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STATE OF OKLAHOMA

OKLAHOMA HEALTH CARE AUTHORITY

Agenda
Rates & Standards Hearing
October 11, 2010
2:30 P.M.
OHCA PONCA CONFERENCE ROOM

Rates to be addressed:

Nursing Facility Services

Nursing Facilities Serving Aids Patients

Outpatient Hospitals Supplemental Payments

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Oklahoma Health Care Authority
Financial Services Division
Presentation to State Plan Amendment Reimbursement Committee
Proposed Reimbursement for Regular Nursing Facilities
October 11, 2010

Background

Under the State Plan as amended to meet the requirements of Title 56, §1011.5 and Title 63, §1928 of the Oklahoma Statutes, nursing facilities are paid in the following manner. A facility specific rate is established for each home that is the combination of four components. The four components are:

- Base Rate Component
- Focus on Excellence Performance Measure Component
- Direct Care Component
- Other Costs Component

Under the current methodology the rate components are established in the following manner:

1. The base rate component is $103.20, the rate in effect at 06-30-05. The base rate was established by legislation in SFY 2004.
2. The Focus on Excellence Component is an amount awarded for a point earned under the Focus on Excellence program and is established as 1% of the total of the Base Rate and Other Cost Components. The rate component is currently $1.09 per point. A facility may earn from 0 to 5 points. The current average component is $2.44 per day.
3. The Other Cost Component is a statewide rate (the same for all facilities) and is determined by dividing 30 % of the total funds available after meeting the requirements for the Base Rate and Focus on Excellence Components by the total estimated Medicaid Days. The current Component amount is $6.03 per patient day.
4. The Direct Care Component is facility-specific and is determined by allocating 70% of the funds available after meeting the requirements for the Base Rate and Focus on Excellence components to each facility based on their relative expenditures for direct care. The current average component is $14.08 per patient day.
5. The total average rate for the above components is $ 125.75.

Proposed Changes for Review

The following changes, effective November 1, 2010, are being proposed in the methodology to establish the rate components.

1. When enacted by the legislature and approved by CMS, OHCA staff is requesting approval to add any resulting increase in the Quality of Care Fee to the Base Rate. The increase will be determined in advance of the rate period and will be set at the maximum allowed by both state and federal legislation.
2. OHCA staff is requesting approval to amend the state plan to increase the Quality of Care fee to the maximum allowed by both federal and state legislation. At the current time the rates are frozen so no actual component change would occur (i.e. the component will remain at $6.70 per patient day).
3. OHCA staff is requesting approval to amend the State Plan to incorporate a waiver of uniformity for the Quality of Care Fee. The waiver language has been reviewed by CMS and verbal approval has been given. The waiver will leave the fee frozen at the current amount of $6.70 PPD for the following facilities:

a. Facilities that are licensed or have made application by November 1, 2010 and subsequently receive licensure as "Continuum of Care" facilities. A Continuum of Care (COC) Facility is one that offers day care, assisted living and regular nursing home care.
b. Facilities that have 50,000 or more Medicaid patient days in the most recent State Fiscal Year (as reported and paid in the MMIS system).

All other facilities will pay the maximum amount allowed by state and federal legislation. We currently have 12 licensed COC Facilities and 1 facility with 50,000 or more Medicaid patient days, which make up approximately 4% of the facilities.

4. OHCA staff is requesting approval to amend the state plan for the rate period beginning November 1, 2010 to change the pool amount to reflect the current available funds. This entails changing the pool amount from $99,248,541 to $95,607,577.

The proposals would result in the following rate component changes for the period beginning 11-01-10.

- The Base Rate Component would remain the same at $103.20.
- The component amount awarded for a point earned under the Focus on Excellence program will remain at $1.09 per patient day (PPD). The average estimated payment will change from $2.44 to $2.73 PPD.
- The Other Costs Component will change from $6.03 PPD to $5.95 PPD.
- The average Direct Care Component will change from $14.08 PPD to $13.87 PPD.
- The total minimum and maximum rates from this re-allocation will change from a range of $117.84 to $132.38 to a rate range of $116.59 to $131.90 and the estimated average rate will remain the same at $125.75 PPD.
- No changes will occur in the Base Rate for the Quality of Care Fee until such time as the Oklahoma Legislature passes legislation allowing change to the fee which is now frozen at the $6.70 PPD amount.

Access to services should not be disrupted because at the current time the overall occupancy rate for this facility type is 68%.

