

Alternate Reimbursement Methodology

Class I Nursing Facilities

November 7, 2018

Introduction

Our Mission

Improving health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources

Discussion Topics

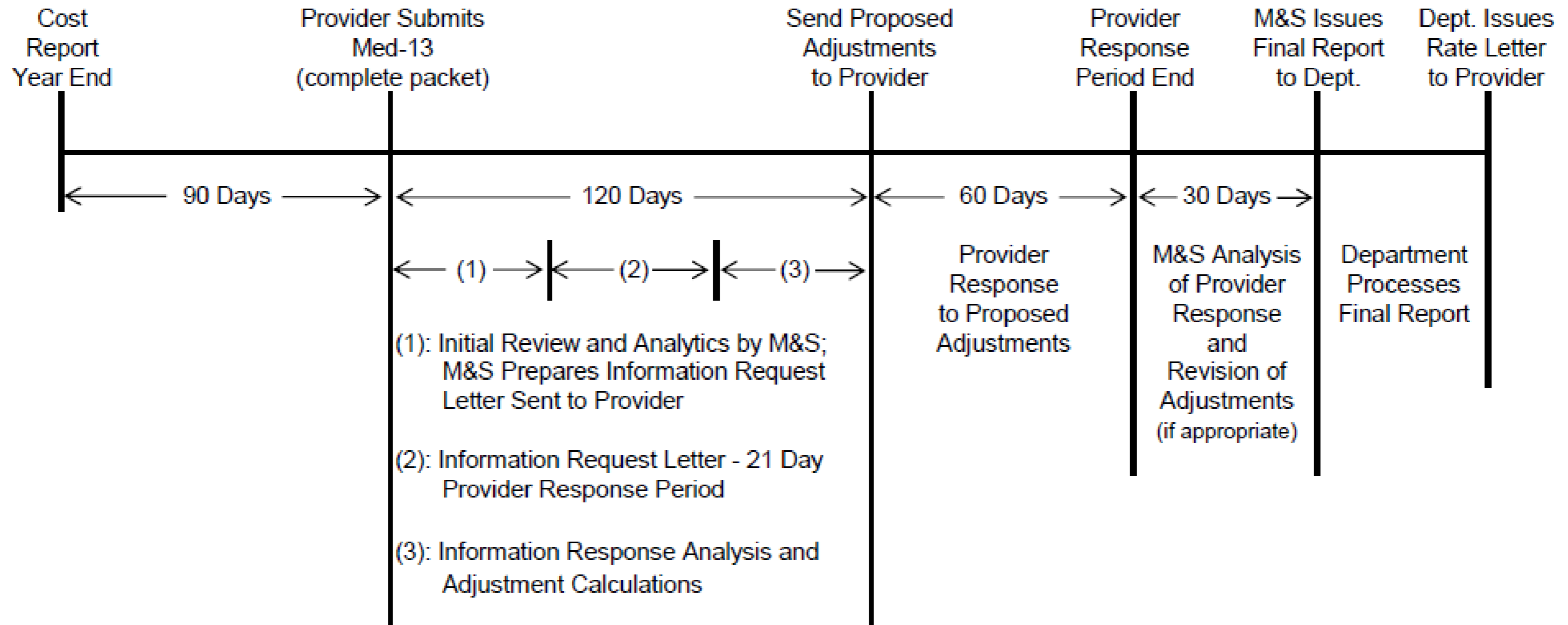
- Current Reimbursement Methodology
- Alternate Reimbursement Methodology
- Implementation Year Expectations
- Resources
- Next Steps
- Open Discussion

Current Reimbursement Methodology

Annual Cost Reports

- Class I nursing facilities file cost reports (MED-13) annually
- Cost reports submitted 90 days after fiscal year end
- Each cost report subject to audit process
- Audit process (dictated in regulation) typically completed 12-15 months after fiscal year end

