



Legislative Issue Brief

Issue: Nursing Home Acuity-Based Rate Adjustments

- The Governor's 2005-2007 biennial budget bill (2005 Assembly Bill 100) assumes a Medicaid savings of \$9 million over the biennium to relocate 1,440 nursing residents to the community (See: WAHSA Legislative Issue Brief: Nursing Home Relocation Initiative/Community Integration Program). A portion of those projected savings will be used to "make acuity-based rate adjustments to nursing home payments." According to the Department of Health and Family Services (DHFS), \$759,100 GPR and \$1,022,900 FED would be available to fund the development of this acuity-based nursing home reimbursement system, which would provide a higher reimbursement rate for the care of nursing home residents with higher acuity needs and a lower rate for residents who require less complex care.
- 2005 AB100 provides no explanation of how this new system will work. For instance, it is unclear which assessment tool will be used to determine acuity levels: The nursing home minimum data set (MDS) or the Family Care functional screen, two assessment tools that are as different as they are similar. Indeed, there is no language in AB100 which creates this new system. For that, you must go to page 65 of the Governor's *Budget in Brief* document. There is language in the budget bill, however, which serves as a precursor to this change: AB100 would change the payment formula for RNs, LPNs and CNAs from cost-based to price-based, effective July 1, 2006. This change would enable the DHFS to implement a flat-rate, acuity-based reimbursement system as of 7/1/06.
- WAHSA supports the development of an acuity-based payment system for nursing homes. It makes sense to correlate payments to the cost of resident care needs. However, the DHFS has yet to engage the provider community in any meaningful discussions on this issue and, as far as we know, has not completed any beta-testing of possible payment models.
- Based on the experience of other states, it is clear that developing an acuity-based Medicaid nursing home payment system is a complex and challenging task. Some states have found that poorly designed flat-rate, priced-based payment systems have resulted in lower staffing levels and quality concerns due to a lack of accountability within the payment system, while other states have learned that relying solely on the MDS or more limited data may not reflect the care and service needs of residents with behavioral challenges or those with Alzheimer's Disease.
- In light of the Governor's announced plans to reduce MA nursing home utilization by 25% over the next eight years, WAHSA members are concerned that the new acuity-based system could be employed by the DHFS to achieve their desired bed closures through inadequate payment levels rather than lack of a bed need.
- Going from today's nursing home reimbursement formula to a new acuity-based system in approximately a year's time does not provide sufficient time to develop and test the new system. Facilities should be given a minimum of one year to adjust and prepare for the new payment system.

- **WAHSA Position:** WAHSA requests that the AB 100 provisions which would repeal the cost-based component for direct care payments be deleted from the bill and that the DHFS be directed to develop an acuity-based payment system in consultation with the nursing home provider community. Once the new system is developed, further require that the rates paid under this system be “shadowed” (i.e., facilities would be informed of the rates that would have been paid for each resident by level of care) for at least one year prior to actual implementation of the new system. Finally, the \$1,782,000 all funds set aside in 2006-07 for the development of an acuity-based system should remain in the Medicaid base appropriation to improve current nursing home rates.

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership association of 200 not-for-profit organizations principally serving the elderly and persons with a disability through programs ranging from nursing home care to assisted living to hospice and homecare. For more information, please contact the WAHSA staff at (608) 255-7060: John Sauer, Executive Director (jsauer@wahsa.org); Tom Ramsey, Director of Government Relations (tramsey@wahsa.org); or Brian Schoeneck, Financial Services Director (bschoeneck@wahsa.org).

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