Budget Impact

The net effect of the re-allocation of funds and estimate of days of service will be to decrease Medicaid expenditures by $ 11,264,963 ($ 3,949,496 in appropriated state funds). The reduction is due to the reduction in expected service days as has been the case with this population for the last ten years.

OKLAHOMA HEALTH CARE AUTHORITY
PROPOSED RATES FOR 11-01-10
RATE COMPONENT DETERMINATIONS
REGULAR NURSING FACILITIES

9/1/2010

FOCUS ON EXCELLENCE	Earned	Percent of	Weighted
97.01% Participating Facilities	Percentage	Facilities	Points
0 Points Earned	0%	0.0137	0
1 to 2 Points Earned	1%	0.2055	0.0021
3 to 4 Points Earned	2%	0.2774	0.0055
5 to 6 Points Earned	3%	0.2534	0.0076
7 to 8 Points earned	4%	0.1986	0.0079
9 to 10 Points earned	5%	0.0514	0.0026
		1.0000	0.0257
At 97.01%			2.50%

UPL Available	$ 125.75
Base Rate	$ 103.20
Balance for Pool and Tiered	$ 22.55

X = Pool Amount

$22.55 =X + ($103.20+ 3X) Times.0250
or $22.55 = X + $2.58 + .0075X
or $19.97 = 1.0075X
or X = 19.97/1.0075
or X = 19.82

Tiered Amount(=$22.55 less$19.82)		$ 2.73
Other Component Amount (Thirty Percent of $19.82)		$ 5.95
Direct Care Component (Seventy Percent of $19.82)		$ 13.87
Total		$ 22.55
Incentive Point Amount	(one percent of $5.95 + $103.20)	$ 1.09

Estimated Days for Regular NF	4,823,793
Base Rate Component Amount	$ 497,815,438
Other Rate Component Amount	$ 28,701,568
Incentive Payment Component Amount	$ 13,168,955
Direct Care Rate Component Amount	$ 66,906,009
Total Rate Amount	$ 606,591,970
Per Day	$ 125.75
Total Pool Amount (Other plus Direct Care)	$ 95,607,577
Pool Amount in Current State Plan (04-01-10 Rates)	$ 99,248,541
Difference	$ (3,640,964)
Estimated Patient Spend-down (19.65%)	$ 119,195,322
Net OHCA Portion	$ 487,396,648
04-01-10 Component	$ 498,661,611
Difference (111,490 days at current rate less spend-down)	$ (11,264,963)

OKLAHOMA HEALTH CARE AUTHORITY
CURRENT RATES FOR 04-01-10
RATE COMPONENT DETERMINATIONS
REGULAR NURSING FACILITIES

9/1/2010

FOCUS ON EXCELLENCE	Earned	Percent of	Weighted
95.0% Participating Facilities	Percentage	Facilities	Points
0 Points Earned	0%	0.0414	0
1 to 2 Points Earned	1%	0.2103	0.0021
3 to 4 Points Earned	2%	0.2759	0.0055
5 to 6 Points Earned	3%	0.3069	0.0092
7 to 8 Points earned	4%	0.1379	0.0055
9 to 10 Points earned	5%	0.0276	0.0014
		1.0000	0.0237
At 95 %			2.25%

UPL Available	$	125.75
Base Rate	$	103.20
Balance for Pool and Tiered	$	22.55

X = Pool Amount

$22.55 =X + ($103.20+ 3X) Times.0225
or $22.55 = X + $2.32716 + .00675X
or $20.24934 = 1.00675X
or X = 20.24934/1.00675
or X = 20.11

Tiered Amount(=$22.55 less$20.11)	$	2.44
Other Component Amount (Thirty Percent of $20.11)	$	6.03
Direct Care Component (Seventy Percent of $20.11)	$	14.08
Total	$	22.55
Incentive Point Amount (one percent of $6.03 + $103.20)	$	1.09

Estimated Days for Regular NF		4,935,283
Base Rate Component Amount	$	509,321,206
Other Rate Component Amount	$	29,759,756
Incentive Payment Component Amount	$	12,042,091
Direct Care Rate Component Amount	$	69,488,785
Total Rate Amount	$	620,611,837
Per Day	$	125.75
Total Pool Amount (Other plus Direct Care)	$	99,248,541
Estimated Patient Spend-down (19.65%)	$	121,950,226
Net OHCA Portion	$	498,661,611