Audit Process



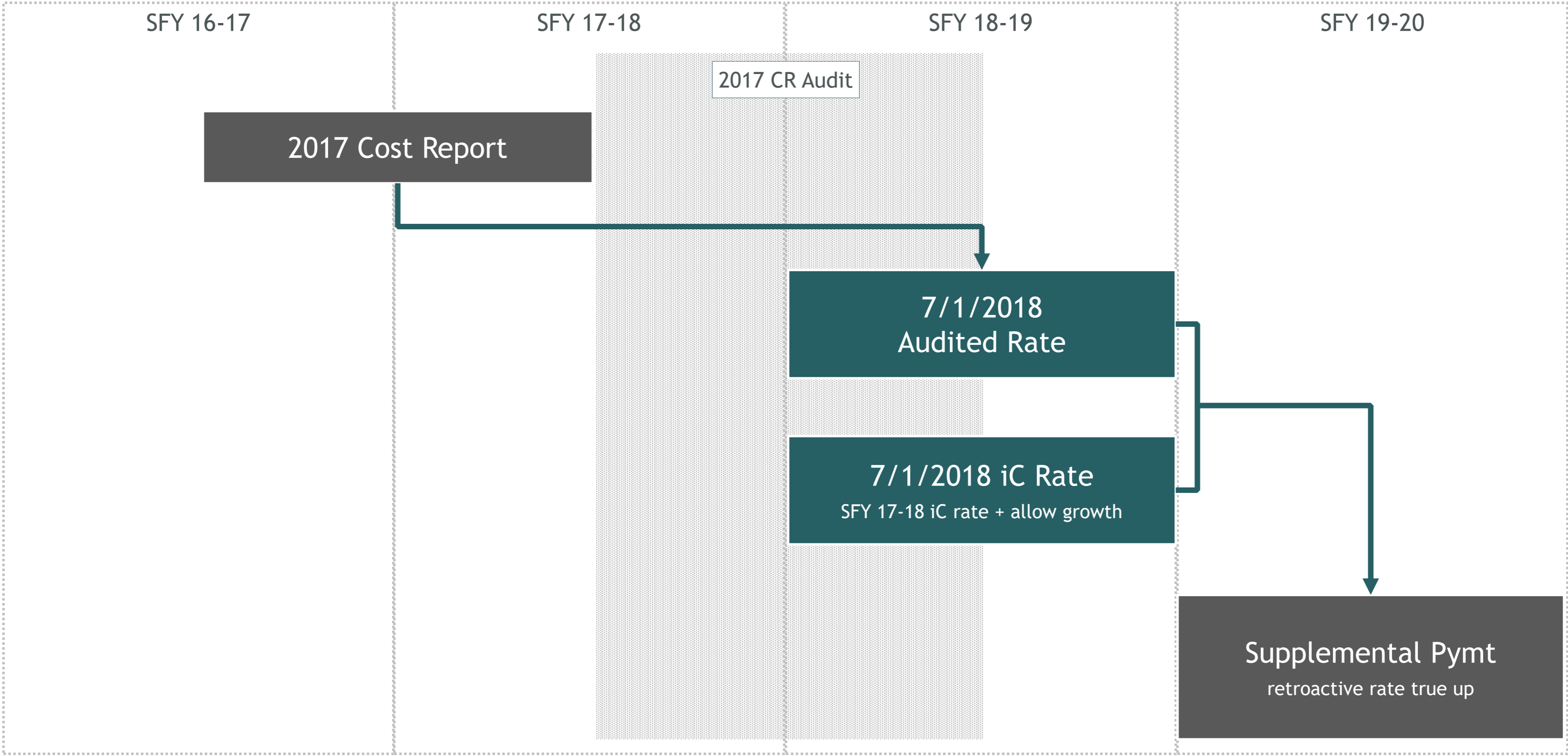
Rate Effective Dates

Current Reimbursement Methodology

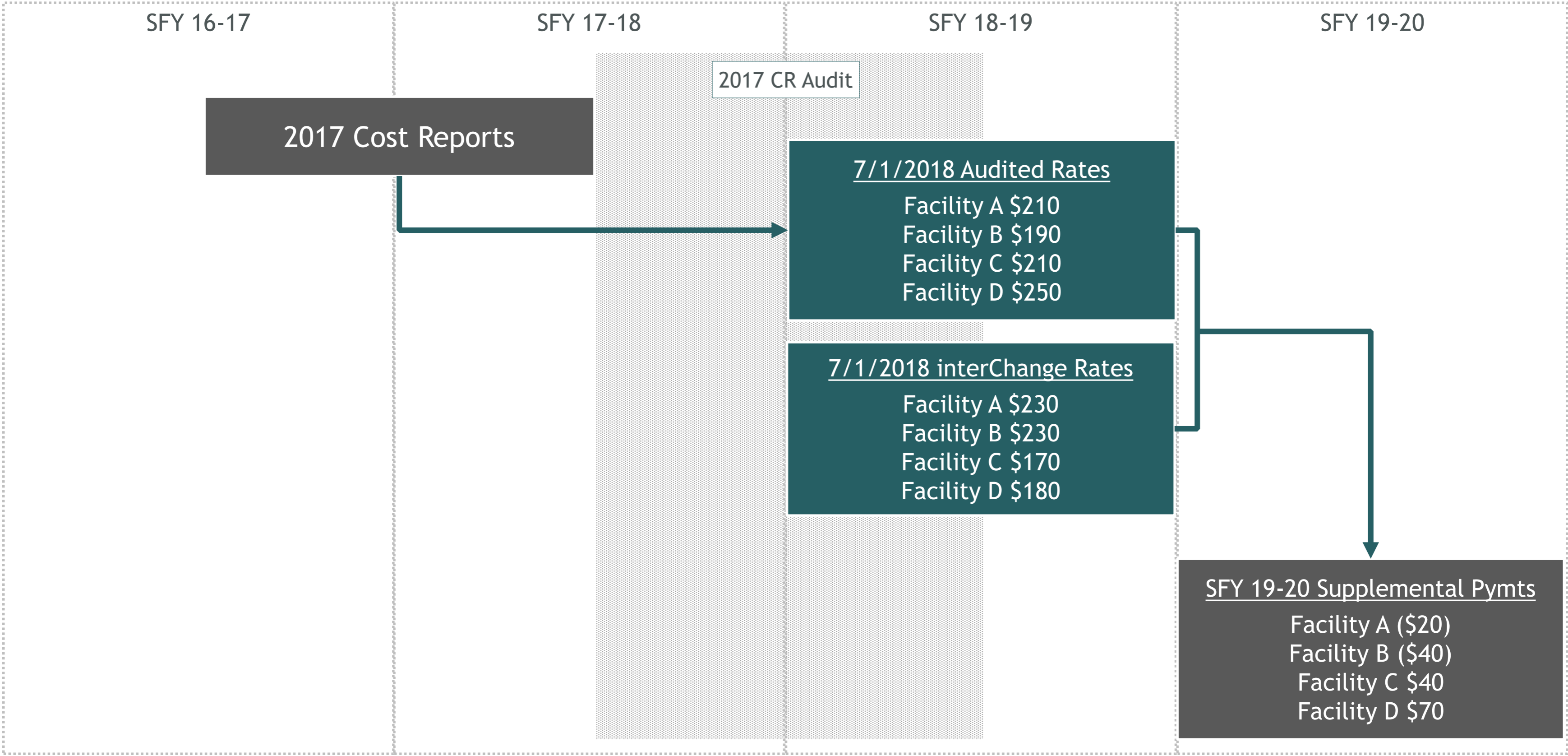
- Cost reports set three rates under current methodology
 - For example, a December 31, 2017 MED-13 sets rates effective on:

July 1, 2018	November 1, 2018	May 1, 2019
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- Cost reports not used to set rate paid for Medicaid days billed (interChange rate)
 - Cost report audits not complete at July 1; audited rate unavailable when interChange (iC) rate is calculated
- Audited rates set by cost reports are implemented into the true-up component of supplemental payments in the year after rates are effective (2017 cost reports implemented in SFY 19-20)

Current Reimbursement Methodology Timeline



EXAMPLE - Current Reimbursement Methodology Timeline



Example

Current Reimbursement Methodology

Facility	Audited Rate	iC Rate	Variance	Amount of Variance Funded by Supplemental Payment (70%)*	Total Rate Paid (iC Rate + Funded Variance)	Percent of Audited Rate Paid
Facility A	\$210.00	\$230.00	(\$20.00)	(\$20.00)	\$230 + (\$20) = \$210.00	100%
Facility B	\$190.00	\$230.00	(\$40.00)	(\$40.00)	\$230 + (\$40) = \$190.00	100%
Facility C	\$210.00	\$170.00	\$40.00	\$28.00	\$170 + \$28 = \$198.00	94%
Facility D	\$250.00	\$180.00	\$70.00	\$49.00	\$180 + \$49 = \$229.00	91%

* Positive variances are subject to available funding, limited by federal and state statute. Statutory hierarchy established to prioritize distribution of available funds. Variance between audited rate and iC rate is last to be funded.

Catalyst for Analysis

- Increase in number of negative rate true ups noted in SFY 2017-18 model
- Department began working with PFAB to explore causes and evaluate trends
- Preliminary analysis indicated growth in number of negative true ups resulted from:
 1. Unpredictable and fluctuating audited rates
 2. Distribution of iC rates inconsistent with distribution of audited rates

Exploring Alternate Methodologies

- The Department and the PFAB evaluated multiple alternatives to the current reimbursement methodology
- **Goal:** Identify a methodology that would equitably distribute available funds
- Scenarios that were explored included rebasing all current iC rates and a sub-set of current iC rates based on various statistics (most recent audited rates, Medicaid days, etc.)

