

CONTINUING CARE LEADERSHIP COALITION



Strategies for Managing Nursing Home Costs and Utilization in NY

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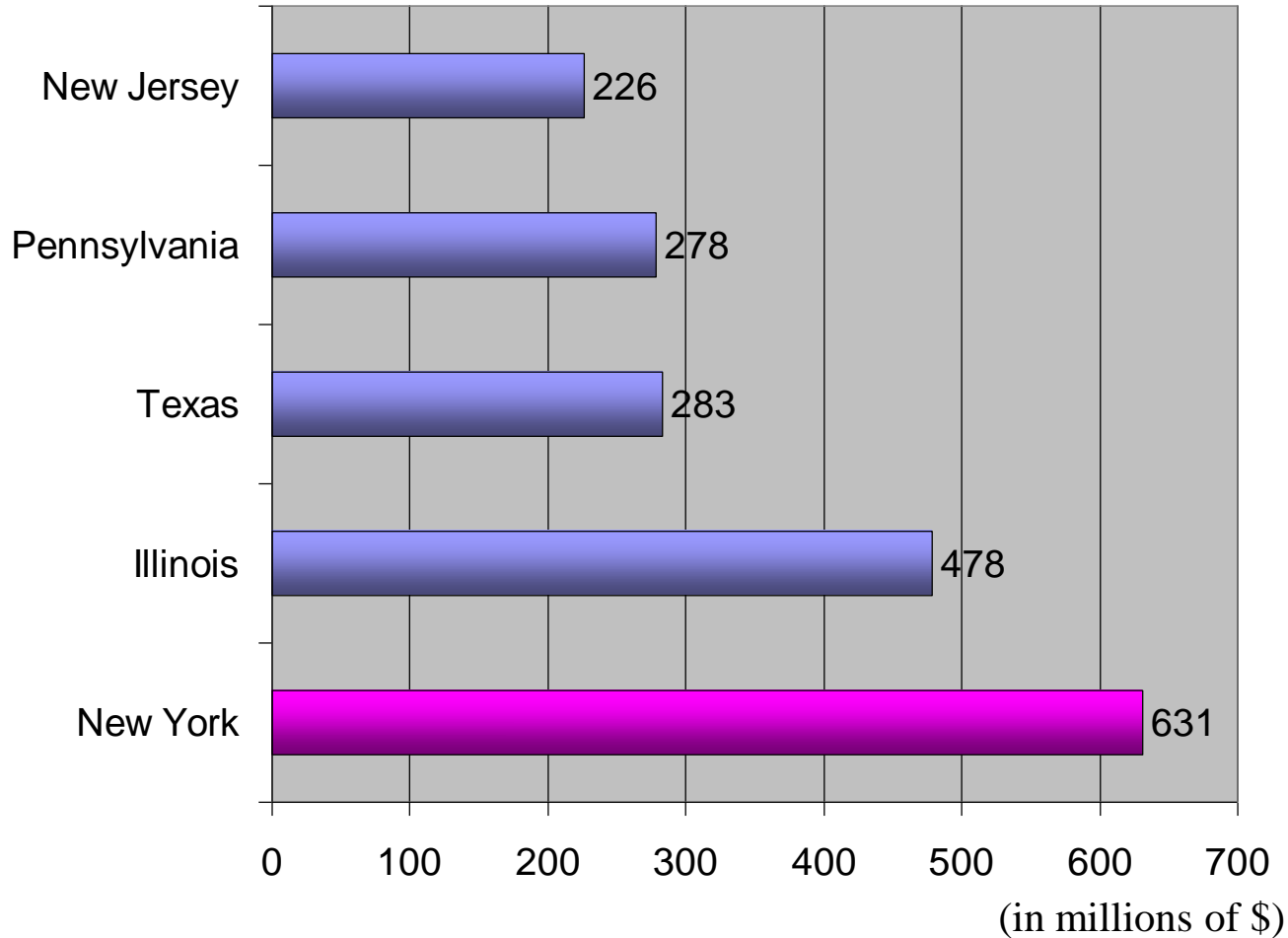
July 10, 2008

