

Schedule 13

Funding Request for the FY 2022-23 Budget Cycle

Health Care Policy and Financing

Request Title

S-20 Skilled Nursing Facility Enhanced Payments

Dept. Approval By:

BL

X

Supplemental FY FY 2021-22

OSPB Approval By:

Meredith Moon

Budget Amendment FY FY 2022-23

Summary Information	Fund	FY 2021-22		FY 2022-23		FY 2023-24	
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request	
	Total	\$9,986,396,763	\$20,001,000	\$10,030,888,474		\$0	\$0
	FTE	0.0	0.0	0.0		0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,403,780,422	\$10,000,500	\$2,606,498,025		\$0	\$0
	CF	\$1,196,746,162	\$0	\$1,141,406,685		\$0	\$0
	RF	\$83,318,813	\$0	\$88,434,406		\$0	\$0
	FF	\$6,302,551,366	\$10,000,500	\$6,194,549,358		\$0	\$0

Line Item Information	Fund	FY 2021-22		FY 2022-23	FY 2023-24	
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
02. Medical Services Premiums - Medical Services Premiums						
	Total	\$9,986,396,763	\$20,001,000	\$10,030,888,474	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$2,403,780,422	\$10,000,500	\$2,606,498,025	\$0	\$0
	CF	\$1,196,746,162	\$0	\$1,141,406,685	\$0	\$0
	RF	\$83,318,813	\$0	\$88,434,406	\$0	\$0
	FF	\$6,302,551,366	\$10,000,500	\$6,194,549,358	\$0	\$0

Auxiliary Data			
Requires Legislation?	YES		
Type of Request?	Health Care Policy and Financing Prioritized Request	Interagency Approval or Related Schedule 13s:	None



Department Priority: S-20
Request Detail: Skilled Nursing Facility Enhanced Payments

Summary of Incremental Funding Change for FY 2021-22			
		Incremental Change	
	FY 2021-22 Appropriation	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$9,986,396,763	\$20,001,000	\$0
FTE	0.0	0.0	0.0
General Fund	\$2,403,780,422	\$10,000,500	\$0
Cash Funds	\$1,196,746,162	\$0	\$0
Reappropriated Funds	\$83,318,813	\$0	\$0
Federal Funds	\$6,302,551,366	\$10,000,500	\$0

Summary of Request

The Department of Health Care Policy and Financing (department, HCPF) requests funding to address the immediate term staffing crisis impacting Colorado’s skilled nursing facilities (SNFs). This funding supports the department in working with the skilled nursing facility industry to develop a longer-term sustainability strategy. This request requires statute changes to allow the department to make these payments to nursing homes, since the reimbursement structure for nursing homes is fully outlined in statute. In particular, the department needs language added to section 25.5-6-202, C.R.S. to specify that these payments are allowable reimbursements to nursing homes.

Current Program

Nursing homes provide a residential environment where individuals receive skilled care to ensure their health, safety, and well-being. Most individuals living in a nursing facility are older and aging adults. Nursing homes also serve in some cases as short-term rehabilitation for individuals recovering from injury/illness or those who have disabilities. The department is appropriated \$734.8 million to pay the per diem costs for Medicaid members living in a Class I Nursing Facility.

Over the course of the pandemic, skilled nursing facilities (SNFs) in Colorado received approximately \$120 million in federal support. The federal government announced an opportunity to apply for additional federal relief funding in fall 2021. However, it is unclear to providers the algorithm that will be used to calculate payments or when the payments will be distributed.

Colorado provided \$44 million in enhanced payments to Medicaid SNFs from May 2020 through June 2021. The department is also requesting \$4.8 million total funds in BA-7, “Increase Base Wage for Nursing Homes,” to ensure that all workers in nursing facilities receive a base wage of \$15 per hour. If approved, this funding will be available for nursing facility providers each year ongoing from July 2022. This will allow the department to further support the financial stability of workers in nursing homes in Colorado and ensure that patients have an adequate provider network to meet their needs.

The Governor has given the State Emergency Operations Center the Wildly Important Goal of staffing 250 nursing facility beds by December 15, 2021. While this effort is critical to responding to the need for hospitals to decompress, the solution is urban-centric only and the staffing support is temporary.