Alternate Reimbursement Methodology

The Alternate Methodology

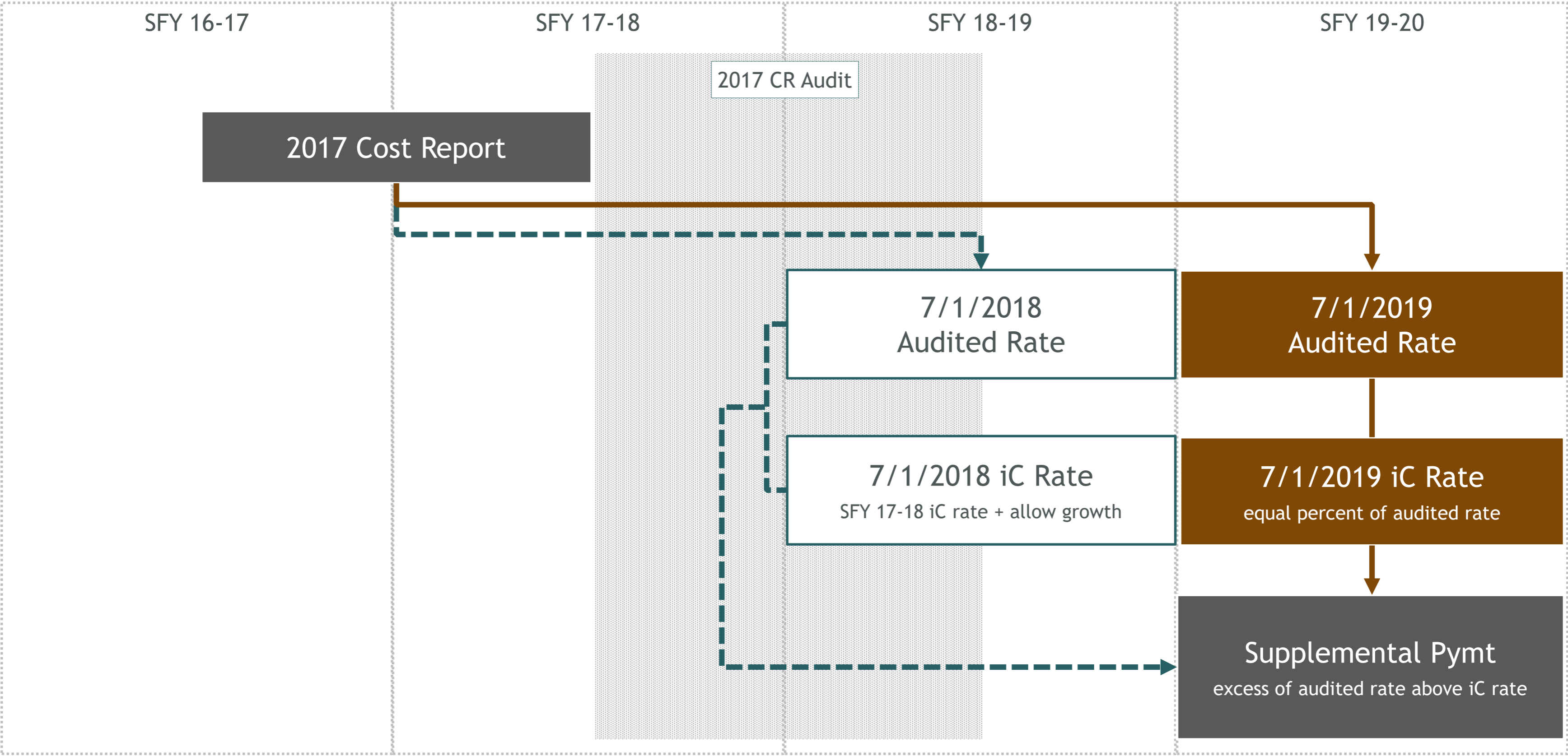
- **Solution:** Delay of rate effective dates by one year

December 31, 2017 cost report sets three rates effective:

