MDHHS
Michigan Department of Health & Human Services

# Nursing Home Workforce Stabilization Council

JANUARY 26, 2023

# Agenda

- Council Business
- Nursing Home Reimbursements
  - Scott Werner, Teressa Long, & Mark West, MDHHS
- Break
- State Strategies Crosswalk
  - Dr. Clare Luz, IMPART Alliance
- Discussion
- Public Comment
- Adjourn

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# Council Business

- Quorum
- Welcome & Introductions
- Meeting Housekeeping

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# Presentations

- Nursing Home Reimbursements
  - Scott Werner, Teressa Long, & Mark West, MDHHS
- **Break**
- State Strategies Crosswalk
  - Dr. Clare Luz, IMPART Alliance

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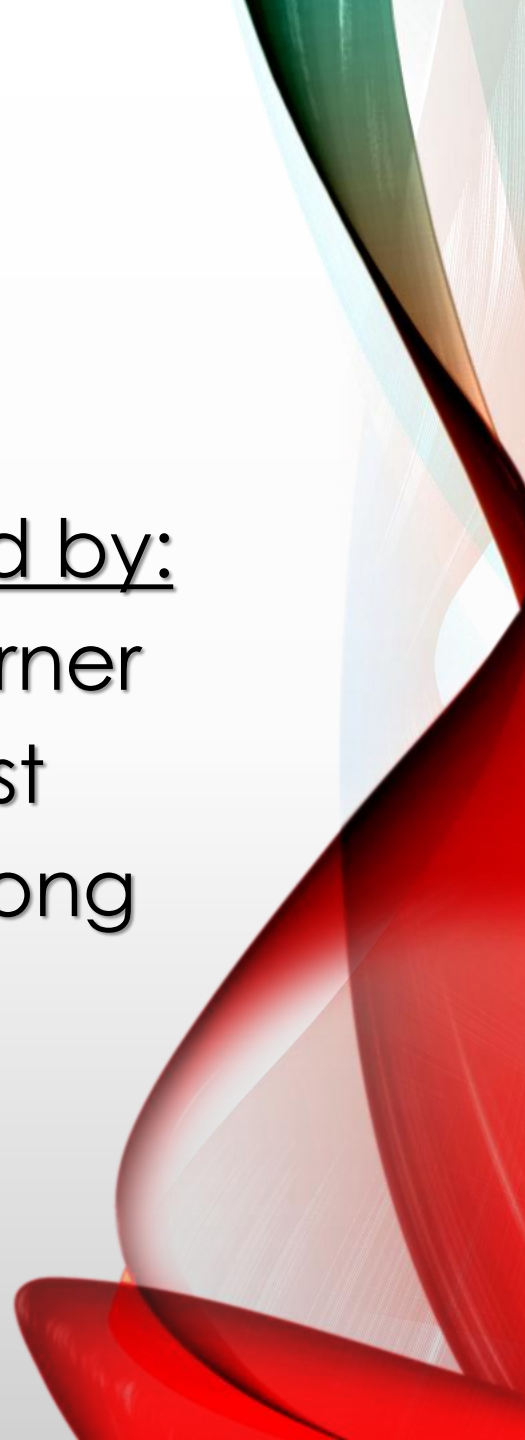
# STATE OF MICHIGAN LONG TERM CARE RATE SETTING AND REIMBURSEMENT OVERVIEW


Presented by:

Scott Werner

Mark West

Teressa Long

# AGENDA

- Facility Cost Overview
- Michigan's Nursing Home Rate Setting Overview
- Rate Components
  - Variable Cost Component
  - Plant Cost Component
  - Quality Assurance Supplement
- COVID Response Program Overview

# Nursing Facility Costs Overview

| Skilled Nursing Routine Costs | Infrastructure Costs | Ancillary Costs | Other Costs |
| --- | --- | --- | --- |
| Costs mostly associated to providing care. | Asset Purchases, Property Taxes, Loan Interest, Depreciation | <u>Therapies</u> (OT, PT, Speech)<br><br>Prescription Drugs | Non-Reimbursable Costs<br><br>Costs over limits<br><br>Nursing Aide Training & Testing |
| <u>Medicaid Rate</u> Variable Costs | <u>Medicaid Rate</u> Plant Costs | <u>Not in Nursing Facility Rate</u><br><br>Billed separately directly to Medicaid | |
| Subject to certain limits | Subject to certain limits | | Covered by other funding |

# MICHIGAN'S NURSING HOME RATE SETTING OVERVIEW

- Michigan utilizes a prospective, annually adjusted, facility-specific cost reimbursement methodology.
- **Fundamentally: "Costs drive rates" in our model.**
- Our methodology is relatively unique as we are one of only two states in the nation that utilizes a cost-based reimbursement methodology.
- To gather "cost information", an annual cost report is submitted by every nursing facility for a reporting period that aligns with their fiscal year end.
- The filed data from their annual cost report creates a new "interim rate" that is updated and becomes effective every October 1st.