Presentation Outline

- Noteworthy Comparisons: NY vs. US
- Medicaid Cost Containment in the Nursing Home Sector: *Past and Current Approaches*
- Medicaid Cost Containment in the Nursing Home Sector: *Potential Future Approaches*

Noteworthy Comparisons: NY vs. US

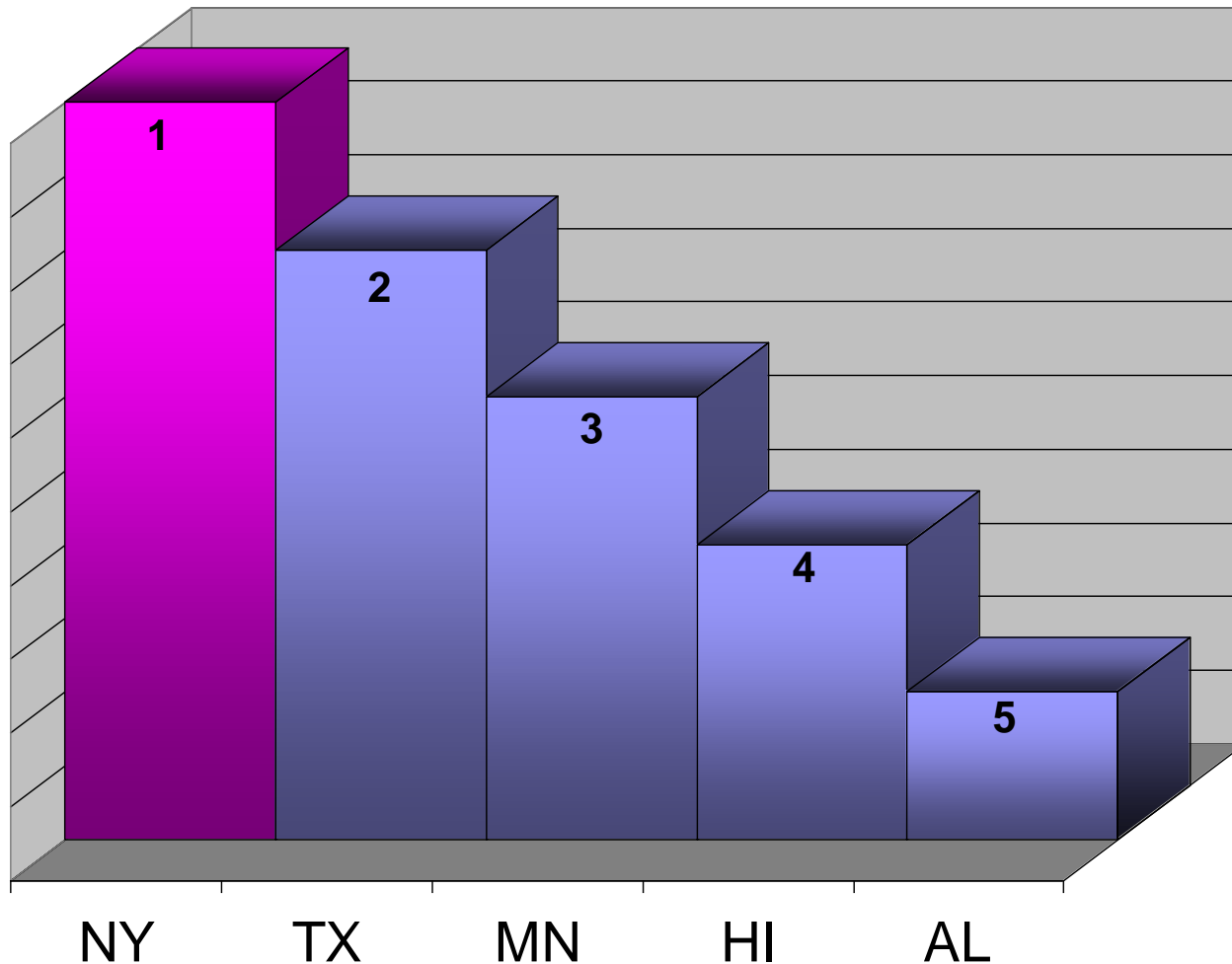
NY Nursing Homes Experience the Largest Total Shortfall in Medicaid Payments