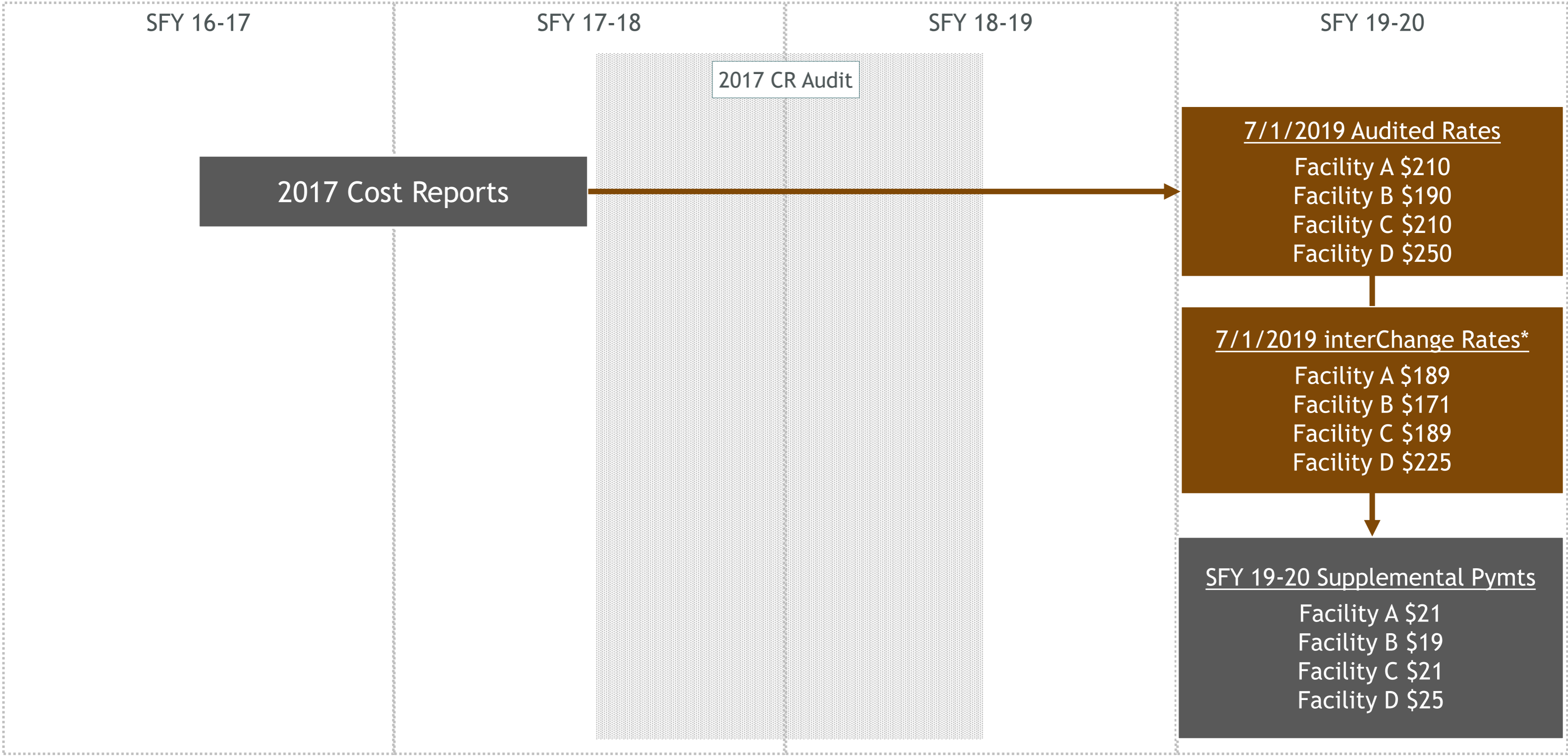
Current Methodology	Alternate Methodology
July 1, 2018	July 1, 2019
November 1, 2018	November 1, 2019
May 1, 2019	May 1, 2020

- Audited rate is used to calculate iC rate
- Audited rate is immediately implemented into the true up component of the supplemental payments

Alternate Reimbursement Methodology Timeline



EXAMPLE - Alternate Reimbursement Methodology Timeline



* An equal percentage of audited rates, dependent on available interChange dollars. (90% in this example.)

Example

Alternate Reimbursement Methodology

Facility	Audited Rate	iC Rate (90%) ^A	Variance	Amount of Variance Funded by Supplemental Payment (70%) ^B	Total Rate Paid (iC Rate + Funded Variance)	Percent of Audited Rate Paid
Facility A	\$210.00	\$189.00	\$21.00	\$15.00	\$189 + \$15 = \$204.00	97%
Facility B	\$190.00	\$171.00	\$19.00	\$13.00	\$171 + \$13 = \$184.00	97%
Facility C	\$210.00	\$189.00	\$21.00	\$15.00	\$189 + \$15 = \$204.00	97%
Facility D	\$250.00	\$225.00	\$25.00	\$18.00	\$225 + \$18 = \$243.00	97%

A - Percentage used to calculate iC rate will be equal to the statewide average iC rate dictated by statute (prior year plus allowable growth) divided by the average audited rate.

B - Percent funded subject to limited available dollars; year of implementation estimated to be low percent in comparison to recent years.

Comparison of Methodologies

	<u>Current Methodology</u>			<u>Alternate Methodology</u>		
	Audited Rate	Total Rate Paid	Percent of Audited Rate Paid	Audited Rate	Total Rate Paid	Percent of Audited Rate Paid
Facility A	\$210.00	\$210.00	100%	\$210.00	\$204.00	97%
Facility B	\$190.00	\$190.00	100%	\$190.00	\$184.00	97%
Facility C	\$210.00	\$198.00	94%	\$210.00	\$204.00	97%
Facility D	\$250.00	\$229.00	91%	\$250.00	\$243.00	97%

Modeling

Alternate Reimbursement Methodology

- Alternate methodology modeled for SFY 2017-18
- July 1, 2017 audited rates recalculated using alternate methodology
- **Caution:** Individual facility results for July 1, 2017 are not a predictor for July 1, 2019 due to changes to audited rates and interChange rates between years

Evaluation of Results

July 1, 2017 Alternate Methodology

- Equitable distribution of available iC funds
- Equitable distribution of available supplemental payment funds
- Timeline for incorporation of costs into reimbursement is consistent with current reimbursement methodology
- Retroactive, negative rate true-ups no longer necessary

Alternate Rate Calculation

What will be impacted?