OKLAHOMA HEALTH CARE AUTHORITY
RATE COMPARISONS 04-01-10 VERSUS 11-01-10
REGULAR NURSING FACILITIES

9/1/2010	Current Rates	04-01-10		Proposed Rates	11-01-10	
Rate Components	**4/1/2010**	**Minimum**	**Maximum**	**11/1/2010**	**Minimum**	**Maximum**
Base Rate Component	$ 103.20	$ 103.20	$ 103.20	$ 103.20	$ 103.20	$ 103.20
Other Cost Component	$ 6.03	$ 6.03	$ 6.03	$ 5.95	$ 5.95	$ 5.95
Direct Care Cost Component	$ 14.08	$ 8.61	$ 17.70	$ 13.87	$ 7.44	$ 17.30
Incentive Rate Component	$ 2.44	$ -	$ 5.45	$ 2.73	$ -	$ 5.45
Total Rate	$ 125.75	$ 117.84	$ 132.38	$ 125.75	$ 116.59	$ 131.90

Oklahoma Health Care Authority
Financial Services Division
Presentation to State Plan Amendment Reimbursement Committee
Proposed Reimbursement Method for Nursing Facilities Serving Aids Patients
October 11, 2010

Background

Under HB 2842 the Legislature directed the Authority to develop a graduated or tiered reimbursement methodology for calculating state Medicaid program reimbursement. The Authority through it's approved methodology also must meet the requirements in Titles 56 and 63 of the Oklahoma Statutes as amended through HB2019 (the Quality of Care Fee legislation) and SB 1622 (the facility specific Direct Care Staffing legislation).

Under the current methodology the rate components for Aids patients in nursing facilities are as follows:

- The Base, the rate which was established under the Quality of Care Fee Legislation and enhanced through previous plan changes for inflation. The current rate is $177.93 established as of April 1, 2010. Included in the base rate is the quality of care fee for nursing facilities, currently set at $6.70 per day and frozen at that amount by legislation.
- The Focus on Excellence Performance Measure Component. The Aids only facilities are considered the same as regular facilities for this program. This component is the same as that used for all facilities participating the program meaning each facility may earn from one to five percentage points (based on relative scores) at $1.09 per point.

Proposed Reimbursement Methodology changes for the period beginning November 1, 2010

For the period beginning 11-01-2010 the Authority will pay rates that are a combination of the two components currently in use, the base rate and the focus on excellence incentive components.

(a) *Base Component Value*: The base component will be the difference in the reported costs from the SFY 2009 cost report data for the one aids-only facility and the reported cost for all regular nursing facilities plus the current average rate for regular facilities (not including incentive amounts). This amount would be $178.64 ($193.79 less $138.17 plus $123.02). We request the base component value be approved at $178.64 for the period beginning 11-01-10, as defined above.

(b) *Base Component Value:* When the legislature passes amendments to the statutes to unfreeze the Quality of Care Fee OHCA staff is requesting approval to add the increased fee amounts to the base rate. Under federal law this is an allowable cost.

Budget Impact

The cost for the above change in the base rate is $6,401 ($2,244 in state funds) for the 9,016 days at $.71 PPD difference. When and if the quality of care fee is unfrozen the base rate will be increased to cover that amount and staff will initiate a new Rates and Standards Hearing to approve any increases in rates made available from additional collections.

Oklahoma Health Care Authority
Financial Services Division
Presentation to State Plan Amendment Reimbursement Committee
Elimination of Supplemental Payment in Outpatient Hospitals
October 11, 2010

Background

In SFY06, the ratio of Medicaid outpatient payments to costs was approximately 80 percent. The intent of the supplemental payments was to address the overall payment disparity and the following additional agency objectives:

- To create incentives for appropriate use of the outpatient setting as providers shift from inpatient to outpatient care;
- To provide partial compensation for services that are extremely costly and ensure access to appropriate clinical treatments for Medicaid beneficiaries; and
- To ensure sufficient reimbursement to small rural hospitals and critical access hospitals.

To achieve the above objectives, in January 1, 2007, all in-state hospitals could qualify for a supplemental payment adjustment for outpatient services.

Proposed Elimination of Supplemental Payment Effective October 1, 2010

The outpatient hospital supplemental payments were temporary. The agency's goal was to increase payment rates through the system. Over a period of time, the agency has been able to allow coverage of new codes under observation and APC procedures.

Budget Impact

There is no budget impact to the agency as this payment is being eliminated.