Data Source: 2005 Weighted Average Medicaid Shortfall; A Report on Shortfalls in Medicaid Funding for Nursing Home Care, BDO Seidman, September 2007

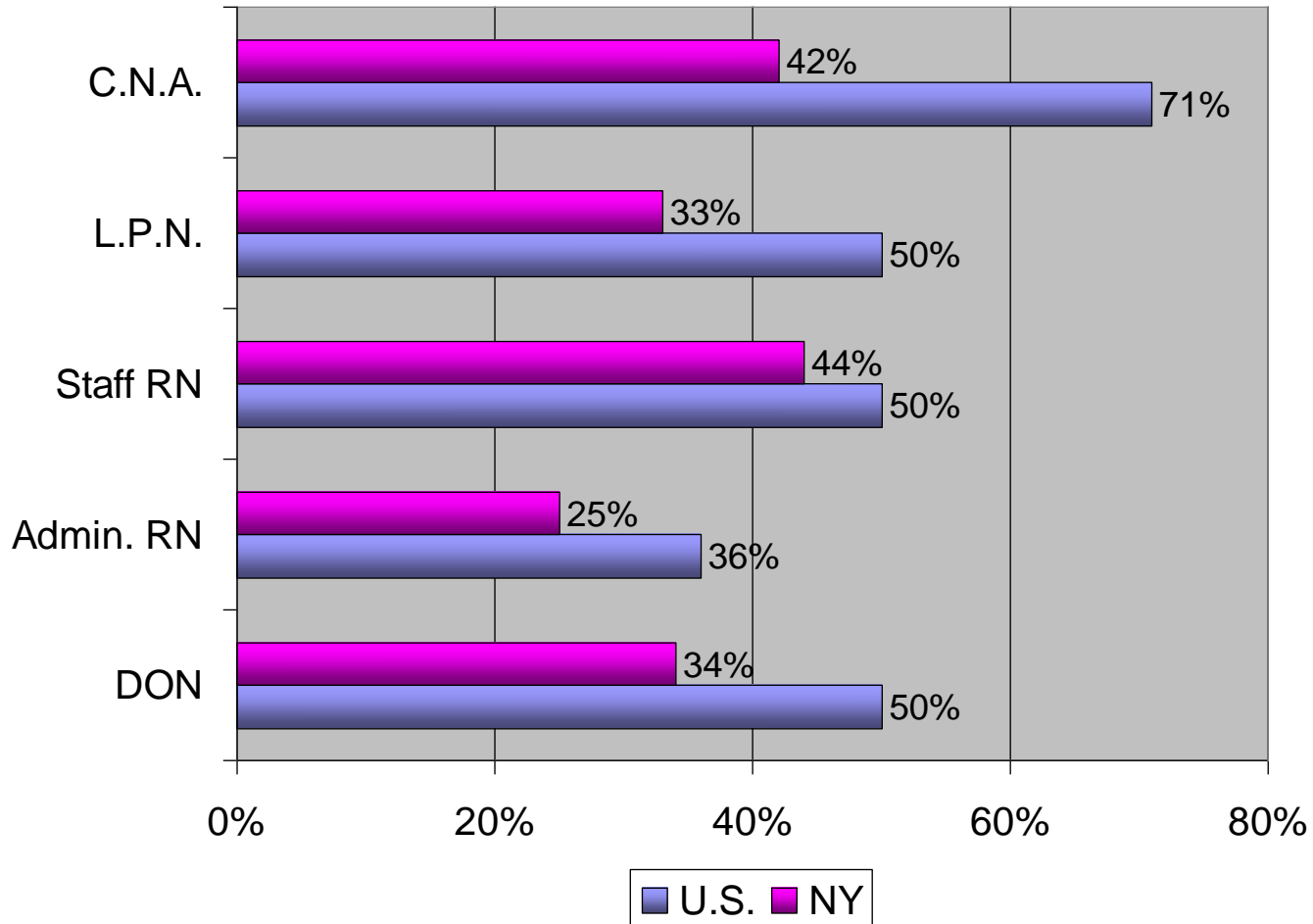
NY Has Among The Best Outcomes

Top 5 States - Ranking on 15 Nursing Home Quality Measures, Q2 2007



