hcam
PROMOTING EXCELLENCE IN SENIOR CARE

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June 27, 2013

James Haveman
Director, MDCH
201 Townsend Street
Lansing, MI 48913

Dear Mr. Haveman, Jim:

The Health Care Association of Michigan (HCAM) represents 300 skilled nursing facility providers across the state. We would like to take this opportunity to respond to Omnibus Budget PA 200 boilerplate Section 1860 regarding reimbursement for the services provided by our membership. Michigan has taken a lead in reforming the health care delivery system for our citizens that need long term care supports and services. The Michigan Integrated Care Proposal will redefine the delivery system from our current fee for service compartmentalized payment system into a managed care environment. How that changes the payment for services provided in skilled nursing facilities is yet to be determined. Much will be learned and evolve over the next several years.

In order to address the boilerplate language, HCAM began an extensive review of the various reimbursement methodologies utilized to pay for skilled nursing facility services. Our study included reviewing the case mix and price-based systems, along with our Michigan prospective payment system. HCAM concluded that while both case mix and price-based systems have great merit, under the current environment of health care reform, we cannot recommend either system. As the Michigan Integrated Care Proposal is dramatically changing the existing payment structure, HCAM does not recommend at this time that the current reimbursement system be totally revised. HCAM members remain focused on working under a managed care environment while maintaining the current payment rates for both Medicare and Medicaid services.

Our review did disclose several concerns regarding the current system and its impact on the overall landscape as we all prepare for the aging of the "Baby Boomers." HCAM identified two key components of the current system that we feel need to be updated and several other areas that need to be discussed. The two key areas of concern are bed escrowing (beds out of service policy and 85 percent occupancy requirement) and the payment mechanism related to the Quality Assurance and Assessment Program (QAAP) or more directly the Quality Assurance Supplemental (QAS) payment. We will address these two areas and have included a list of other potential changes at the end of this letter.

Michigan Medicaid has two requirements that seem contradictory to the over arching policy to transition beneficiaries to the least restrictive and most cost efficient setting while maintaining access to essential skilled nursing facility services. The policy contradiction is in the occupancy requirement set at 85 percent and the very restrictive beds out of service policy. HCAM would like to propose a bed escrow policy that would incorporate both of these current policies and be reflective of other potential delivery system changes. These current policies limit a facilities ability to meet consumers' preferences like the desire to have a private room. The bed escrow would also allow Michigan to proactively plan for adequate capacity and address future access issues as the population ages.

The second area of concern is how Michigan Medicaid pays out the funds generated by the QAAP. In reviewing the various reimbursement systems, we also looked at these types of payment structures in other states, especially those with managed care. We understand that our current method of paying the QAS outside of the "regular" rate system will not be acceptable to CMS. To alleviate any potential issues with this funding stream HCAM is recommending that the QAS payment amount be re-incorporated into the "regular" rate payment system. This is how it was paid when the program started in 2002. This should be an administrative change that would be accepted by CMS.

HCAM is fully aware of the value of the QAAP in funding essential Medicaid services and supporting the rates of the skilled nursing facilities. It is essential that the Medicaid rate including the QAS payments are maintained to adequately fund the payment rates to skilled nursing facilities.

HCAM would like to work with the Department to address our two major concerns and looks forward to developing the necessary changes to allow the system to work better now and in the future.

Thank you once again for this opportunity and if you have any questions please contact me.

Sincerely,

David LaLumia
HCAM CEO/President

Cc: Steve Fitton, Medicaid Director MDCH

Attachment: HCAM Other Proposed Changes

HCAM Other Potential Changes to Current Reimbursement System

Variable Component:

- Support to Base ratios add another limit without relevance
- Complex Care agreement do not promptly reimburse for complex care beyond the averages – slow recognition of higher costs associated with care changes

Capital – Plant Component:

- CAV limit computed on historical data back to 1975 and includes buildings no longer existing, doesn't reflect current replacement costs due to historical data
- Tenure drops to 2.5 percent when a facility is totally replaced
- Removal of capital improvements in base data, like roof replacement
- DEFRA disallowances – are they still required? Can they be dropped?

General Administrative

- Drop requirement for a completely separate Home Office Cost report and accept the Medicare report in lieu of Michigan specific report
- Electronic mailing of the Medicaid rates for timeliness and postage savings
- Audit relevance and materiality
- Timeliness of appeals activity