LeadingAge™ Wisconsin formerly WAHSA

January 15, 2013

Tom Lawless, Director
Bureau of Financial Management
DHS Division of Long Term Care
PO Box 7851
1 West Wilson Street
Madison, WI 53703

Dear Tom:

As you requested, LeadingAge Wisconsin is pleased to provide additional recommendations on the Virtual PACE pilot and how to meaningfully incentivize members to participate in the demonstration. Our recommendations address financial incentives, regulatory changes and administration. As I'm sure you will agree, participation by our nursing facilities is the key component to making the Virtual PACE demonstration a success.

On October 11, 2012, we submitted correspondence to DHS reiterating LeadingAge Wisconsin's position on Virtual PACE, noting:

> .....Our position is actually quite simple and is reflective of these questions:
> - At the end of the day, will the ICO capitation rates paid to them by DHS enable the ICOs to pay facilities above the Medicaid fee-for-service RUGs rates?
> - Will the hospital and ER savings projected by DHS be reinvested to incentivize SNFs to further reduce their rehospitalization rates?
> - Will the ICOs assign nurse practitioners and/or physicians to their network nursing homes on a near daily basis to help support the SNFs' clinical staff and more timely address changes in resident conditions (which often trigger the start of the trip to the ER and hospital admission)?
> - Will the ICOs have the dollars available to pay SNFs Medicare rates for persons not meeting the Medicare 3-day hospitalization requirement (Evercare waives this requirement)? If not, why would a SNF choose to participate in the Virtual PACE program when Evercare appears to be a more financially viable option for them?

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> In sum, our homes want to know how will the Virtual PACE program, from their business perspective, be better than the Medicaid fee-for service system? As I have opined for several months now, I assume SNF participation in Virtual PACE will be driven by how DHS answers the above questions.

Subsequent to that correspondence, on November 19, 2012, we followed up with additional recommendations by asking DHS to build a Virtual PACE system that: increased nursing facility Medicaid payments by 5%; preserved Medicare payments for persons admitted from hospitals; ensured nurse practitioners were available to residents on a daily basis; and streamlined care management between the facility and ICO. This proposal was deemed by DHS to be "unrealistic" due to cost considerations. In response, we noted if nursing homes are working to reduce hospitalizations and ER visits, it is more than reasonable that facilities should share in the resultant savings.

The above recommendations remain the basis of LeadingAge Wisconsin's position on Virtual PACE.

You also requested additional ideas on how to incentivize facilities' participation in Virtual PACE. The following items add to the list we previously provided to DHS. These items were generated during your interaction with members at the LeadingAge Wisconsin Public Policy Forum late last year.

Financial Incentives:

- The reduction in emergency room visits or hospitalizations, medications, etc., will generate Federal and State Medicare and Medicaid savings. Nursing homes should receive up to one third of these savings as incentive payments.

- Nursing facilities should be reimbursed at the Medicare rate when a resident has a qualified Medicare stay or returns from the hospital after an acute medical episode. The three-day hospital stay should also be waived when the resident returns from the hospital (This is a provision currently being used by Medicare Advantage Plans).

- The current Medicaid nursing home reimbursement formula has perverse incentives for lowering acuity. We have seen the RUGs level decrease for long-term Medicaid family care residents in our facilities since these facilities do an excellent job maintaining the resident's highest level of functioning after an acute episode. The same holds true for the scoring for the behavior add-on. The more resources the facilities use to control resident wandering or physical and verbal behavior challenges, the lower the score is for these residents. The Virtual PACE reimbursement should allow facilities to be reimbursed at a higher acuity level for six months. Also, nursing facilities should be able to negotiate a higher payment from the ICO to cover costs associated with higher staffing hours required to address resident behaviors.

- The ICO should not be allowed to unilaterally reduce rates during the pilot project. If Medicaid funding increases for Medicaid nursing home rates, the ICO should adjust payments to providers.

- The Virtual PACE pilot should have a credible appeals system for provider payment issues.

- Members requested the return of the “bed tax skim.” DHS has retained approximately $45 million of Federal funds generated by the $170 per month per licensed bed tax. The premise for increasing the bed tax was to provide nursing facilities with a 2% rate increase in 2009-10 and 2010-11; that increase was never granted.

- Allow nursing facilities to operate and be reimbursed as a hospice provider, without having to serve hospice enrollees outside the facility.

Regulatory Changes:

- Nursing facilities participating in the Virtual PACE demonstration should be granted “deemed status” if accredited by an independent body. Such accreditation would be in lieu of the federal nursing home survey process. If complete opt-out of the federal survey process is not possible, then surveys for high-performing facilities should occur less frequently (e.g. every 3 years) than under the current process.

- Modify the current survey process to only allow DQA surveyors to cite when the incident presents "actual harm," instead of the current practice of issuing a citation for "potential for harm".

- Eliminate the reporting requirements to the DQA and to the ICO for self-reported incidents that clearly do not rise to the level of suspected resident abuse or neglect.

- Require nursing facilities participating in the Virtual PACE demonstration to complete the Minimum Data Set (MDS 3.0) only for residents upon admission and when there is a significant change in condition.

- Division of Long Term Care and DQA should streamline requirements to enable nursing homes to more easily convert portions of their buildings to assisted living.

Administration Issues:

- Payments from the ICO to participating nursing facilities should be timely. Nursing facilities should receive payments no later than 20 days after the monthly claims are submitted.

- Nursing homes should be required to secure prior authorization approval from the ICO only for non-routine services. Prior authorization should not be required in emergency situations. When prior authorization is required, the ICO should provide the authorization within 24 hours of the requested authorization.

- The three-day hospital stay requirement to receive Medicare payments after a resident returns from the hospital should be waived (see above).

Thank you for seeking LeadingAge Wisconsin's comments on the Virtual PACE demonstration. I would be happy to meet and discuss our comments with you at your convenience.

Sincerely,

John Sauer
President/CEO