NY Has Among The Best Outcomes

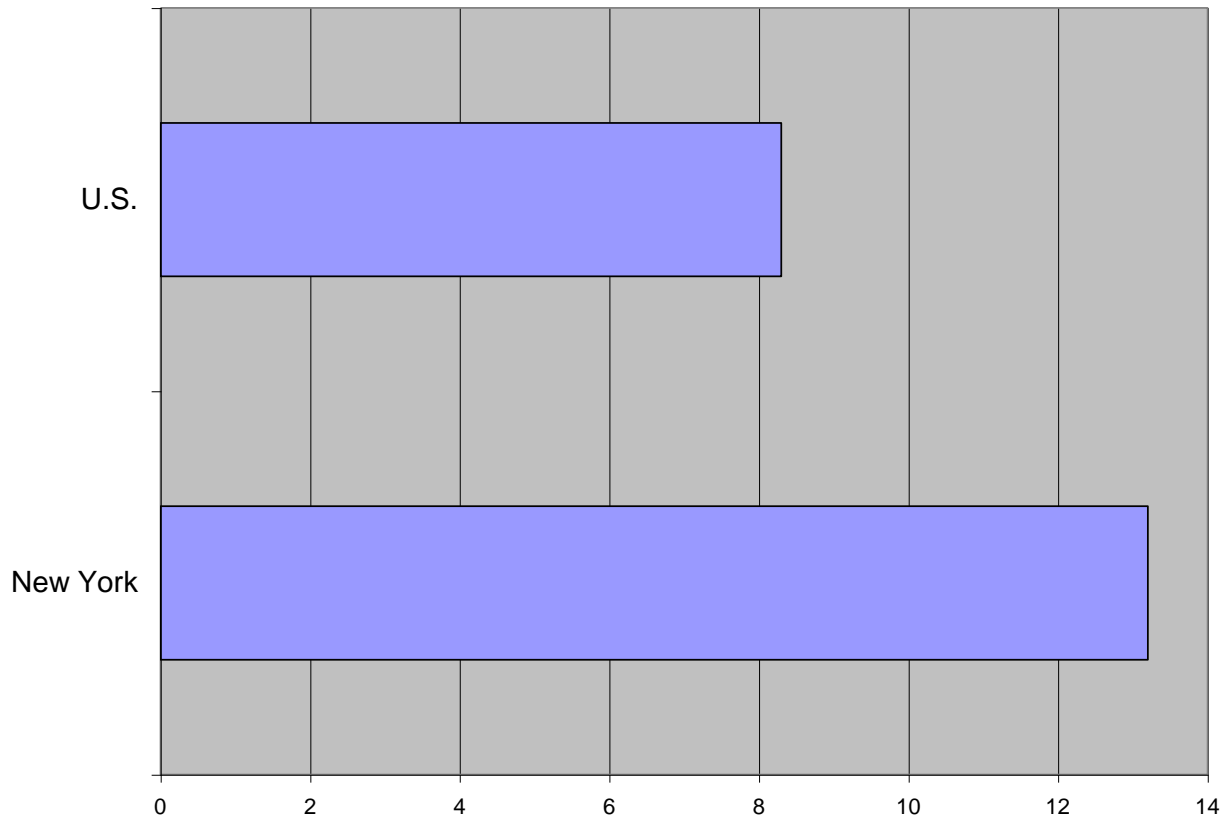
Comparison of Turnover Rates: U.S. vs. NY



Data Source: Results of the 2002 AHCA Survey of Nursing Staff Vacancy and Turnover in Nursing Homes, AHCA, 2003

NY Leads Nation in Commitment to Home & Community Based Services (HCBS)

