HEA 1391 Report, Part II
IHCA Public Testimony
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Medicaid Reimbursement for Skilled Nursing Facility Care

- At the most basic level, members of the IHCA support a reimbursement system that is stable, predictable, and provides adequate reimbursement for the care of Indiana's most vulnerable and increasingly acute seniors and disabled.
- Indiana's current reimbursement methodology, while very complex, does reflect annual increases to the costs of providing care and services to Indiana's aged and disabled. It also adjusts cost based upon resident acuity. This acuity adjustment can go up or down, but often goes up as patient acuity is on the rise.
- The costs of care and services, however, are not recognized in full and there are a number of components to the reimbursement rate where costs are limited or completely disallowed. For example, Over the Counter (OTC) medications are required to be supplied to a resident at the facility's cost, but those medications can only be counted as an allowable cost if the medication is on the Medicaid OTC formulary. If the medication is not on the formulary, it is not an allowable cost no matter the medical necessity. There are many other examples of costs that are limited, disallowed, or otherwise reduced.
- Indiana also has one of the most robust pay-for-performance programs in the nation, the Value Based Purchasing program. A combination of survey inspections, staffing retention and turnover, and nursing hours per resident day can lead to an add-on of up to $14.30 ppd - approximately 8% of the average rate. This system should be continued, but refined to make it more effective with achieving desired high resident outcomes.
- Care models are changing. Residents are being admitted to nursing facilities later in life and with more complex medical conditions. Therapy services are an integral part to ensuring that a resident attains and maintains the highest practicable physical, mental, and psychosocial well-being. The goal to treat, rehabilitate, and return a resident to their home or other community based setting has been a goal, but is quickly becoming a top focus of policy makers across the country and here in Indiana.
- Discussions are occurring right now, contemporaneously with the development of this report, that are aimed at rebalancing Indiana's spend on long term services and supports so that a higher percentage is spent in home and community based services than are spent in that area today.
- In addition, another simultaneous discussion about improving our VBP add-on is taking place. The first meeting of the reconstituted Clinical Expert Panel meets tomorrow, February 27, 2015. Ensuring that the work of that panel focuses on simplification and operationalization of quality incentives is important to achieve change in a very complex resident care environment.
- As Indiana moves forward in exploring changes to reimbursement methodology, it should keep in mind the following:
    1. The Medicaid base rate must be adequate to ensure facility operations. Federal supplemental payment streams cannot be relied upon for long term planning.
    2. Frequent and periodic rebasing of rates based upon cost and acuity. Stagnation has been seen in other states that have set rates based on historical costs, but have failed to keep current rates in line with current costs.
    3. Simplification of reimbursement methodology.

4. Focus on quality outcomes, with an eye toward clinical outcomes, that can be operationalized by nursing facilities. If a measure for quality, or incentive to achieve that measure, cannot be operationalized then it will not meet the policy objective as facilities will struggle with implementation or, perhaps, ignore it all together.

Construction Management Policies

- Moratorium on construction of most new nursing facilities is necessary. Indiana is over-bedded at a time when nursing facility admissions are flat or declining, and when the state and federal governments are designing policies to ensure care is delivered in less expensive community based settings and only using skill nursing when absolutely necessary. Growth in the resident population due to the baby boomer generation is at least 10 years away, and by that time the care landscape will look entirely different than it does today.
- CON may not be the best tool, but it would allow for growth when necessary.
- SB 460 is being considered by the Indiana General Assembly and we encourage the administration's support of the bill.

Cost and Benefits to State Budget and Medicaid for Building Additional Nursing Facilities

- This agency, along with ISDH and OMB, already calculated an estimate on the impact to the Medicaid program for the growing capacity of skilled nursing services in Indiana – approximately $25M for every 4.4% decrease in occupancy. We do not expect resident volume or utilization to increase in the coming few years, and the baby boom generation will not hit for at least another 10 years and when it does it will be under significantly different reimbursement methodologies.
- Whatever the short term benefits may accrue to Indiana's budget through irresponsible growth in nursing facility capacity, the short, medium and long term negatives to existing providers and patients is paramount. We cannot ignore that existing providers care for the lion's share of Medicaid patients, whereas most new facilities cater to the highly profitable Medicare patient. This trend cannot continue for too long without further straining the already challenged labor market and resident population.
- Growth is being seen in the residential care (licensed assisted living), unlicensed assisted living, and Independent Living. Focusing state policy on the development of these community based settings and reimbursement for care at earlier points in time is important.