# MICHIGAN'S NURSING HOME COST REPORT OVERVIEW

- Providers are given detailed guidance on the Cost Report Requirements through the Medicaid Provider Manual, Medicaid Bulletins, Annual Cost Report Instructions and Annual Trainings.
- Each cost report includes an itemized list of all expenses as recorded in their accounting records. The expenses are reported in a manner consistent with the Medicare Principles of Reimbursement.
- Given that the annual cost reports contain proprietary data, they are not made public.

# Michigan's Nursing Facility Medicaid Cost Report is comprised of 31 different worksheets including:

| Worksheet Title | Worksheet Number |
|---|---|
| Information and Certification | WSA |
| Statistical and Fiscal Data | WSB |
| Ownership Information and Questionnaire | WSC |
| Mapping of Provider General Ledger to Cost Report | WSD |
| Statement of Revenue and Expenses | WS1 |
| General Reclassifications | WS1-A |
| Adjustments to Expenses | WS1-B |
| Statement of Costs of Services from Related Organizations | WS1-C |
| Statement of Leased Capital Assets | WS1-D |
| Statement of Salaries and Wages | WS1-E |

| Worksheet Title | Worksheet Number |
|---|---|
| Salary Information of Owners, Officers, Administrators and Department Heads | WS1-E-1 |
| Salary Information of Owners, Administrators, Assistant Administrators and Relatives | WS1-F |
| Employee Health & Welfare B/S Reclassifications | WS1-G |
| Cost Allocation – Statistical Basis | WS2 |
| Cost Allocation – General Service Costs | WS2-A |
| Cost Allocation – General Service Costs excluding Depreciation | WS2-B |
| Computation of Inpatient Base Costs | WS2-C |
| Computation of Inpatient Base Costs excluding Depreciation | WS2-D |
| Computation of Plant Cost | WS2-E |
| Computation of Plant Cost excluding Depreciation | WS2-F |

| Worksheet Title | Worksheet Number |
|---|---|
| Determination of Support Costs, Per Patient Day Costs, and Support/Base Cost Ratio | WS2-G |
| Determination of Support Costs, Per Patient Day Costs, and Support/Base Cost Ratio excluding Depreciation | WS2-H |
| Statement of Capital Asset Values | WS3 |
| Statement of Capital Asset Values – Lessor | WS3-LESSOR |
| Statement of Directly Identified Asset Values | WS3-A |
| Allocation of Capital Asset Values & Determination of Relative Percentages | WS3-B |
| Apportionment of Ancillary Services to Health Care Programs | WS4 |
| Balance Sheet | WS5 |
| Determination of Average Borrowings Balance | WS6 |
| Wage Cost Reporting Summary | WS7 |
| Nurse Aide Training and Testing Program | WS8 |

# MICHIGAN'S NURSING HOME RATE COMPONENTS

Variable Cost Component

Plant Cost Component

Quality Assurance Supplement

# MICHIGAN'S NURSING HOME VARIABLE COST COMPONENT

The variable cost component of the nursing facility rate includes the nursing facility **base** and **support** costs incurred for routine nursing care.

On average, the variable cost component represents roughly 87% of costs in a Nursing Home.

# MICHIGAN'S NURSING HOME BASE COSTS

Base Costs cover activities associated with direct patient care.

Major items under this category include (but are not limited to) payroll-related costs for departments of nursing, nursing administration, dietary, laundry, diversional therapy, and social services; food; linen; utility costs; nursing pool agency contract service for direct patient care nursing staff, and medical and nursing supply costs.

# MICHIGAN'S NURSING HOME SUPPORT COSTS

Support costs cover allowable activities not associated with direct patient care.

Major items under this categories are payroll-related costs for the departments of housekeeping, maintenance of building and grounds, medical records, medical director, administration, administrative costs, equipment repair costs.