Medicaid HCBS Participants per 1,000 Population, 2002



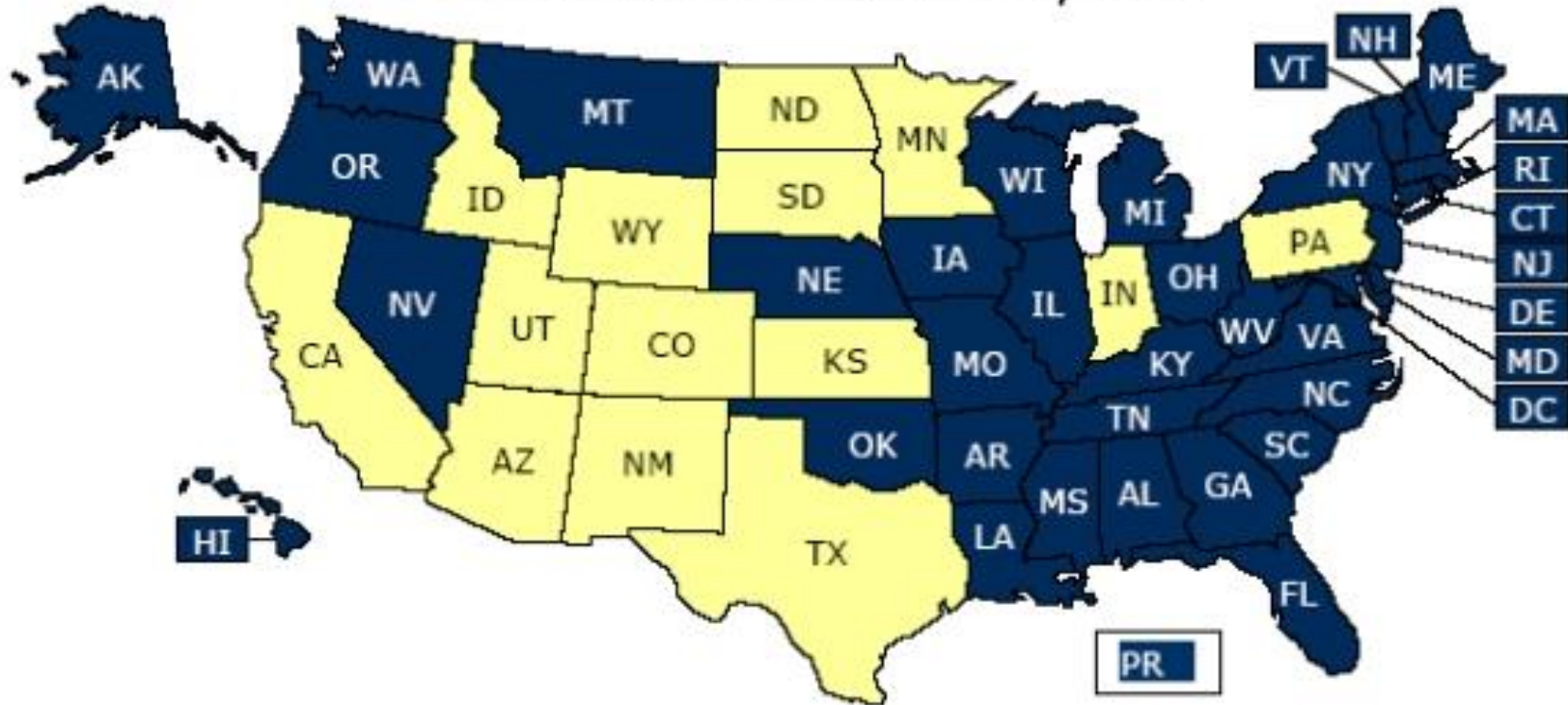
Medicaid Cost Containment in the Nursing Home Sector: Past and Current Approaches



Nursing Home Cost Containment: Summary of Past and Current Approaches

1. Strict CON Rules
2. RUG-II Reimbursement System
3. Payment Cuts
4. Incentives
5. Promotion of “Personal Responsibility”
6. Capitation and Integrated Financing
7. System Change and Rebalancing Initiatives
8. Recoveries of “Overpayments”