- Rate calculation based upon three major inputs:
 1. Cost report period data (costs, inflation, facility-wide CMI, appraisal updates)
 2. Case mix data
 3. Appraisal data
- All components of the rate calculation dependent on the cost report period will be impacted by the alternate methodology.

Implementation Year Expectations

July 1, 2019 Implementation

- The Department is working toward implementing the alternate methodology on July 1, 2019
- At July 1, 2019, the following will occur:
 1. 2017 cost reports will be used to calculate audited rates
(Exception: 2018 cost reports for 1/31 and 3/31 fiscal year ends)
 2. The available supplemental payment dollars will be used to fund the retroactive rate true-up for 7/1/2018 as well as the variance between the 7/1/2019 audited rate and the 7/1/2019 interChange rate

interChange Rates

July 1, 2019

- The July 1, 2019 interChange (iC) rate will be calculated as a percent of the July 1, 2019 audited rate
- The percent used to calculate the iC rate will be consistent for all facilities and dependent on available funding
- **Estimate:** The percent will likely fall in the 90-94% of audited rates range

Supplemental Payments

SFY 2019-20

- The rate true-up component of the SFY 19-20 supplemental payments will include the following:
 1. Excess of the July 1, 2019 audited rate over the iC rate (all variances will be positive, since approx. 90-94% of audited rate will be funded through iC and the remaining 6-10% will flow to the supplemental payment calculation)
 2. Retroactive rate true-up for July 1, 2018 audited rate
- Supplemental payment funds are limited and the above two items will be equally reduced to accommodate availability

Implementation Year Example

	7/1/2019 Audited Rate	Percent of audited rate funded through interChange ^A	7/1/2019 iC Rate	Medicaid Days	SFY 19-20 iC Reimbursement	Variance between audited and iC
Facility A	\$210.00	90%	\$189.00	30,000	\$5,670,000	\$21.00
Facility B	\$250.00	90%	\$225.00	20,000	\$4,500,000	\$25.00

A - Percentage used to calculate iC rate will be equal to the statewide average iC rate dictated by statute (prior year plus allowable growth) divided by the average audited rate.

	2019 True-up				
	7/1/2019 Audited Rate	7/1/2019 iC Rate	Variance between audited and iC Rates	Medicaid Days	7/1/2019 Total True-Up
Facility A	\$210.00	\$189.00	\$21.00	30,000	\$630,000
Facility B	\$250.00	\$225.00	\$25.00	20,000	\$500,000

	2018 True-up				
	7/1/2018 Audited Rate	7/1/2018 iC Rate	Variance between audited and iC Rates	Medicaid Days	7/1/2018 Total True-Up
Facility A	\$200.00	\$220.00	(\$20.00)	30,000	(\$600,000)
Facility B	\$245.00	\$210.00	\$35.00	20,000	\$700,000

	7/1/2018 TRUE-UP			7/1/2019 TRUE-UP			SFY 19-20 Aggregate True-Up Supplemental Payment
	7/1/2018 Total True-Up	Percent Funded ^B	7/1/2018 True-Up Supplemental	7/1/2019 Total True-Up	Percent Funded ^B	7/1/2019 True-Up Supplemental	
Facility A	(\$600,000)	35% 100%	(\$600,000)	\$630,000	35%	\$220,500	(\$379,500)
Facility B	\$500,000	35%	\$175,000	\$700,000	35%	\$245,000	\$420,000

B - Percent funded subject to limited available dollars. 35% is used here for illustrative purposes only, and is not assumed to be the actual percent funded at July 1, 2019.

	SFY 19-20 iC Reimbursement	SFY 19-20 Aggregate True-Up Supplemental Payment	SFY 19-20 Total Reimbursement ^C
Facility A	\$5,670,000	(\$379,500)	\$5,290,500
Facility B	\$4,500,000	\$420,000	\$4,920,000

C - Includes interChange reimbursement and true-up component of supplemental payment only.

Resources

Tools

- **Webinar**
(<https://www.colorado.gov/pacific/hcpf/nursing-facility-provider-fee-advisory-board-pfab>)
- **One-Pager**
(<https://www.colorado.gov/pacific/hcpf/nursing-facility-provider-fee-advisory-board-pfab>)
- **Alternate Rate Tool**
(previously distributed via email)
- **2017 rate sheets and factors**
(<https://www.mslccolorado.com> [*must be white-listed to access secure portal*])

Alternate Rate Tool

July 1, 2019 Alternate Rate Tool Instructions

This tool is intended to assist in developing an understanding of the alternate rate setting methodology; it is NOT intended to calculate actual July 1, 2019 rates, nor the reimbursement impact of the alternate methodology.

