

Methodology “A” for Acuity-Based Payments for Nursing Facilities

For FY 2015, per legislation passed by the General Assembly and signed by Governor Haslam, Medicaid NFs will receive two different quarterly acuity-based payments, and each payment uses a different methodology. The steps for the first acuity-based payment – we’ll call it “Method A” - are below:

Step 1: Determine each facility’s annualized total direct care costs. This will be the total medical and nursing cost line item on each facility’s cost reports. If the costs are not reflective of a 12-month reporting period, the costs will be annualized. This amount will **not** include other related costs such as dietary, laundry, employee benefits, etc. The cost report that will be utilized is the most recently filed complete cost report reviewed by the Comptroller’s Office.

Step 2: Determine the overall Case Mix Index (CMI) and the Medicaid CMI (i.e., Medicaid residents only) for each facility. This will be calculated by Meyers & Stauffer using the MDS data submitted by each facility. Myers & Stauffer will establish a Case Mix Index (CMI) score for each facility for each quarter, with a CMI for all residents in that quarter and a CMI for TennCare-only residents in that quarter. The facility’s CMI scores for the most recent four consecutive quarters will be averaged to establish their CMI for the acuity payment calculation.

Step 3: Determine the number of total patient days for each facility. This will be taken from the facility’s cost reports as described in Step 1.

Step 4: Determine the total number of Medicaid Level 1 and Level 2 days for each facility. This will be taken from the facility’s cost reports as described in Step 1.

Step 5: Determine each facility’s unweighted (i.e., not adjusted by acuity) per diem direct care costs. This will be the facility’s total direct care costs (Step 1 above) divided by total patient days (Step 3 above).

Step 6: Determine each facility’s case mix neutral per diem direct care costs. This will be calculated by dividing each facility’s unweighted per diem direct care costs (Step 5 above) by the facility’s average overall CMI (Step 2 above).

Step 7: Apply a 90th percentile cap to the case mix-neutral per diem direct care costs for each facility.

Step 8: Determine the capped Medicaid acuity-adjusted per diem direct care costs for each facility. This will be calculated by multiplying each facility’s case mix neutral per diem direct care costs (Step 6 above limited to the 90th percentile in Step 7 above) by the facility’s average Medicaid CMI (Step 2 above).

Step 9: Determine the total capped Medicaid acuity-adjusted direct care costs for each facility. This will be calculated by multiplying each facility’s capped Medicaid acuity-adjusted per diem direct care costs (Step 8 above) by the total of the facility’s Medicaid Level 1 and Level 2 bed days (Step 4 above).

Step 10: Determine each facility's percentage of the total capped Medicaid acuity-adjusted direct care costs across all facilities. This will be calculated by dividing the total capped Medicaid acuity-adjusted direct care costs for each facility (Step 9 above) by the total of all facilities' capped Medicaid acuity-adjusted direct care costs.

Step 11: Determine each facility's distribution of the total acuity payment amount. This will be calculated by multiplying each facility's percentage of the total capped Medicaid acuity-adjusted direct care costs across all facilities (Step 10 above) by the total amount of the acuity payment to be disbursed.

Implementation:

The acuity payments will be made on a quarterly basis. While the cost and utilization data will only be updated once per year with new information from the cost reports, the CMI scores used to determine acuity will update every quarter, with each new cycle using the most recent rolling four quarters of CMI scores available.

All calculations will be reviewed with THCA prior to their distribution.

Payments will be made to the MCOs, who will in turn pay the facilities the full payment amount as determined pursuant to the methodology defined herein.