1. NY Maintains Strict CON Rules, Despite Trend Elsewhere

State Certificate of Need Laws, 2006

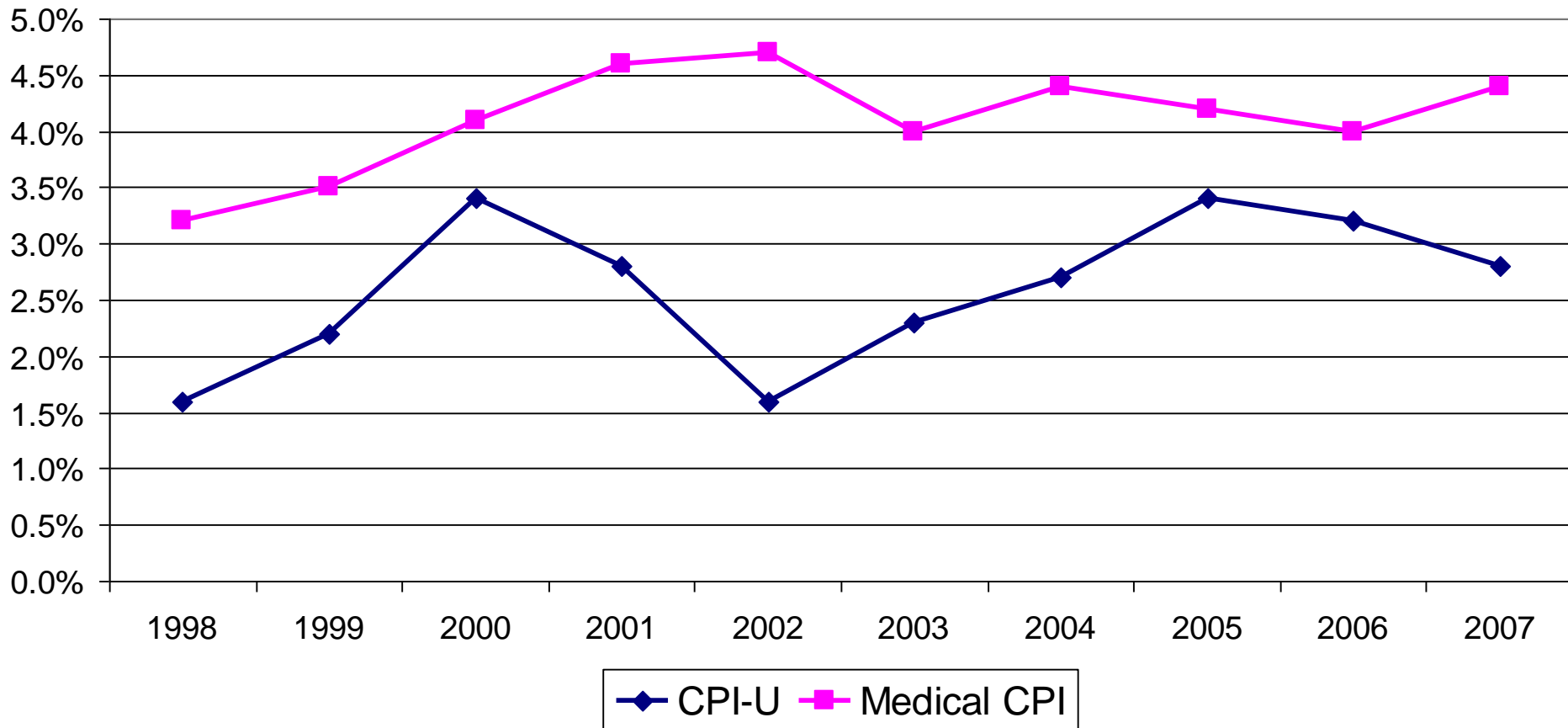


-  CON law; state approval may be required
-  CON law repealed or not in effect

2. RUG-II Reimbursement System

- Modified Pricing (combines aspects of pure pricing and cost based system)
- Based on 1983 costs trended to current year by inflation factor
- Direct and Indirect component of the rate subject to ceiling
- Inflation factor is CPI-U not Medical CPI

Comparison of CPI-U and Medical CPI (1998 - 2007)



