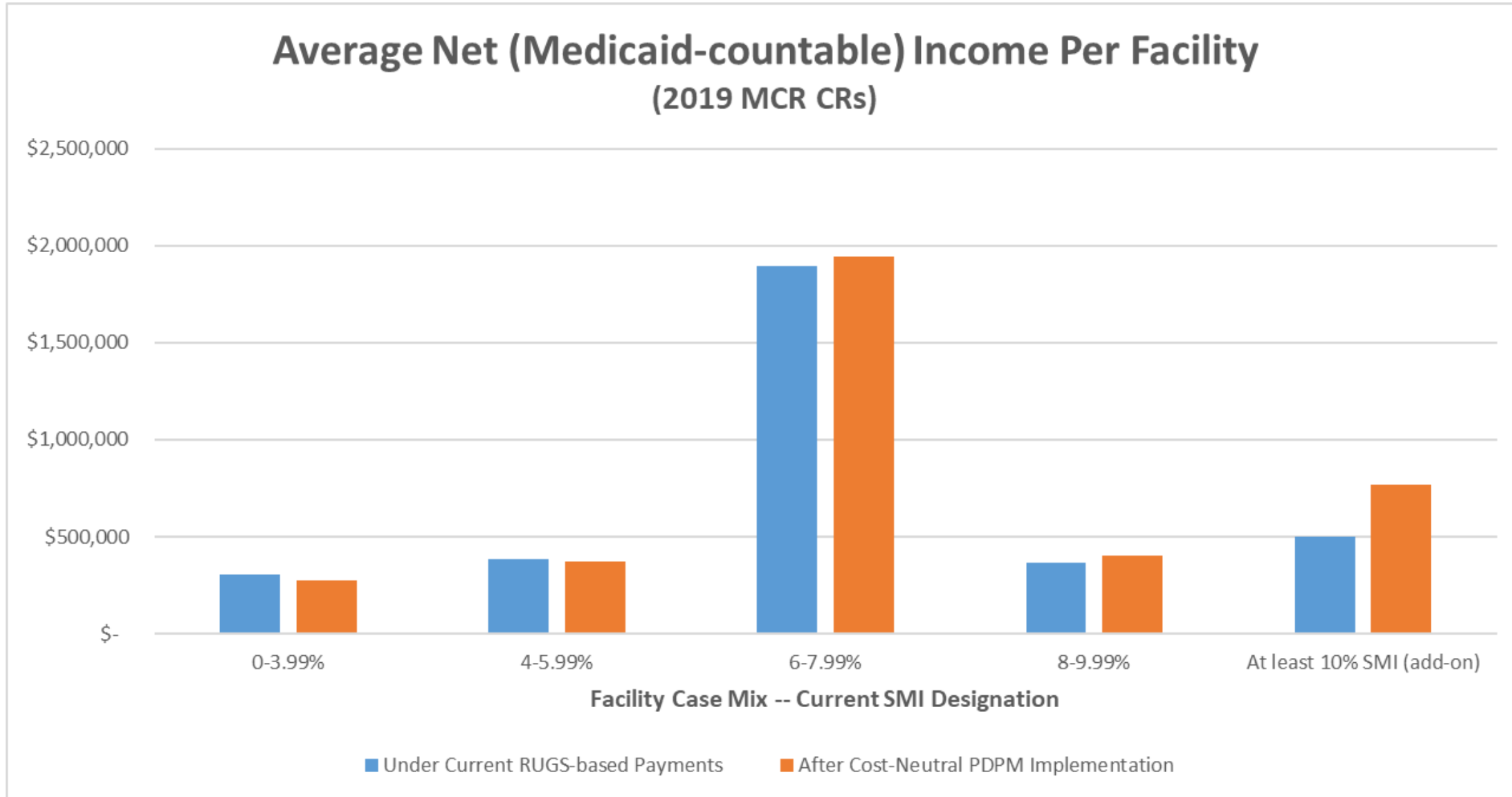


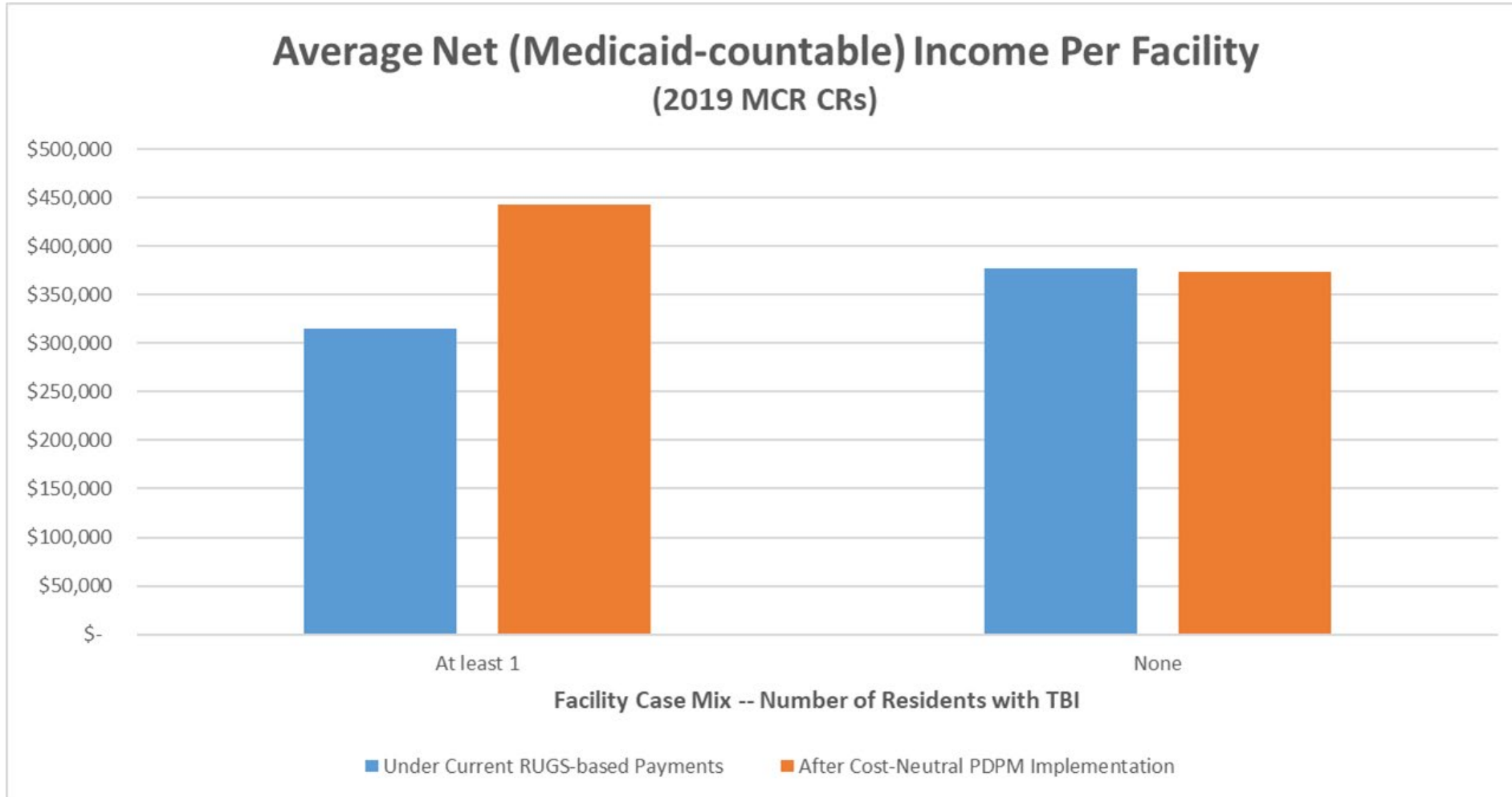






