LeadingAge™ Wisconsin
formerly WAHSA

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Bureau of Financial Management
Division of Long Term Care
Wisconsin Department of Health Services

Dear Dave:

Thank you for allowing us to provide additional comments on the second draft of the nursing home modernization application. The current draft in the Excel format certainly will make it easier for nursing homes to complete the application. The following comments are intended to clarify and improve the application process:

Page 1: "Applications that assume significant changes in the facility's proportion of Medicaid days (compared to historical experience) in order to project cost neutrality will be scored lower, and may not succeed." We have some problems with this statement. Nursing homes will need to decrease the number of Medicaid residents in order to meet "cost neutrality." Nursing homes that replace existing facilities or complete a major renovation project anticipate they will be able to attract the same number of private pay and Medicare residents (i.e., a higher percentage of non-Medicaid residents). Nursing homes assume they will be able to attract a higher percentage of Medicare residents with a new facility that offers private rooms with an emphasis on rehabilitation therapy services. The Medicaid cost analysis already accounts for the decrease in Medicaid residents by assuming that these residents will go to other nursing homes and/or receive services in community programs. We do not agree that homes reporting lower Medicaid days should be "scored lower and may not succeed" and ask that this standard be deleted.

Page 3, Rates: The Medicaid cost analysis and model runs into problems when comparing existing MA (base) rates to the estimated final rate in the application. The problems center on the fact that the estimated final rate includes the incentives from the modernization, plus additional incentives such as the small-facility case mix adjustment. We agree that the rates for modernization should include the incentives being requested such as the higher URC maximum, the add-ons for 60 or 50 beds and any changes in the private room incentive. However, comparing the existing MA rates using the nursing home's current property allowance to the property allowance after modernization does not fairly isolate the impact of the newly proposed modernization incentive. Similarly, the MA base rates should be adjusted to include the small-facility case mix adjustment when compared to the final rates in the application.

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Nursing homes with 50 or fewer licensed beds already receive the small-facility case-mix adjustment. A nursing home that reduces beds to 50 beds as part of the modernization application should be allowed to increase their “current” base MA rate by including the existing small-facility case-mix adjustment; it is the revised base rate that should be compared to the estimated final rate in the application. The models previously presented to the workgroup (as developed by Brian Schoeneck) assumed that both rates would be adjusted as we note above.

The initial models also estimated the property allowance for a new nursing home using the current $75,900 per bed URC maximum and compared that amount to the estimated property allowance using the $135,000 per bed URC maximum. This comparison recognized that under the current methods nursing homes may build a new facility and receive a property adjustment using the current $75,900 per bed URC maximum. Most of the nursing homes looking to replace their old facilities have property allowances of less than $9.00 per day. The rates should reflect the difference in the property allowance for new construction using the $75,900 maximum and what the property allowance would be using the $135,000 maximum. Doing so would more accurately capture the impact of offering the new modernization incentive.

Page 6, Community Care Cost Estimates: We reviewed the August 20, 2012 DHS report, *SFY 2011 Report on Relocations and Diversions from Institutions*, that was submitted to the Joint Committee on Finance. Page 8 of the report shows that the average cost for residents relocated to the community, including MA community card costs under the Community Relocation Initiative (CRI), is $100.53. The report indicates that community relocations under the CRI produce an average daily savings of $50.85 when compared to the $151.38 average nursing home rate. The model assumes community savings of only $25.09 (Community costs = $94.94 (net of patient share) plus $12.49 for card costs = **$107.43**. The nursing home rate is $151.38 plus $14.04 for card costs, minus $32.90 for patient liability = **$132.52**.) Please explain the difference between the $50.85 savings in the report and the $25.09 savings used in the model.

Also, we alerted Jim Robinson that of some of the bed numbers from the application were not carried to the Medicaid cost analysis correctly and understand that Jim is working to correct the cost analysis.

Again, thank you for the opportunity to comment on the nursing home modernization initiative. We are greatly appreciative of the Department’s efforts in this important area. If you have any questions regarding our comments, please feel free to contact us.

Sincerely,

JHSauer

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cc DHS: Pris Boroniec, Tom Lawless and Jane Gottwald
CHSRA: Jim Robinson