Data Source: Bureau of Labor Statistics

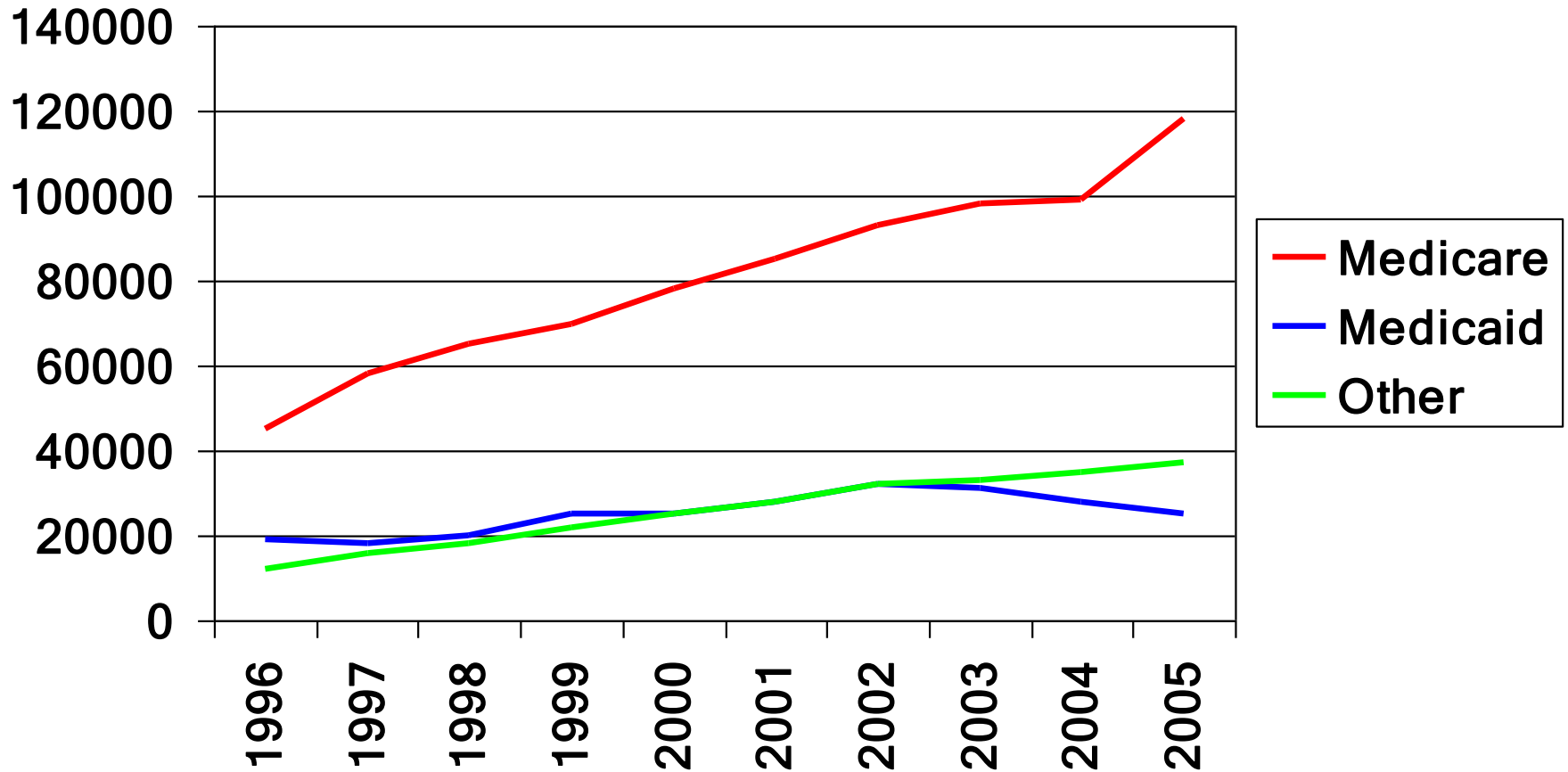
3. Provider Payment Cuts

- Cap on NH Administrative and General Costs
 - Implemented 4/1/1995
 - Caps A&G costs at the Statewide average
- Productivity and Efficiency Cut
 - Implemented 4/1/1996
 - Cuts \$56M “industry wide,” allocated by Medicaid days
- Trend Factor Cuts
 - Implemented periodically between 1995 and 2008.
- Cash Receipts Assessment
 - 6% of gross receipts, excluding Medicare
 - Yields more than \$250 million in annual savings for NYS
- Use of Medicaid Only Case Mix
 - Scheduled Implementation: 4/1/09
 - Estimated annual impact: \$200 million

4. Incentives to Maximize Medicare

- Medicare Targets
 - Provision (in NY law since 1995) to trigger rate cuts if NY nursing homes fail to achieve/maintain “targets” for the percentage of days that are paid by Medicare
- All Payer Case Mix
 - Recognizes the additional overhead required to care for the higher acuity Medicare population
 - Factors Medicare population into the case-mix score used to adjust Medicaid rates