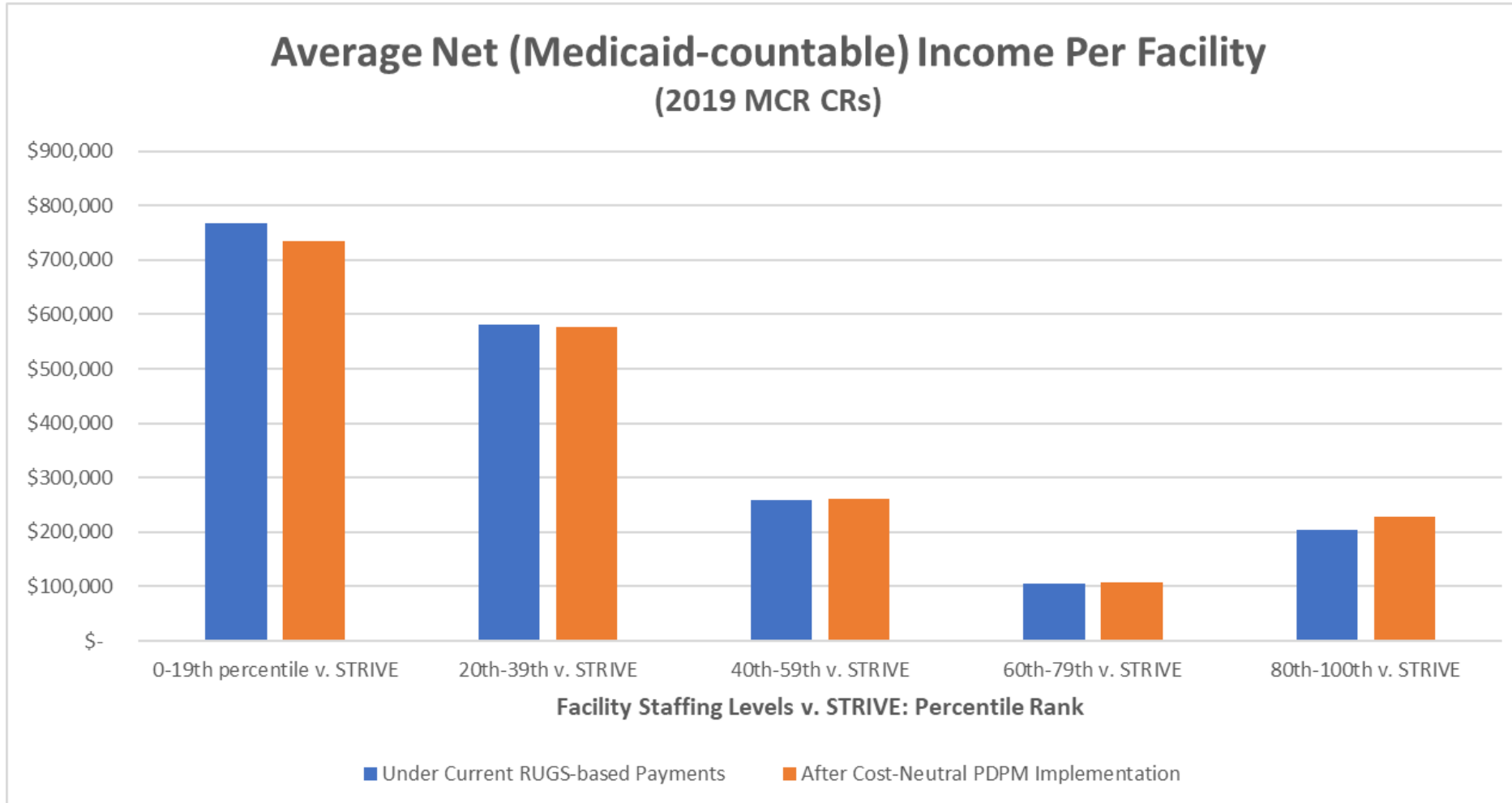