Problem or Opportunity

Colorado Medicaid nursing skilled facilities report they are turning away requests for admission, particularly requests from hospitals, because they cannot afford to staff their facilities. The State Emergency Operations Center’s data confirms this, showing over 300 people stuck in hospitals ready to discharge. The SNF industry asserts that staffing agencies are charging a significant fee for workers, resulting in many facilities operating in the “red” despite the widespread request for their services.

Staffing is just one of the many significant issues facing the SNF industry as an outcome of the COVID-19 pandemic. Large nursing facilities experienced the highest numbers of deaths from COVID-19. In addition, rural and frontier communities are at largest risk for experiencing “care deserts”. The department’s data shows that nursing facilities have not rebounded to pre-pandemic expenditure levels, and that rural and frontier facilities continue to experience a

downward expenditure trend placing their long-term solvency at risk. On top of that, there have been more divestitures and acquisitions in the past two years than in the decade prior. The statutorily defined reimbursement methodology has impeded the department's ability to drive strategic long-term changes.

Proposed Solution

The department requests \$20,001,000 in FY 2021-22, including \$10,000,500 General Fund in order to address staffing and other pandemic-driven issues in skilled nursing facilities. This requires a statute change to establish the payment as part of the nursing home reimbursement methodology. In addition, the department requests that the General Assembly grant rollforward authority on unspent funds appropriated in FY 2021-22 to FY 2022-23.

Workforce and Industry Sustainability

To support hiring and retaining workforce, the department requests \$17,588,000 in one-time payments to nursing homes. These one-time payments will be paid out on the basis of Medicaid utilization similar to the distribution used in previous enhanced payments made to nursing homes under Executive Order during the public health emergency.

In providing the SNF industry with one-time payments, the department will direct the industry to engage with the department on the development of a sustainability strategy. The sustainability strategy must include a discussion on ongoing rate methodology changes and development of a new reimbursement model that recognizes high needs patients and a discussion on how to best move the care delivery model towards more diversified care service offerings for people with complex long-term needs. This will diversify and stabilize owner revenue streams and allow for cross coverage of fixed overhead costs. Care service product expansion might include smaller care settings, more individualized settings, day services, personal care alternatives, and other trending service delivery models.

Hospital Discharge Incentives

The department requests \$2,413,000 in funding to be used for the creation of incentives to encourage SNFs to admit members from hospitals. The incentives will be paid on an adjustable scale for discharges. This includes a \$1,200 payment per typical discharge of a Medicaid member. Acceptance of a hospital discharge of a complex Medicaid member would result in an \$8,500 for high needs defined as PASRR Level II (individuals with an intellectual or developmental disability or mental health diagnoses); and/or persons with a hospital stay 14 plus days post discharge ready for determination and deemed as a challenging placement by the department and/or its contracted entities. The requirements for receipt of this money will be that the member must remain at the facility for at least 60 days following initial transition or transition to a community-based placement within the same time period. Discharge back into a hospital or hospital-like

setting will result in loss of incentive payment. Payments will be based on each facility’s share of effort.

Rollforward Authority

The department requests rollforward funding on these payments to allow for flexibility since it is still uncertain when the department will be able to successfully receive a federal match to the requested funds, given the condensed timeline of supplemental requests and the complex process behind requesting a federal match. There is a possibility that the projected timeline above may be delayed by months while the department works to secure federal funds for the proposed nursing facility supplemental payments.

Evidence Continuum

The department believes this request is on Step 3 of the continuum level based on pre-post evaluations of addressing staffing needs in the direct care workforce. In particular, this request addresses the immediate staffing shortage within nursing facilities due to the COVID-19 pandemic.

