

2018 Regular Session

SENATE BILL NO. 531

BY SENATOR MILKOVICH

NURSING HOMES. Provides relative to the reimbursement methodology for nursing homes. (8/1/18)

1 AN ACT

2 To amend and reenact R.S. 46:2742, relative to the reimbursement methodology for nursing
3 homes; to provide for utilization of funds; and to provide for related matters.

4 Be it enacted by the Legislature of Louisiana:

5 Section 1. R.S. 46:2742 is hereby amended and reenacted to read as follows:

6 §2742. ~~Case~~ **Medicaid patient case** mix reimbursement

7 A. The Louisiana Department of Health shall establish a **Medicaid patient**
8 case mix reimbursement methodology for nursing homes.

9 B. No later than October 1, ~~2010~~ **2018**, the department shall promulgate rules
10 and regulations in accordance with the Administrative Procedure Act to provide for
11 a **Medicaid patient** case mix reimbursement system. The rules and regulations ~~shall~~
12 **may** include, ~~at a minimum,~~ the following:

13 (1) A payment commensurate with the resource requirements of **Medicaid**
14 patients ~~through the use of an acuity-based system such as Resource Utilization~~
15 ~~Groups III (RUGs III) or an acuity-based system with nursing resource predictability~~
16 ~~comparable to RUGs.~~ The payment and resource requirements shall be adjusted
17 quarterly based on the case mix score for ~~all~~ **Medicaid** patients of the nursing

1 facility. Individual nursing facility rates ~~shall~~ **may** be adjusted quarterly based on the
 2 ~~overall~~ **Medicaid patient** case mix. The direct care costs, as determined in this
 3 Section, ~~shall~~ **may** be re-established when the rates are re-based in accordance with
 4 the provisions of this Section.

5 (2) A payment for ~~direct care costs at a level to achieve~~ **achievement of**
 6 **attained** quality outcomes for **Medicaid** patients ~~and which is no less than one~~
 7 ~~hundred twelve and four-tenths percent of the median of direct care costs for all~~
 8 ~~facilities. The system establishes a spending floor of no more than ninety-four~~
 9 ~~percent of the median direct care costs. If the department implements, through~~
 10 ~~properly promulgated rules, reductions decreasing the average rate established under~~
 11 ~~this system before any inflationary adjustments, the direct care spending floor shall~~
 12 ~~be decreased in accordance with Subsection C of this Section.~~

13 (3) Incentives to encourage the admission and care of heavy-care **Medicaid**
 14 patients.

15 (4) A rate for administrative and operating costs ~~that is no less than one~~
 16 ~~hundred and seven and one-half percent of the median administrative and operating~~
 17 ~~costs of all facilities that provides facilities the resources to~~ **if the nursing home**
 18 **demonstrates the following:**

19 **(a) Provide a home- and community-based service transition counselor**
 20 **to assist nursing home residents who wish to receive services in the community**
 21 **complete all applications necessary to achieve deinstitutionalization.**

22 ~~(a)~~**(b)** Recruit qualified employees.

23 ~~(b)~~**(c)** Expand training and education.

24 ~~(e)~~**(d)** Implement competency standards.

25 ~~(d)~~**(e)** Develop the organizational capacity to implement quality management
 26 systems and practice guidelines.

27 (5) A rental system for payment of property costs that:

28 (a) Differentiates payment based upon the size, age, and condition of the
 29 facility. ~~The system establishes a minimum of three hundred square feet per licensed~~

1 ~~bed and a maximum of four hundred and fifty square feet per licensed bed provided~~
2 ~~that the maximum square feet per licensed bed may be waived for consideration of~~
3 ~~private rooms.~~

4 (b) Provides the capital for renovation, improvement, and replacement of
5 facilities by establishing a minimum rate of return of ~~nine and one-quarter percent,~~
6 ~~a maximum annual depreciation rate of one and one-quarter percent and a maximum~~
7 ~~depreciable life of thirty years. The system will utilize current construction costs,~~
8 ~~indexed for inflation, adjusted by the facility's age and renovations and~~
9 ~~improvements to determine the facility's value~~ **the current United States Treasury**
10 **Bond rate plus a risk factor of two and one-half percent.**

11 (c) Encourages investment in physical plant upgrades and renovations by
12 ~~reducing the effective age, on a quarterly basis, of the facility for physical plant~~
13 ~~upgrades and renovations placed in service during the quarter. The reduction in the~~
14 ~~effective age will result in the facility value increasing by the cost of the renovation.~~

15 (d) Encourages long-term ownership by ~~limiting the minimum occupancy~~
16 ~~penalty to no more than eighty-five percent of the licensed bed capacity and by~~
17 ~~reimbursing on the basis of the facility value as opposed to reimbursing on~~
18 ~~accounting cost.~~

19 (6) A rate pass-through for ~~property taxes, property insurance, and provider~~
20 ~~fees.~~

21 (7) Utilization of the most current cost reports which shall be ~~either~~ audited
22 ~~or given an estimated audit adjustment factor based on historical audits~~ for rate
23 rebasing, at a minimum, biennially.

