
Nursing Facility Medicaid Reimbursement & Funding Issues

Legislative Health and Human
Services Committee
October 21, 2014

Presented by
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Nursing Facility Medicaid Reimbursement & Funding Issues

■ Background

- In NM there are 71 Medicaid certified nursing facilities who serve an estimated 5500-6000 patients. Medicaid finances care for approximately 3500-4000 patients.
- 90% of nursing facilities provide both Medicare and Medicaid.
- In New Mexico, median occupancy is 83.3%.
- The average Medicaid daily rates posted on the state website and adjusted following July 1 increases:
 - State Operated Facilities Low NF \$314.24 High NF \$530.70
 - Non-State Operated Facilities Low NF \$160.50 High NF \$251.46

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July, 2013 Committee Update

- **Last Interim – Our update to the Committee Requested Funding for:**
 - **ACA Costs of \$5,169,545 = State Share \$1,602,559**
 - **2.7% Inflation Adjustment of \$6,075,000 =
State Share \$1,883,250**

- **Total State Request for FY 2015
\$3,500,000**

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October, 21, 2014 Update

FY15 Budget Included \$5 million for Provider Increases for Personal Care Option & Nursing Facilities.

- ***\$2 million allocated for Nursing Facilities resulted in a 3.65% rate increase (including GRT) for Nursing Facilities effective July 1, 2014. Medicaid advised that actuaries prepared the calculation, but we could not precisely validate calculations because Medicaid managed care rates paid to facilities are not available to the public.***
- ***New rates effective July 1, 2014 were not loaded by managed care organizations (MCOs) until late September/October; most of the reprocessing of claims back to July 1 has recently been completed, some adjustments are still pending.***

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October 21, 2014 Update (cont.)

The July 1 increase is so much appreciated. The appropriation has been critically important because of a number of negative impacts that came with implementation of Centennial Care effective January 1st. These impacts include:

1. ***A decision by Medicaid to change their nursing facility level of care criteria, an impact of a projected \$30 million reduction in nursing facility Medicaid payments from Managed Care Organizations (MCOs).***
2. ***Problems with Centennial Care MCO payment system and a lack of understanding of the long term care program caused claims to not be paid properly, level of care determinations to be delayed weeks beyond the 5 day turnaround standard, etc. Speaking for long term care facilities, this implementation has been and continues to be a challenge, and much more difficult than CoLTS implementation in 2008-2009.***
3. ***Eligibility and payment delays continue to plague both providers and the managed care system as a result of the ASPEN system which still does not operate accurately. Likewise, backlogs in eligibility determinations at county Income Support Division offices delay billing and payment.***

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October 21, 2014 Update (cont.)

1. Level of Care Criteria
 - Rates for two levels of care: high nursing facility care and low nursing facility care.
 - In August, 2013, New Mexico Health Care Association (NMHCA) representatives were invited to a meeting with one of Centennial Care Implementation Work Groups initiated by Medicaid. The work group consisted of Medicaid staff and two medical directors of Centennial Care contracted companies. The work group was proposing a change in criteria to restrict the number of patients who qualified for high nursing facility services.
 - Only minimal input was accepted from providers, and the work group stated that financial impact, when raised as a significant impact on facility operations and patient care, was not a consideration in their group's charge. A request to model the impact of changes was refused by Medicaid. However, by October of 2013, NMHCA had involved facility assessment nurses in a project to model the impact.

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October 21, 2014 Update (cont.)

Level of Care Criteria Continued

- Medicaid high nursing facility care is paid on average \$91 per patient day higher than low nursing facility care in non-state operated facilities. In State operated facilities, the difference is double.
- Criteria changes on patient conditions required for high nursing facility care have severely restricted the number of patients who qualify for high nursing facility level of care.
- Assessment nurses evaluated current patients in a large sample of facilities and projected the impact on a statewide level. Based on the rate differential, the projected reduction in payments to nursing facilities is \$30,000,000 annually.
- The result has threatened facility solvency statewide, caused reductions in necessary staffing and services, and virtually stopped facility capital improvement programs to upgrade facilities and equipment.

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October 21, 2014 Update (cont.)

- Very heavy care patients require care and services that low rates do not support.
- After repeated meetings with Medicaid we have just recently been told a partial fix is in the works. However, we do not know what financial restoration will be made with the change.
- The Department and facilities agree that a new payment system is needed, but I understand no funding has been requested to develop and implement a system to develop rates based on patient needs. Currently, case mix systems for payment operate in over 30 state Medicaid programs.

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Medicaid Funding Necessity

- Sustainable funding is critical for Quality of Life and Quality of Care for Patients/Residents as well as nursing facility viability
- Net Income margin for nursing facilities is less than 1% by van der Walde & Co. (2012)
- Medicare cuts in the past 24-36 months and conversion to Medicare Advantage Plans results in a dramatic reduction in skilled nursing facility revenue that has subsidized Medicaid underfunding.
- 65-75% of nursing facility costs are for staff salary and benefits

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October 21, 2014 Update

Total State & Federal Underfunding #s

- **2012 Cost Report #s Inflated to 2014 Cost Levels (3.5% annual inflation less 3.65% July 1, 2014 increase) for state and non-state operated nursing facilities less July 1 Increase totals**
\$14-14.8 million total dollars
 - **Restoration of Funding due to Level of Care Criteria \$30 million**
 - **2.5% Inflation Estimated for July 1, 2015 Rates \$6.5-7 million**
 - **TOTAL Sustainable Funding Including New Payment System Design \$50.5-51.8 million**
- State Share \$ 16.2- 16.6 million**

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