Missouri Medicaid Nursing Facility Reimbursement Methodology Summary for Fiscal Year 2023

The Missouri Department of Social Services, MO HealthNet Division is proposing changes to the nursing facility reimbursement methodology to be effective July 1, 2022. These changes are the outcome of a review process that began in 2020. The proposed changes include the following:

- Rebasing rates using 2019 cost data inflated to the current period,
- Implementing case mix adjustments for Patient Care,
- Adjusting the minimum occupancy rule applied to Administrative and Capital rate components,
- Implementing a provision to help address wage increases driven by new minimum wage requirements,
- Updating and simplifying the fair rental value rate component,
- Adding new value based payment incentives and mental health add-ons,
- Reducing the impact of historical efficiency-based incentives, and
- Imposing a hold harmless provision to ensure that no rates fall below the level of the fiscal year 2022 rates.

The following summary provides a high-level overview of the revised nursing facility reimbursement methodology divided by the individual rate components included in the system.

Patient Care

The data used to set the Patient Care component of the rates has been updated using 2019 cost data. The data was inflated to June 30, 2022. An adjustment factor of 2% was also applied to certain front line staff salaries in anticipation of the impact of new minimum wage requirements. The methodology uses a cost with ceiling approach with the ceiling established at 120% of the median per diem cost included in the cost data bank. However, the median, and therefore the ceiling, under the new methodology is determined from case mix adjusted per diem costs. That means that before the median is determined, each provider's cost data is adjusted to reflect a case mix of 1.0. This process ensures that costs are evaluated equitably and that no provider's per diem rate is limited simply because that provider has high acuity residents and correspondingly high per diem costs.

Another provision of the case mix system is that the Patient Care component of the rate for each provider is adjusted to reflect that provider's current Medicaid acuity. The case mix system included in the revised methodology will help encourage providers to care for high acuity residents that most likely will require higher costs of care by ensuring that the Medicaid rate is adjusted to reflect the higher acuity. The Patient Care cost center ceiling will be $127.12 at the statewide average case for State Fiscal Year 2023 (SFY 2023).

Ancillary

The data used to set the Ancillary component of the rates has been updated using 2019 cost data. The data was inflated to June 30, 2022. An adjustment factor of 2% was also applied to certain ancillary staff salaries in anticipation of the impact of new minimum wage requirements. The methodology uses a cost with ceiling approach with the ceiling established at 120% of the median per diem cost included in the cost data bank. The Ancillary cost center ceiling will be $21.48 for SFY 2023.

Administrative

The data used to set the Administrative component of the rates has been updated using 2019 cost data. The data was inflated to June 30, 2022. A minimum occupancy rule is applied in this cost center to ensure efficiency with fixed cost. This rule results in costs being divided by the minimum occupancy percent times bed days available instead of actual resident days when the facility's occupancy rate falls below the minimum occupancy threshold. That threshold has historically been set at 85% but due to recent trends that have reduced occupancy across the state the occupancy threshold was reduced to 80%. The methodology uses a cost with ceiling approach with the ceiling established at 110% of the median per diem cost included in the cost data bank. The Administrative cost center ceiling will be $35.83 for SFY 2023.

Capital

The Missouri Medicaid nursing facility reimbursement system has utilized a fair rental value (FRV) system to reimburse capital expenditures for more than two decades. This system relies on market data to establish an Asset Value per bed that is then used to determine the total value of each nursing facility. The total calculated value of the facility is then adjusted for annual depreciation to reflect the age of the building at a rate of 1% per year up to a maximum depreciation of 40% (40 years). Capital improvements are accounted for through a process that essentially re-determines the age of the facility by equating capital expenditures to new bed equivalencies. For fiscal year 2023 the Asset Value was updated and capital expenditures from 2005 through 2019 were reviewed in order to update the FRV facility age and value calculations. The FRV methodology was also simplified to use a single rental rate based on the 30-year Treasury bill plus a 2.5% premium, resulting in a rental rate of 6.375% for FY 2023. There is also a pass-through per diem included in the Capital rate component for property insurance, real estate taxes, and personal property taxes. The pass-through is subject to the minimum occupancy rule which is applied in the same manner as it is for the Administrative cost center.

Value Based Payment Incentives, Mental Illness Diagnosis Add-on, and Historical Incentives

For FY 2023 MO HealthNet is implementing new value based payment (VBP) incentives, a mental illness diagnosis add-on, and adjusting historical efficiency-based incentives. For the VBP incentives, each facility that meets a specified threshold for each of seven long-stay quality measures will be eligible for a per diem add-on of $1.00, up to a total of $7.00. The total VBP add-on amount will be adjusted using a VBP percentage determined by the facility's total long-stay QM scoring based on the CMS Five-Star Quality Rating System: Technical Users' Guide (January 2017). The VBP percentage will range from 0% to 100% depending on the scoring tier the facility falls into as determined by their total long-stay QM score. The first table below lists the QM measures, the target threshold for each measure, and per diem add-on that can be earned. The second table lists the QM scoring tiers, the minimum QM score necessary for each tier, and the VBP percentage for each tier.

Value Base Payment Incentives

QM Performance	Threshold	Per Diem Adjustment
Decline in Late-Loss ADLs	10.0%	$1.00
Decline in Mobility on Unit	8.0%	$1.00
High-Risk Residents w/ Pressure Ulcers	2.7%	$1.00
Anti-psychotic Medications	6.8%	$1.00
Falls w/ Major Injury	1.3%	$1.00
In-dwelling Catheter	1.1%	$1.00
Urinary Tract Infection	1.9%	$1.00

VBP Percentages

QM Scoring Tier	Minimum Score	VBP Percentage
1	600	100%
2	520	75%
3	440	50%
4	360	25%
5	0	0%0

The Mental Illness Diagnosis Add-on is also a new provision for the FY 2023 rates. Each facility with at least 40% of the facility's Medicaid participants diagnosed with either Schizophrenia or Bi-Polar will be eligible to receive a per diem add-on of $5.00.

The historical incentives will continue to be available to providers but will be modified for FY 2023 to accommodate the addition of the VBP incentives and the mental illness diagnosis add-on. Each facility will be eligible to earn a Patient Care incentive of 4.75% of the facility's allowable patient care per diem as long as that per diem is less than 130% of the median patient care per diem. Each facility can also earn multi-component incentives based on the percentage of the facility's rate that is comprised of the Patient Care and Ancillary components, and its Medicaid utilization. The first table below lists the incentives that can be earned for the Patient Care and Ancillary portion of the rate. The second table lists the incentives that can be earned for Medicaid utilization.

Multi-Component Incentive - Patient Care/Ancillary Percent

Patient Care & Ancillary Percent of Total Rate	Incentive
< 70%	$0.00
> or = 70%, but < 75%	$0.10
> or = 75%, but < or = 80%	$0.15
> 80%	$0.20

Multi-Component Incentive - Medicaid Utilization

Medicaid Utilization Percent	Incentive
< 85%	$0.00
> or = 85%, but < 90%	$0.10
> or = 90%, but < or = 95%	$0.15
> 95%	$0.20

Hold Harmless

A final provision of the SFY 2023 rate methodology is that no rate shall be less than the rate in effect for June 30, 2022. For each facility, the rates calculated for FY 2023 will be compared to that facility's rate in effect as of June 30, 2022. The facility will receive the greater of those two rates.