# Worksheet B Example

**Part I - Nursing Facility License/Certification and Statistics**

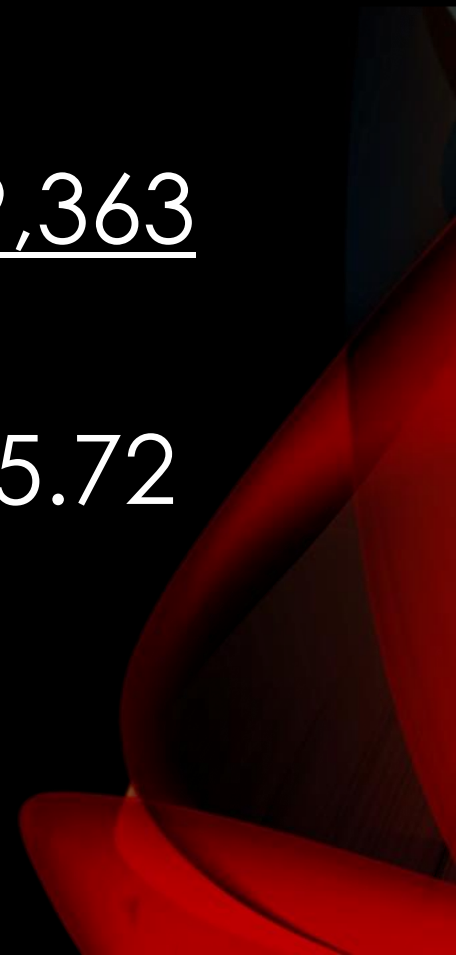
| | | Beds At Beginning Of Fiscal Period | Beds At End Of Fiscal Period | Total Bed Days Available | Total Inpatient Days | Percent Occupancy |
|---|---|---|---|---|---|---|
| 1 | Medicare Certification (SNF only) | | | | | |
| 2 | Medicaid Certification (N/F) (SNF/NF) | | | | | |
| 3 | Medicaid Routine Care Unit #1 - | 126 | 118 | 44,278 | 39,363 | 88.90% |

# Worksheet 1-E Example

| | Description | Total Number of Staff | Total Hours Worked Per Report Period | Total Salary Cost Per Report Period |
|---|---|---|---|---|
| 71 | Medicaid Routine Care Unit #1 | | | |
| 72 | a. RN's | 6 | 11,640 | 703,790 |
| 73 | b. LPN's | 14 | 27,906 | 681,703 |
| 74 | c. Aides and Attendants | 57 | 118,581 | 1,595,022 |
| 75 | d. Inservice Training | | | |
| 76 | Total | 77 | 158,127 | 2,980,515 |

# ROUTINE COSTS CALCULATION EXAMPLE

| | |
|---|---|
| Total Routine Costs (Worksheet 1-E) | $2,980,515 |
| Total Inpatient Days (Worksheet B) | 39,363 |
| Routine Unit Rate (Per Person Per Day) | $75.72 |



# STATEWIDE ROUTINE COSTS AVERAGE

| | |
|---|---|
| Statewide Total Routine Costs (Worksheet 1-E) | $1,073,658,770 |
| Statewide Total Inpatient Days (Worksheet B) | 11,467,618 |
| Statewide Average Routine Unit Per Person Per Day | $93.63 |

The RN, LPN and CNA costs that reported are factored into Nursing Facility Rate.

# MICHIGAN'S NURSING HOME PLANT COSTS

Major items under this component are asset purchases, depreciation, interest expense (either working capital or capital indebtedness), real estate and personal property taxes, amortization costs associated with loan financing costs and specific lease expenses.

# MICHIGAN'S NURSING HOME QUALITY ASSURANCE SUPPLEMENT

Nursing facilities receive a monthly Quality Assurance Supplement (QAS). The QAS supplement is determined by multiplying the variable cost component by 21.76%.

The average statewide QAS rate paid to Nursing Homes is $46.34.

Each nursing home can apply this QAS to expenditures of their discretion.

# STATEWIDE AVERAGE RATES

## Class I Facilities

*(Proprietary and nonprofit nursing facilities)*

| | |
|---|---|
| Average Variable & Plant Cost Component | $225.37 |
| Average QAS Supplement | $44.74 |
| Total Average Medicaid Funding | **$270.11** |

*(per person per day)*

# STATEWIDE AVERAGE RATES

## Class III Facilities

*(County-operated medical care facilities)*

| | |
|---|---|
| Average Variable & Plant Cost Component | $321.14 |
| Average QAS Supplement | $56.16 |
| Total Average Medicaid Funding *(per person per day)* | **$377.30** |

# STATEWIDE AVERAGE RATES

## Class V Facilities

*(Vent Care Unit)*

| | |
|---|---|
| Average Variable & Plant Cost Component | $651.20 |
| Average QAS Supplement | $51.10 |
| Total Average Medicaid Funding *(per person per day)* | **$702.30** |

# MICHIGAN'S NURSING HOME COVID RESPONSE

Public Act 67 of 2021 designated supplemental payments of $23.00 per day rate increase to nursing facilities that have experienced a 5% or greater decline in the nursing facility's average daily census.