24 (8) Utilization of inflation factors that are predictive of actual nursing home
25 cost increases during the rate year. ~~At a minimum, the inflation factor to be applied~~
26 ~~shall be the Skilled Nursing Home without Capital Market Basket Index, published~~
27 ~~by Data Resources Incorporated, or a comparable index, if this index ceases to be~~
28 ~~published. The inflation factors shall be applied to the costs from the mid-point of~~
29 ~~the cost report year and projected to the mid-point of the rate year.~~

1 (9) A method for providing interim adjustments to the rates for unanticipated
2 changes in costs.

3 (10) A provision for cost reports that shall be prepared in accordance with the
4 cost reporting instructions adopted by the Medicare program using the definition of
5 allowable and non-allowable costs contained in the Medicare/Medicaid provider
6 reimbursement manual, with the exception that the department shall determine due
7 dates and extensions.

8 (11) Rebasing of rates shall occur, at a minimum, biennially.

9 C. In the event the Louisiana Department of Health is required to implement
10 reductions in the nursing home program as a result of a budget shortfall, a budget
11 reduction category shall be created. This category shall reduce the statewide average
12 Medicaid rate, without changing the parameters established in this Section, by
13 reducing the reimbursement rate paid to each nursing home using an equal amount
14 per patient per day. ~~The direct care spending floor shall be decreased one percentage
15 point for each thirty cent reduction in the average Medicaid rate computed under this
16 system not to be reduced to below ninety percent of the median.~~

17 D. The state portion of the amounts collected by the Louisiana Department
18 of Health pertaining to the difference between the direct care spending floor, as
19 defined in Paragraph (B)(2) of this Section, and the actual amounts expended by the
20 nursing homes on direct care and care related costs, as determined by the Louisiana
21 Department of Health, shall be deposited into the Medicaid Trust Fund for the
22 Elderly.

23 **E. Funds saved by implementation of the case mix methodology adopted**
24 **by administrative rule on October 1, 2018, pursuant to this Section, and**
25 **identified as savings based on a comparison to the same expenditures in Fiscal**
26 **Year 2016, shall be utilized by the department as follows:**

27 **(1) Twelve and one-half million dollars realized as savings shall be**
28 **deposited into the Community and Family Support System Fund, established**
29 **pursuant to R.S. 28:826, and utilized by the department to increase the number**

1 of recipients of waiver slots.

2 (2) Thirteen and one-half million dollars shall be utilized by the
3 department to restore reimbursement rate cuts to home- and community-based
4 service providers.

5 F. The provisions of this Section shall serve as legislative intent and
6 authorization of law for the department to adjust the reimbursement rate of
7 nursing homes based on a revised Medicaid case mix methodology to an amount
8 not to exceed that which was established in Fiscal Year 2013-2014.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Christine Arbo Peck.

DIGEST

SB 531 Original

2018 Regular Session

Milkovich

Present law establishes a case mix reimbursement methodology for nursing homes based on certain enumerated criteria.

Present law provides for a case mix score based on all patients at the facility. Proposed law provides that the case mix score is for Medicaid patients only.

Present law provides for a guaranteed minimum payment for direct care costs at a level to achieve quality outcomes. Proposed law provides for payment for achievement of quality outcomes for Medicaid patients.

Present law provides for a guaranteed minimum payment for administrative and operating costs for certain events and occurrences. Proposed law provides for a payment for administrative and operating costs if the nursing home demonstrates present law and the addition of a home- and community-based service transition counselor to assist nursing home residents who wish to receive services in the community complete all applications necessary to achieve deinstitutionalization.

Present law provides for a guaranteed minimum payment of 9.25% for rental system for payment of property costs to include the capital for renovation, improvement, and replacement of facilities. Proposed law reduces the minimum payment to the current United States Treasury Bond rate plus a risk factor of 2.5%.

Proposed law provides that funds saved by implementation of the case mix reimbursement methodology for nursing homes established in proposed law shall be utilized by the department in the amount of \$12.5 million deposited into the Community and Family Support System Fund to increase waiver slots and in the amount of \$13.5 million to increase reimbursement rates to home- and community-based service providers.

Effective August 1, 2018.

(Amends R.S. 46:2742)