The per diem rates and results calculated within this tool are NOT expected to reflect actual results and should not be relied upon to estimate fiscal impact or budget.

Most of the data necessary to calculate the July 1, 2019 rates was not available at the time of the development of this tool. As a result, estimates are necessary. Providers should use their knowledge of their own costs, case mix data, and appraisal information to estimate the required figures.

Data should be input only on the “Data Input” tab in the blue and grey cells. The blue cells reflect provider-specific information; the grey cells reflect statewide rate setting factors.

This tool contains formulas and calculations that are only applicable to the alternate methodology at July 1, 2019. Therefore, it should not be used for any other period, rate effective date, or purpose.

Data Input

Alternate Rate Tool

July 1, 2019 Alternate Rate Tool Data Input Form

Only populate data in blue and grey cells.

Provider-specific data in blue cells.

Rate factors contained in grey cells.

Component of the Rate	Element	Data																				
Provider Identifying Info	Provider name																					
	Provider number																					
Cost Report Info	Cost report start date	<table border="1"> <thead> <tr> <th>Date</th> <th>Month</th> <th>Day</th> <th>Year</th> </tr> </thead> <tbody> <tr> <td></td> <td>1</td> <td>0</td> <td>1900</td> </tr> <tr> <td></td> <td>1</td> <td>0</td> <td>1900</td> </tr> <tr> <td>Cost report end date</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Days in period</td> <td>1</td> <td></td> <td></td> </tr> </tbody> </table>	Date	Month	Day	Year		1	0	1900		1	0	1900	Cost report end date				Days in period	1		
	Date	Month	Day	Year																		
		1	0	1900																		
	1	0	1900																			
Cost report end date																						
Days in period	1																					

Cost report period that sets the 7/1/2018 rate under the current methodology. For most providers, this will be the 2017 cost report period.

Audited days from the cost report period identified in the previous step.

Statistical Info		<u>Source</u>	<u>Amount</u>	<u>Category</u>
Beds		this rate sheet p.4	0.00	60 beds or less
Total patient days		cost report		
Medicaid days		cost report		

Rate period		<u>Date</u>	<u>Month</u>	<u>Day</u>	<u>Year</u>
Rate effective start date		7/1/2019	7	1	2019
Rate effective end date		11/30/2019	11	30	2019
Midpoint of rate period		9/30/2019	9	30	2019

Value from 2018 appraisal.

FRV Component		Year	Amount	
Appraisal value		2018	[Redacted]	
Base rate		RED	Value	
Rental rate		7/1/2019 RED	[Redacted]	Likely 0.0825
		7/1/2019 RED	[Redacted]	
<i>Additions after appraisal:</i>		<u>Source</u>	<u>Index</u>	<u>Additions</u>
	Effective thru 7/1/2019	2018 appraisal	[Redacted]	N/A
	Effective after 7/1/2019	2017 CR (post app)	1.0000000	N/A
	Effective after 7/1/2020	2018 CR	1.0000000	N/A
	Effective after 7/1/2021	2019 CR	1.0000000	N/A

Per-bed maximum. Established in 1985 at \$25,000 per bed; inflated each year. 2017 maximum was \$97,894.

Inflation factor to bring 2018 appraisal forward to 2019. 2017 factor was 1.0111857.

Price established in 2016 and inflated each year through 2019.
2017 prices were \$70.60 (61 beds or more) and \$73.96 (60 beds or less).

A&G Component	<u>Source</u>	<u>Per Diem</u>
A&G price (60 beds or less)	7/1/2019 RED	[Redacted]
A&G price (61 beds or more)	7/1/2019 RED	[Redacted]

Audited cost data from cost report period previously identified.

Health Care Component	<u>Source</u>	<u>Amount</u>
DHC wages	1900 CR	[Redacted]
Total HC wages	1900 CR	[Redacted]
Total HC taxes & benefits	1900 CR	#DIV/0!
DHC taxes & benefits	1900 CR	[Redacted]
DHC expense	1900 CR	#DIV/0!
Total DHC expense	1900 CR	[Redacted]
Total HC expense	1900 CR	[Redacted]
Overall HC maximum	<u>RED</u> 7/1/2019 RED	[Redacted]
Maximum end date (end of SFY)	7/1/2019 RED	6/30/2020

Statewide maximum HC per diem. Established each year based on actual HC cost data from the median facility in the state. 2017 maximum was \$188.16 (non-state vets homes) and \$195.69 (state vets homes).

Average CMI recalculated every year. Based on CMI data for all facilities, all payers, all quarters of the cost reporting periods. 2017 average was 1.1623.