$100 million has been paid to Nursing Facilities through this Public Act.

# MICHIGAN'S NURSING HOME COVID RESPONSE

Public Act 87 of 2021 designated supplemental payments from the state fiscal recovery funds to Long-Term Care Facilities to address the economic impact of COVID-19 on nursing home providers.

$37.5 million has been paid to Nursing Facilities through this Public Act.

# MICHIGAN'S NURSING HOME COVID RESPONSE

The direct care workforce has been on the frontlines ensuring health, safety, and well-being of Michigan's most vulnerable residents.

The Direct Care Wage Increase Program was instituted in July 2020 to provide increased reimbursement to these essential workers.

$207,713,311 has been paid to Nursing Facilities for this program since July 2020.

# MICHIGAN'S NURSING HOME COVID RESPONSE

Given the significant risk of COVID-19 outbreaks in long-term care facilities, MDHHS issued an Emergency Order requiring that nursing facilities to conduct diagnostic testing.

$288,819,837 has been paid to Nursing Facilities for this program since April 2020 .

# MICHIGAN'S NURSING HOME COVID RESPONSE

MDHHS instituted the Care & Recovery Center (CRC) strategy with the issuance of MSA 20-72. The CRCs are designated facilities or units within existing nursing facilities to care for COVID positive patients.

$19,202,652 has been paid to Nursing Facilities for this program since November 2020.

# MICHIGAN'S NURSING HOME AUDIT OVERVIEW

- Each cost report is audited by MDHHS to obtain assurances that the filed cost report information is accurate and allowable for Medicaid reimbursement rates.
- An Exit Meeting is held with the provider after the completion of the audit work to communicate the audit results and any audit adjustments made to the cost report.
- An audit of a cost report is completed no later than 21 months after the filing of a cost report.
- Similar to Cost Reports, providers are given detailed guidance on the Audit Requirements through the Medicaid Provider Manual, Medicaid Bulletins, Annual Cost Report Instructions and Annual Trainings.

# MICHIGAN'S NURSING HOME SETTLEMENT OVERVIEW

After audit results are determined and audit adjustments are made to the cost report, the cost report becomes an "Audited Cost Report".

The "Interim Rate" is then updated to a "Final Audited Rate" using the new data from the "Audited Cost Report".

Based on the changes to the "Final Audited Rate", the department will determine if an underpayment or overpayment occurred.

This is called a "settlement".

**Any Questions?**

**What if I have questions later?**
Please E-Mail **DARS@michigan.gov**

# Initiatives to Expand & Elevate the Direct Care Workforce

## MDHHS DCW Advisory Committee

# Policy Recommendations Workgroup

Clare Luz, PhD
Michigan State University & IMPART Alliance

Governor's Nursing Home Workforce Stabilization Council
11.26.23

MICHIGAN STATE UNIVERSITY | College of Osteopathic Medicine

# Workgroup Members

- Barry Cargill, Michigan Home and Hospice Association
- Lisa Dedden Cooper, AARP Michigan
- David Herbel, Leading Age Michigan
- David LaLumia, Area Agencies on Aging Assoc. of Michigan
- Clare Luz, MSU/IMPART Alliance
- Terri Robbins, Disability Network of Mid-Michigan
- Robert Stein, Michigan Assisted Living Association
- Lauren Swanson-Aprill, MDHHS Bureau of Aging, Community Living, and Supports
- Brett Williams, Michigan Developmental Disabilities Council

# Our Purpose

- To conduct a crosswalk of recommendations from multiple sources on how to address the severe shortage of direct care workers through statewide policy reforms.
- Develop and submit a list of Michigan-specific DCW recommendations to MDHHS that are based on evidence and a thorough review of the literature so that informed policy decisions can be made.

# Guiding Principles

- Lift all DCWs up versus one segment of the direct care workforce.
- The reasons, and the solutions, for the DCW shortage are interrelated and therefore need to be addressed simultaneously.
- A coordinated, strategic, statewide plan is needed to address a statewide problem rooted in historical and systemic structures.
- Ultimately, the plan needs to lead to economic security for DCWs and socio-cultural change.