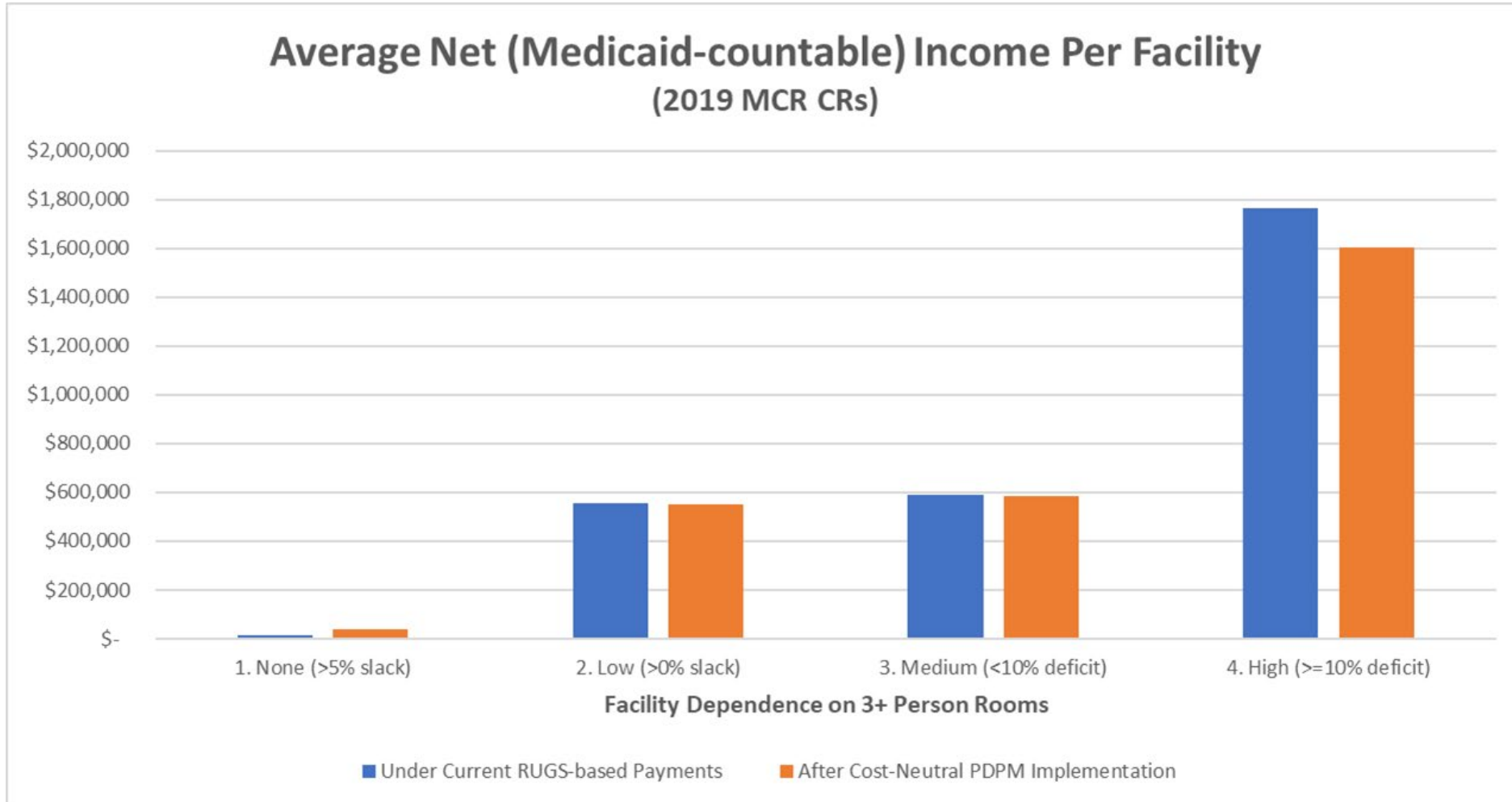


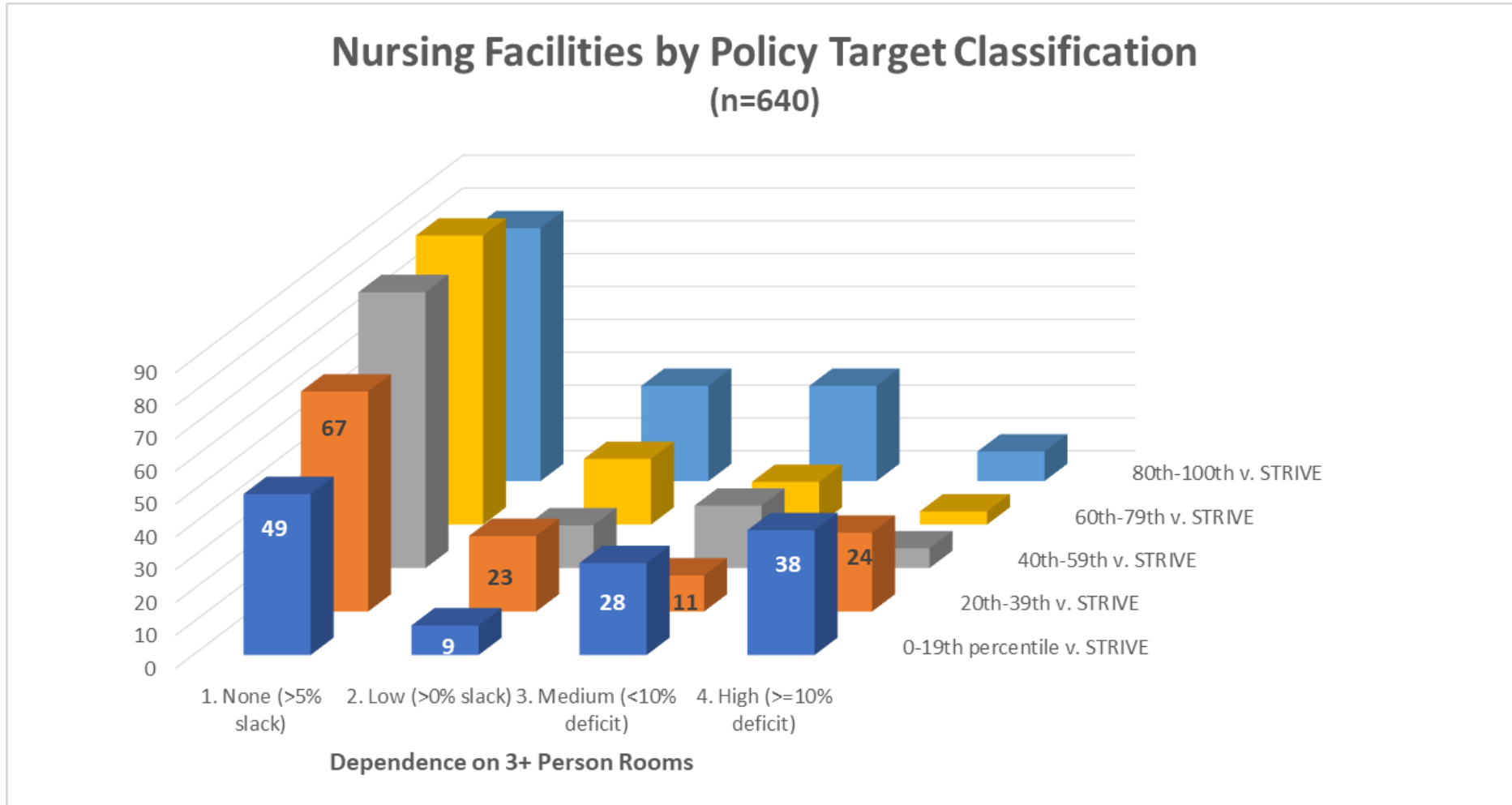