Nursing Home Admissions By Primary Source of Payment: 1996-2005



5. Promotion of “Personal Responsibility”

- Initiatives to encourage New Yorkers to buy private LTC insurance coverage:
 - Partnership Plan (62,000 active policies)
 - NYS tax credit = 20% of annual premium costs
- Initiatives to prevent individuals with available financial resources from qualifying for Medicaid
 - “Period of Ineligibility” if a person transfers assets in the 5 years prior to applying for Medicaid
 - Prohibition on qualifying for Medicaid if one’s home equity exceeds \$750,000

6. Capitation and Integrated Financing

- 1997 Managed Long Term Care Integration and Financing Act
 - Address needs of disabled and chronically ill
 - Improve access to HCBS
 - Enhance coordination of LTC services & financing
 - Test a variety of alternative service delivery & financing models

Capitation and Integrated Financing

- MLTC programs serve 23,899
 - Program of All-Inclusive Care for the Elderly (PACE)
 - 4 serving 2,961 people
 - Partially Capitated MLTC Plans:
 - 12 serving 20,938 people
- Other models:
 - Social Health Maintenance Organization (now classified as a Medicare Advantage Special Needs Plan (SNP))
 - Medicaid Advantage Plus - 4 in NYS
- Benefits
 - improved case management
 - improved adherence to medication management protocols
 - reduced inpatient hospitalizations

7. System Change and Rebalancing

- **Berger Commission**
 - With minimal focus on LTC, identified need to reduce 3,000 nursing home beds
- **Voluntary Rightsizing Demonstration**
 - Designed to temporarily or permanently decertify up to 2,500 nursing home beds and convert to other levels of care
- **Money Follows the Person Demonstration & Nursing Home Transition and Diversion Waiver**
 - Designed to transition 2800 persons from NHs to the community
 - If successful, NY will receive up to \$27 million in enhanced Medicaid matching revenue from Washington

8. Recoveries of “Overpayments”

- Office for Medicaid Inspector (OMIG) Workplan, 2008-09, calls for:
 - Auditing NH base years (to identify any “unallowable costs”)
 - Auditing NH rate appeals (to determine if any were based on unallowable costs)
 - Auditing NH capital payments
 - Auditing for dropped ancillary services (where such services’ costs were included in the base year)
 - Auditing documentation associated with “bed hold”
- Budget increased to allow for up to 750 audit staff
- Budget increased to pay for new audit technologies

Medicaid Cost Containment in the Nursing Home Sector: Potential Future Approaches

1. Expand Managed Long Term Care

- Substantial opportunity exists to reach population that could benefit, but need to overcome barriers
- Recommendations:
 - Establish “Working Group on the Future of Managed Long Term Care in New York”
 - Engage NYS directly in marketing “concept” of MLTC to public, medical community, discharge planners, etc.
 - Develop State-Federal partnership/waiver to allow NY to save in federal savings as MLTC achieves important federal objectives (e.g. reducing unnecessary hospitalizations)

2. Encourage More Private Coverage; Other Forms of Non-Medicaid Coverage

- Increase efforts to promote purchase of Partnership Plan insurance policies
 - Increase budget for “PlanAheadNY”
 - Modify Partnership program to allow income protection
- Address barriers to serving patients covered by managed care plans
 - Approaches needed to address non-payment of required co-payments
 - Require insurers to more promptly pay claims (e.g. in 20 days with electronic submission)

3. Take Long Term Care Restructuring to the Next Level

- Create a process to address the “unfinished business” of the Commission on Health Care Facilities in the 21st Century
 - Identify additional inpatient capacity that could be converted to community based approaches
 - Convene a multi-agency, multi-stakeholder group to address the shortage of needed supportive housing in the community

4. Encourage and Reward Innovation

- Encourage more nursing homes to downsize by extending/expanding the NH rightsizing program
- Revise the CON process to give preference to proposals that reduce beds, improve quality, and promote care in the least restrictive environment
- Expand Medicaid Pay-for-Performance to reward providers that implement approaches (e.g. consistent assignment of staff) that promote quality and reduce costly adverse outcomes