# Available Levers for Policy Reforms

- Administrative (e.g., oversight, regulation, and use of executive orders)
- Funding (e.g., Medicaid rate setting, use of state general funds, ARPA funds, etc.)
- Legislative (i.e., passing laws that value/protect DCWs)
- Data (collection and use of good data and better use of existing data)

# Approach (Methods)

- Compile and synthesize all recommendations. (Ongoing)
- Identify recommendations that are most relevant to MI and doable.
- Organize recommendations into major categories and identify an overall recommendation for each category.
- Identify specific short and long-term goals with measurable outcomes for each of these overall recommendations. (in progress)
- Determine which goals have already been achieved. (in progress)
- Draft an action plan for each of the remaining goals. (in progress)
- Create a Roadmap for Action that can be distributed to all stakeholders and decision makers.

# Major Categories of Recommendations

- Coordinated Statewide Leadership
- Wages/Benefits
- Professionalization
  - ✓ Competency, Professional, and Ethical Standards
  - ✓ Training Standards
  - ✓ Credentialing
  - ✓ Career Pathways
  - ✓ Career Success Models (incl. Non-wage/Benefits & Supports)
- Socio-Culture Change
- Research & Development and Data

# Short & Long-Term Goals: Examples

## Leadership Category

**Overall Recommendation:** Establish strong state leadership based on participation of all stakeholders, transparency, trust, collaboration, coordination, and consensus.

**Recommended Goals**

- **Immediate**: Continue to support the DCW Advisory Committee, which is tasked with making recommendations to MDHHS on strategies for addressing the DCW shortage, and recognizes the major categories and interconnectedness of reasons for and solutions to the shortage

- **Longer-Term:** Establish a working Unit that has staff and resources to coordinate and implement strategies recommended by the state DCW Advisory Committee, in partnership with the MDHHS, Bureau of Aging, Community Living, and Supports (ACLS Bureau).

# Short & Long-Term Goals: Examples

**Professionalization Category: Wages/Benefits Goals**

**Overall Recommendation:** Prioritize standardized, higher wages/benefits for all DCWs as a mechanism for growing and stabilizing the DCW.

- **Immediate:** Increase wage rate by $4.00 for most DCWs. Ensure that it includes annual COLAs, is in the general budget, and appropriated, every year.
- **Longer-term:** Add health benefits, paid time-off, paid sick leave, overtime pay, and other protections.

**Professionalization: Competency, Professional & Ethical Standards Goals**

**Overall Recommendation**: Professionalize the Direct Care Workforce

- **Immediate:** Establish standardized, state supported DCW Competency, Professional and Ethical Guidelines
- **Longer-term:** Majority of employers/DCWs adhere to state supported Competency, Professional and Ethical Guidelines
- **Longer-term:** Establish a DCW Professional Association

# Creating a Roadmap for Action: Examples

**Appendix 4: Template for DCW Roadmap for Action based on MI-specific Recommendations**

| Recommendations | Action Steps | **Levers** Administrative Legislative Funding Data | Outcome Measures | **Status** Done Ongoing New Action | Target Date | Needed Resources | Lead Person or Org | Notes |
|---|---|---|---|---|---|---|---|---|
| **Leadership** | | | | | | | | |
| 1. **Immediate Goal:** Continue to support the DCW Advisory Committee to make recommendations to MDHHS on strategies for addressing the DCW shortage and that recognizes the major categories and interconnectedness of reasons for and solutions to the shortage. Focus and organize state-level efforts relating to direct care workforce. | → Designate lead agency/organization<br>→ Involve all stakeholders<br>→ Communication system<br>→ Common definition of DCW<br>→ Etc. | All | → Email listserv<br>→ Member Database<br>→ Social media platforms<br>→ DCW website or page<br>→ Central email box | | | | | |
| 2. **Longer-term Goal**: Establish a Unit that has staff and resources to coordinate and implement strategies recommended by the state DCW Advisory Committee, in partnership with the MDHHS Bureau of Aging, Community Living, and Supports (ACLS Bureau). This unit would develop and oversee a work plan/action steps for each strategy including identifying administrative/legislative reforms and funding needed for success. | | | | | | | | |
| **Wages/Benefits** | | | | | | | | |

# Next Steps

- Continue to search recruitment and retention strategies used in other states.
- Complete draft of:
  - overall recommendations for each category
  - short and long-term goals for each recommendation
  - Action items for each goal including both the what and how (lead person(s) identified, timeline, etc.
- Present recommendations and action plans to the MDHHS DCW Advisory Council.

# Thank You

## Contact Information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# Council Discussion

- February Meeting Agenda Items
- Workgroups
- Future Meeting Dates
  - February 23
  - ~~March 23~~ **Reschedule** March 30
  - April 26
- Other Items

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# Public Comment Period

- Public comment for all items may be limited to three (3) minutes per item per speaker. This time may be adjusted dependent upon the number of speakers.

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