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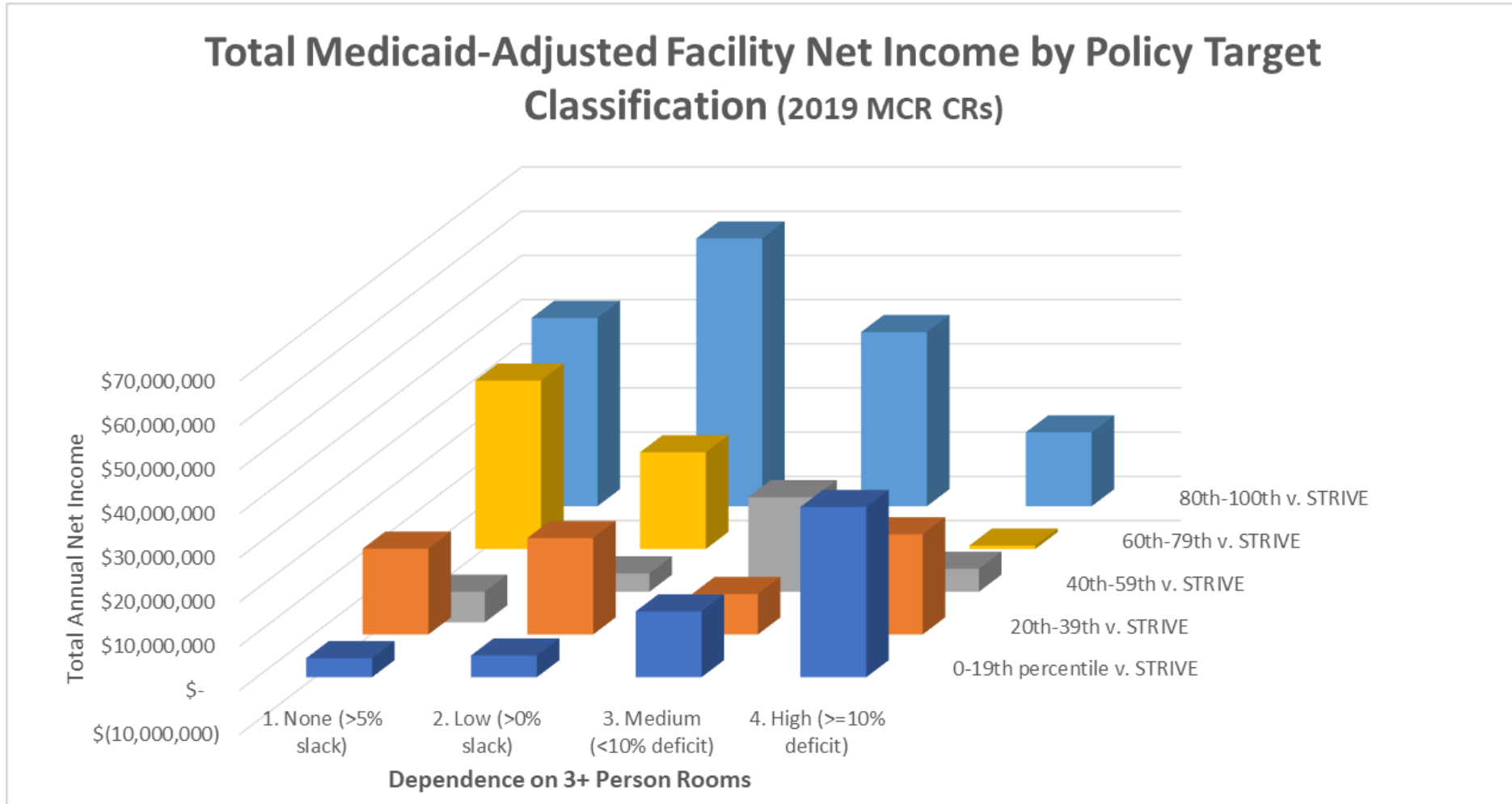






# Distributive Impact of