Theory of Change	Investing in the direct care workforce will result in increased recruitment and retention of employees, which in turn leads to ongoing and greater access to care for nursing home utilizers.
Program Objective	Increase hiring and improve retention rates and decrease vacancies within the direct care workforce.
Outputs Being Measured	Hire rates, turnover rates, provider feedback
Outcomes Being Measured	Ongoing and increased access to care for nursing home utilizers, particularly in rural areas and other care deserts, measured through provider network capacity and provider retention.
Cost/Benefit Ratio	N/A
Evaluations	Pre-Post
Results of Evaluation	A recent economic analysis found that raising wages for direct care workers to a living wage would decrease turnover and increase the quality of care, while also dramatically speeding up local economic growth and simultaneously lowering costs to public programs, such as Medicaid (Weller, Almeida, Cohen & Stone, 2020). The State of Wyoming experienced a dramatic decrease in turnover rates of workers from an average of 52 to 32 percent after state funding was allocated to increase wages (Lynch, Fortune, Mikesell, & Walling, 2005; Sherard, 2002). San Francisco County nearly doubled the wages of home care workers over a 52-month period, and within that time, annual turnover decreased from 70 to 35 percent (Howes, 2005).
Continuum Level	Step 3

Anticipated Outcomes

This approach allows the department to address the immediate crisis while also requiring the funds to be used to move the SNF industry to evolve in ways that best meet the needs of Colorado and better ensure long-term viability. This approach will also be used to frame a recommendation for how to change the nursing facility reimbursement in the long term.

Funding this request supports the department's goal to improve member access to affordable, high-quality care, which is one of the pillars in the FY 2021-22 performance plan. The department expects that providing supplemental payments to nursing facilities will increase access to care in the nursing home setting by increasing provider capacity.

Assumptions and Calculations

Workforce and Industry Sustainability

The one-time payments are to be paid out on the basis of Medicaid utilization similar to the distribution used in previous enhanced payments to nursing homes during the public health emergency. The department anticipates paying out two separate one-time payments.

Hospital Discharge Incentives

The department calculates that it would pay out \$2,413,000 in hospital discharge incentives. This estimate assumes that approximately 200 Medicaid members waiting to be accepted into a nursing facility would meet the criteria of a complex Medicaid member.

Supplemental, 1331 Supplemental or Budget Amendment Criteria

This request is the result of an unforeseen contingency; specifically, the continuous adverse effects of the pandemic on nursing facilities. Due to the ongoing public health emergency, nursing facility expenditures have not bounced back to pre-pandemic amounts as originally expected and need additional support to maintain financial stability.

S-20 Skilled Nursing Facilities Enhanced Payments
Appendix A: Assumptions and Calculations

Table 1 Summary by Line Item FY 2021-22									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Medical Services Premiums	\$20,001,000	0.0	\$10,000,500	\$0	\$0	\$10,000,500	50.00%	Table 2
B	Total Request	\$20,001,000	0.0	\$10,000,500	\$0	\$0	\$10,000,500	50.00%	Row A

S-20 Skilled Nursing Facilities Enhanced Payments
Appendix A: Assumptions and Calculations

Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Workforce and Industry Sustainability	\$17,588,000	0.0	\$8,794,000	\$0	\$0	\$8,794,000	50.00%	Table 3.1 Row B
B	Hospital Discharge Incentives	\$2,413,000	0.0	\$1,206,500	\$0	\$0	\$1,206,500	50.00%	Table 3.2 Row G
C	Total Request	\$20,001,000	0.0	\$10,000,500	\$0	\$0	\$10,000,500		Row A + Row B

S-20 Skilled Nursing Facilities Enhanced Payments
Appendix A: Assumptions and Calculations

Table 3.1 Workforce & Industry Sustainability Payments FY 2021-22			
Row	Item	Amount	Source
A	Workforce and Industry Sustainability Payment	\$17,588,000	Assumed
B	Total	\$17,588,000	Row A

Table 3.2 Estimated Hospital Discharge Incentive Payments FY 2021-22			
Row	Item	Amount	Source
A	Non-Complex Medicaid Member Discharge Rate	\$1,200	Based on current department data
B	Estimated Number of Medicaid Members Discharged	594	Based on current department data
C	Total Non-Complex Member Payments	\$713,000	Row A * Row B
D	Complex Member Discharge Rate	\$8,500	Based on current department data
E	Estimated Number of Complex Members Discharged	200	Based on current department data
F	Total Complex Member Payments	\$1,700,000	Row D * Row E
G	Total Hospital Discharge Incentive Payments	\$2,413,000	Row C + Row F