CMI Data		<u>RED</u>	<u>CMI</u>
Statewide average CMI		7/1/2019 RED	[Redacted]
<i>Facility-wide:</i>		<u>Quarter</u>	<u>CMI</u>
First quarter of CR period		4/1/2017	[Redacted]
Second quarter of CR period		7/1/2017	
Third quarter of CR period		10/1/2017	
Fourth quarter of CR period		1/1/2018	
<i>Medicaid:</i>		<u>Quarter</u>	<u>CMI</u>
First quarter for rate period		1/1/2019	[Redacted]
Second quarter for rate period		4/1/2019	

Average CMI (all payers) for each quarter of the cost report period previously identified.

Average Medicaid CMI for the quarters shown.

Indices published quarterly by iHS Global Insight. Future projections likely to change in later publications. 2017 factors posted on COLTCO.

Inflation Indices		<u>Date</u>	<u>Index</u>
	Midpoint of rate index	9/30/2019	[Redacted]
	Midpoint of CR index	7/31/2017	[Redacted]

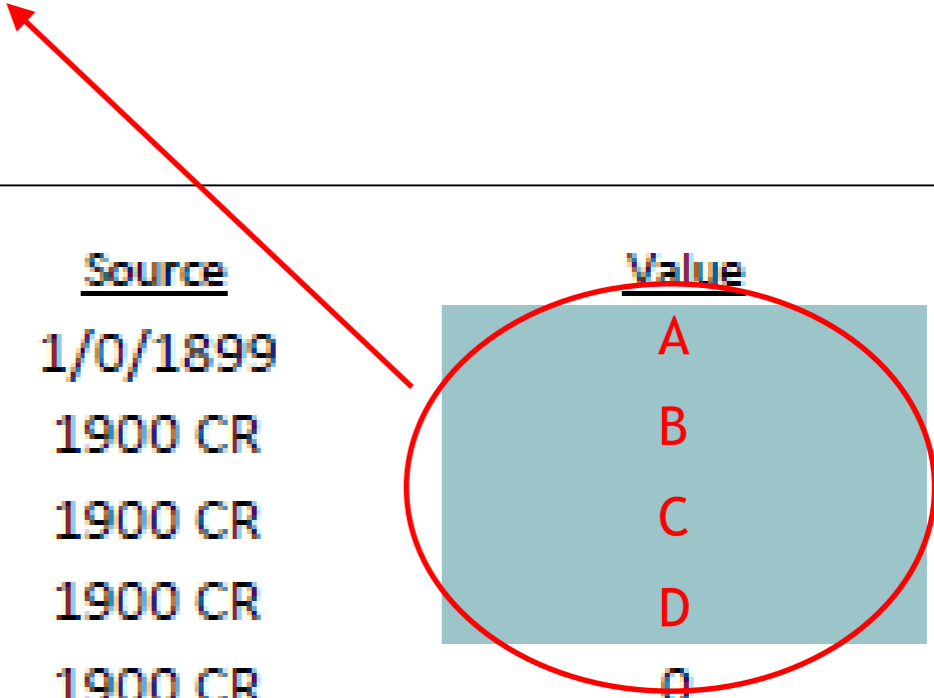
Prior year CMI data from page 2 of 7/1/2017 audited rate sheet.

Prior Year HC Data	<u>Source</u>	<u>Value</u>
PY statewide avg CMI	7/1/2017 RED	1.1623
PY facility-wide avg CMI	7/1/2017 RED	[REDACTED]
PY Medicaid avg CMI	7/1/2017 RED	#DIV/0!
PY normalization ratio	7/1/2017 RED	#DIV/0!
PY Medicaid ratio	7/1/2017 RED	0.0000
PY facility-specific ratio	7/1/2017 RED	[REDACTED]
PY direct HC per diem	7/1/2017 RED	[REDACTED]
PY indirect HC per diem	7/1/2017 RED	[REDACTED]


Prior year per diems from page 1 of 7/1/2017 audited rate sheet.

- A - Licensed beds on day before beginning of cost report period previously identified.
- B - “Yes” if beds changed during the cost report period previously identified.
- C - If yes, date of bed change during cost report period.
- D - If yes, increase or (decrease) in number of licensed beds.

Bed Change Data		<u>Source</u>	<u>Value</u>
	Beds at prior year end	1/0/1899	A
	Bed change? (yes/no)	1900 CR	B
	Date of bed change	1900 CR	C
	Increase/(decrease) to beds	1900 CR	D
	Bed days available per Sch M	1900 CR	0
FRV Appraisal Update Info	Appraisal update? (yes/no)	yes	
	Total additions	N/A	



Percentage of audited per diems funded by interChange rates under alternate methodology. Estimated to be between 90% - 94%.

Results Info	interChange percent SFY18-19 iC rate	
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interChange rate effective July 1, 2018.

One-Pager

- Synopsis of changes and contact information
- Has been distributed via multiple venues, available for additional distributions
- Posted to the Department's website

Contacts

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Thank You!