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# 2014 Nursing Home Provider Assessment

September 5, 2014



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# Agenda

- Overview
- How It Works: Assessment
- How It Works: Payment
- Questions



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# Our Webinar

- Joint presentation of THCA and TennCare
- Phones are muted
- Type questions in box to the side of the webinar window



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# Resources

[www.tenncaresolutions.com](http://www.tenncaresolutions.com)

- Webinar presentation
- Webinar recording
- Other reference material
- FAQs



# Overview



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# What We Used to Have

- Bed tax
- \$2,225 per bed
- Paid monthly to Department of Health



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# Why the Need to Change

- Bed tax not increased since 1992
  - Generated \$265 million of the \$400 million nursing home Medicaid budget (66%)
  - 95% occupancy and 71% Medicaid patient population
- FY 2013-14
  - Generated less than \$240 million of the \$880 million in nursing home Medicaid expenditures (27%)
  - 79% occupancy and 61% Medicaid patient population



# Why the Need to Change

- Continued decline in Medicaid patient days is making the pass-through inefficient – 48% of the tax passed back
- Declining overall occupancy has created a surplus of beds for many facilities – penalties
- Facilities dropping beds would create long term issues for the bed tax





# Why the Need to Change

- Previous bed tax was no longer an effective source of funding and a long-term solution was needed for TennCare and nursing homes
- Contemporary approach
  - Percentage of industry revenue
  - 17 other states
  - Sustainable
  - Permits growth over time as revenues increase
  - CMS Approved – uniform and less than 6%



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# Our New Approach

- Change the format to 4.5% of industry revenues
- Assessed on number of non-Medicare bed days
- Paid quarterly to TennCare



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# Our New Approach

- More elastic than a flat bed tax and permits some potential growth over time
- Much higher pass-through— 60 percent of the assessment paid
- Provides additional funds for the transition to a new acuity based Medicaid system on July 1, 2015



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# How It Works: Assessment



# How It Works: Assessment

Data taken from most recent cost reports (2013) and used to set rate

- Non-Medicare Patient Days (incl. MA)
- Net Patient Revenues
- Used to establish Assessment per diem



# How It Works: Assessment

- 2013 Industry Revenues: **\$2.55 billion**
- Assessment of 4.5%: **\$114.4 million**
- Non-Medicare Patient Days: **9.04 million**
- Assessment Per Diem: **\$12.66**



# How It Works: Assessment

- Assessment will be due quarterly in four equal payments
- Invoices will be sent out in September for first payment
- First payment due to TennCare by Oct. 20
- Penalties for delinquent payment are spelled out in legislation



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# How It Works: Assessment

- Facilities will be mailed invoices
- Payment will be by check, payable to Bureau of TennCare
- Include coupon with check when mailing





# How It Works: Assessment

Calculating the Medicaid Pass-Through

- Assessment of 4.5%: **\$114.4 million**
- Total Patient Days: **11.1 million**
- Pass-Through Per Diem: **\$10.30**



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# How It Works: Payment



# How It Works: Payment

- Fiscal Year 2014-2015 is a transition year
- Supplemental payments
  - 19% to restore 1% rate cut in SFY2015 budget
  - 1% for systems development (online cost reports)
  - 30% acuity – method “A”
  - 30% acuity – method “B”
  - 20% quality



# How It Works: Payment

## Acuity – Method “A”

- Identical to the method used to pay out \$23.6 million in SFY2013
- Uses Case Mix Index (CMI) scores to establish acuity
- Direct care costs, Patient Days



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# How It Works: Payment

## Acuity – Method “B”

- Allocated using only Medicaid CMI scores and patient days



# How It Works: Payment

## Acuity Methods “A” and “B”

- Direct care costs and patient days from 2013 cost reports
- CMIs will be a rolling four quarter average
  - Ex. Oct 2014 payment will use CMIs from July 2013-June 2014
- Payment amounts will change quarterly
- Payments will be made by MCOs



# How It Works: Payment

## Quality

- Points awarded according to measures developed with stakeholders
- Scores will be updated quarterly
- Payment amounts will change quarterly
- Payments will be made by MCOs



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# Questions

*If you have questions  
please type them into the box  
to the side of your webinar window*