PDPM v. Potential Policy Targets

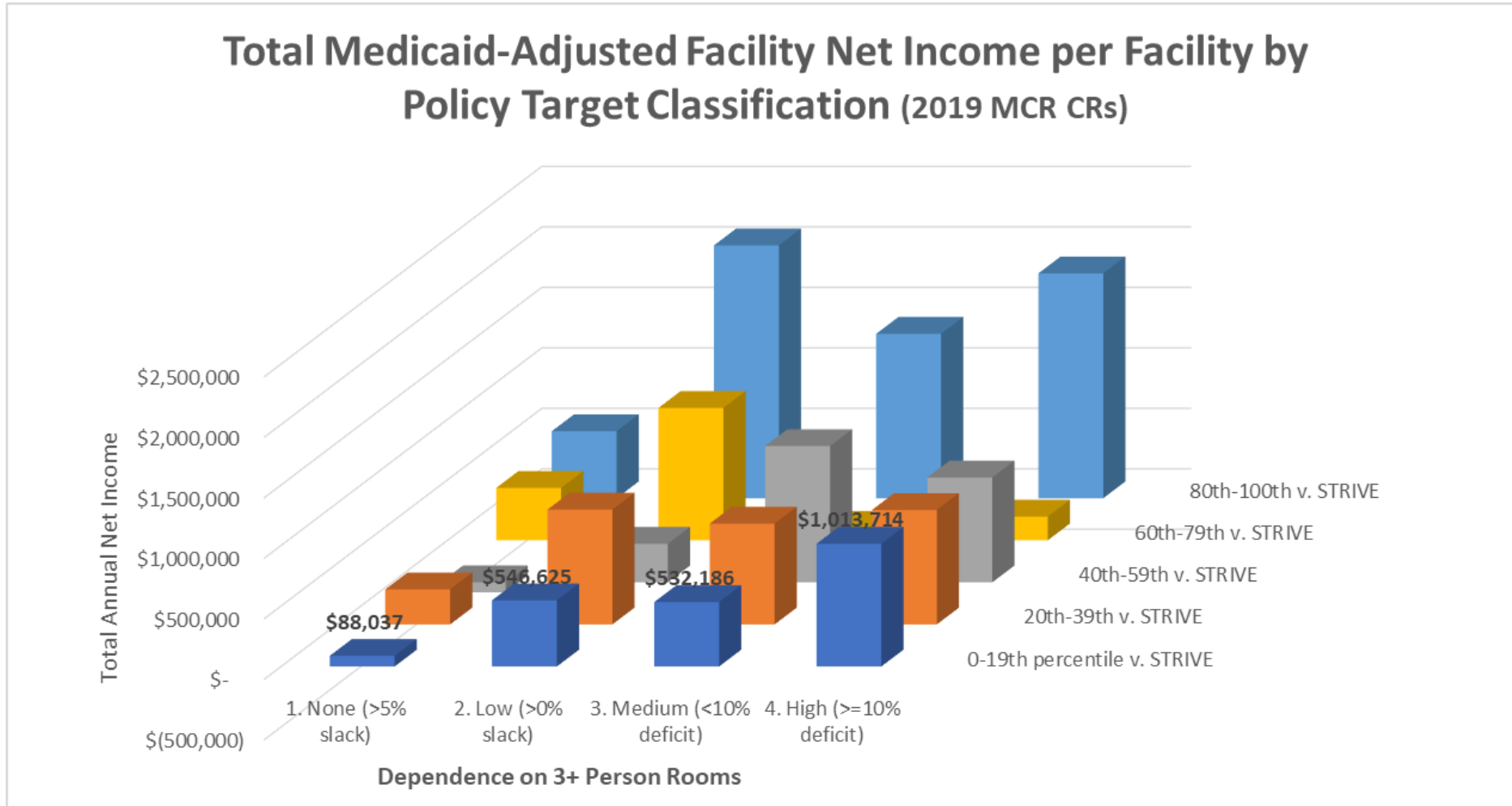
## Draft Measure of Net Income





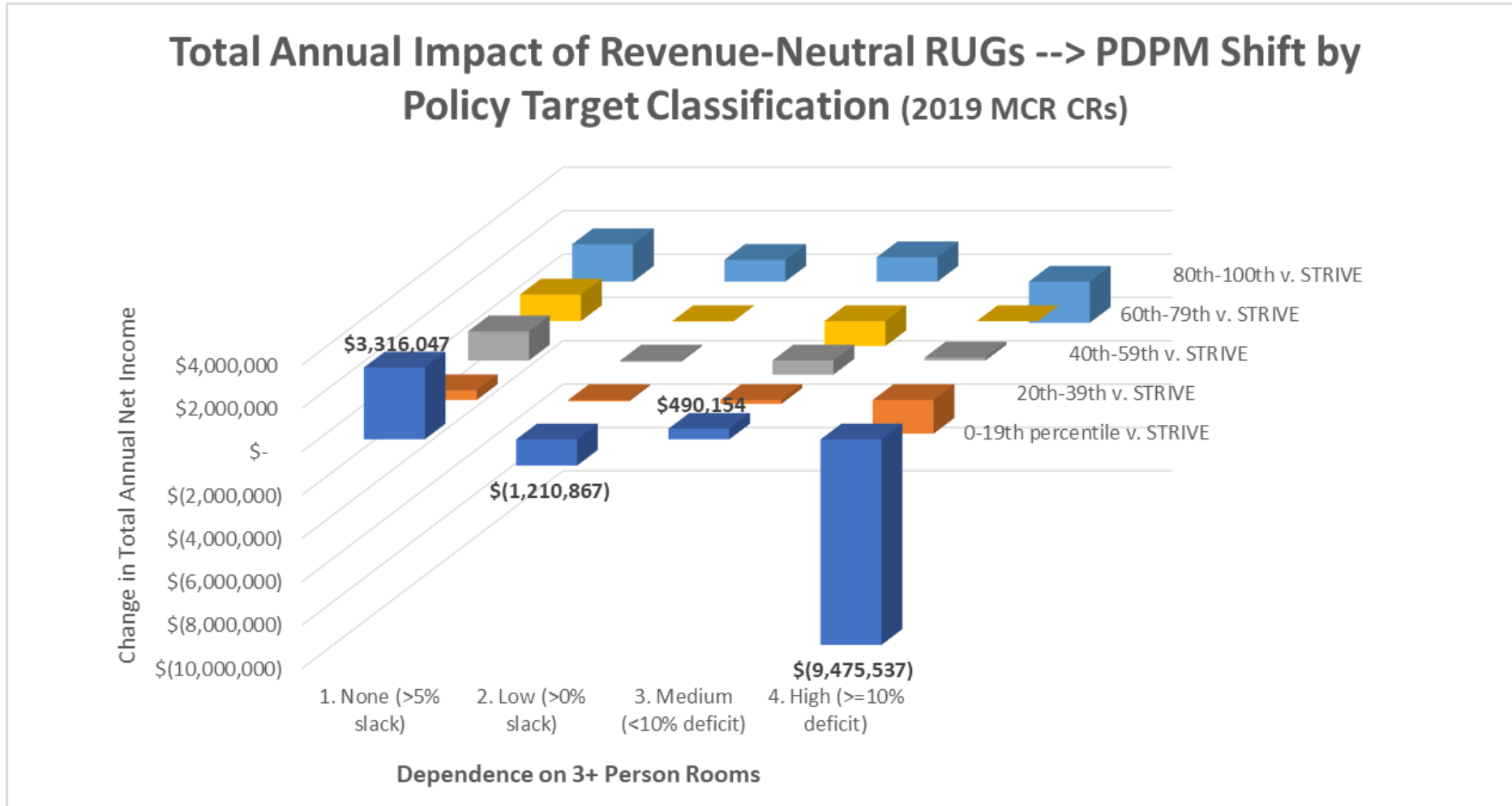
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