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Kentucky Department for Medicaid Services

Kentucky Nursing Facility Price Based Case Mix System Updates Beginning with Rates Effective July 1, 2024

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Agenda

- LTC Price Based Rate Setting Overview
- Rebasing
- Statewide Reappraisals
- Transition to PDPM
- Provider Tax Updates and Quality Program
- Bed Reserve
- Ancillary Add On
- NF Industry and Stakeholder Engagement
- Summary

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LTC Price-Based Rate Setting

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Number of Price Based Providers

- As of May 2024, **252** Nursing Facilities (NF) are enrolled as Kentucky Price Based NF providers.

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Applicable Regulation and State Plan Amendment (SPA)

- The Kentucky Price Based NFs are reimbursed according to the updated SPA and 907 KAR 1:065.

- The most recent SPA was approved by CMS June 14, 2018. The applicable sections include:
  - Attachment 4.19 C Exhibit A
  - Attachment 4.19 D Exhibits A & B
  - Updated SPA is in process of being submitted to CMS for approval

- SPA available here (filter by Kentucky and Financing & Reimbursement):
  - These documents detail the methodology payments that are distributed to each NF.

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Rate Setting Methodology Characteristics

- **Price-Based**
  - Standard price has been set for a day of service
  - Adjusted annually
- **Case Mix-Adjusted**
  - Facilities that serve patients with a greater resource need will receive more reimbursement than facilities with a low or average level of acuity or resource need.
  - Adjusted quarterly
- **Market-Based**
  - The rate model accounts for higher wage rates for urban facilities. There is one price for urban providers, and a separate price for rural providers.

NF Rate Sheet Example

Case Mix Adjusted

1. Direct Service....................
2. Non-Personnel Operating....................
3. Sum of Direct Service and Non-Personnel Operating...
4. MDS Case Mix Index....................
5. Total Case Mix Adjusted....................

Non-Case Mix Adjusted

1. Administration....................
2. Food....................
3. Non-Direct Service....................
4. Professional Support and Consultation....................
5. Total Non-Case Mix Adjusted....................

Facility and Capital Component

1. Non-Capital Facility Related Component....................
2. Capital Rate Component....................
3. Total Facility and Capital Component....................

Calculated Standard Price

1. Total Case Mix Adjusted....................
2. Total Non-Case Mix Adjusted....................
3. Total Facility and Capital Component........
4. Calculated Standard Price....................

Payment Price Computation

1. Calculated Standard Price....................
2. MDS Audit Rate Sanction....................
3. **Nursing Facility Per Diem** ....

The 7 Components of Price-Based Rate

1) **Personnel Costs** – Based on wages, benefits, established staffing ratios, and established absenteeism factor.
   a) Direct Service: RN, LPN, Aides, DON, Activities, Medical Records
   b) Non-Direct Service: Dietary, Housekeeping/Laundry, Social Services, Maintenance

2) **Non-Personnel Operating Costs** – Based on the historical average of non-personnel operating costs as a percentage of total costs from cost reports.

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The 7 Components of Price-Based Rate (Cont.)

3) **Administration** – Based on the historical average of administration costs (administrator's salary, legal fees, etc.) as a percentage of total costs from cost reports.

4) **Food Costs** – Based on the historical average of food costs as a percentage of total costs from cost reports.

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The 7 Components of Price-Based Rate (Cont.)

5) **Professional Support and Consultation (PS&C)** - Based on the historical average of the PS&C costs as a percentage of total costs from cost reports.

6) **Non-Capital Facility Related** - (utilities, property taxes, etc.)
   a) Based on historical average costs.
   b) The non-capital facility related price is a flat rate (same for rural and urban).

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The 7 Components of Price-Based Rate (Cont.)

7) **Capital Rate Component** (building depreciation, rent, etc.) - Based on facility depreciated replacement cost, as determined by reappraisals every 5 years.
   - These components are typically inflated annually
   - Provider Tax allowance (within Administration) is not adjusted unless tax amounts change

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Rebasing

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Rebasing

- Effective every July 1st, price based NF providers receive new rates.
  - Typically, the rates are inflated from the prior year's rate components.
  - In other years, the rates are rebased, taking available cost report information and setting the rates utilizing current costs.
- Rates will be rebased effective July 1, 2024.
- Rates have not been rebased since 2008.
- 2022 cost reports will be used for rebasing.

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Rebasing (cont.)

Kentucky Medicaid
Rebasing Analysis
Standard Base Price

Draft / For Preliminary Discussion

Category	URBAN	RURAL
Case Mix Adjusted Costs:		
RN	$27.11	$24.10
+ LPN	$40.00	$34.87
+ Aides	$68.38	$54.86
+ Director of Nursing	$4.29	$3.99
+ Activities	$2.65	$2.38
+ Medical Records	$1.59	$1.43
= Total Case Mix Adjusted Costs	$144.02	$121.63
Non-Case Mix Adjusted Costs:		
+ Dietary	$15.52	$12.40
+ Housekeeping/Laundry	$9.85	$7.92
+ Social Services	$3.72	$3.05
+ Maintenance	$3.69	$3.31
= Total Non-Case Mix Adjusted Costs	$32.78	$26.68
Case Mix Adjusted Other Costs:		
+ Non-Personnel Operating	$16.31	$14.42
Non-Case Mix Adjusted Other Costs:		
+ Administration	$76.78	$72.65
+ Food	$10.88	$9.61
+ Professional Support & Consultation	$5.43	$4.81
	$93.09	$87.07
Facility Costs:		
+ Non-Capital Facility Related	$7.83	$7.83
= Rate Per Day of Service	**$294.03**	**$257.63**
Non-Personnel Percentage	30.01%	31.40%

Rebasing Amounts

	Case Mix Adjusted	Non-Capital	Non-Case Mix Adjusted	Total Non-Case Mix Adjusted
Urban	$160.33	$7.83	$125.87	$133.70
Rural	$136.05	$7.83	$113.75	$121.58

July 2023 Model Amounts

	Case Mix Adjusted	Non-Capital	Non-Case Mix Adjusted	Total Non-Case Mix Adjusted
Urban	$114.77	$7.05	$103.61	$110.66
Rural	$97.36	$7.05	$94.18	$101.23

Statewide Reappraisals

Statewide Reappraisals

- Statewide reappraisals occur every 5 years.
- Last statewide reappraisals were performed in 2019
- Statewide reappraisals completed in 2024

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Statewide Reappraisals (cont.)

- Reappraisals were completed between January 2024 and March 2024 by National Valuation Consultants (NVC).
- The reappraisal reports list each facility's depreciated replacement cost and number of beds.
- Reports delivered to providers between 5/20/2024 and 5/31/2024.
- The reappraisal values will be implemented in rates effective July 1, 2024.

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Statewide Reappraisals (cont.)

1. Depreciated Replacement Cost from 2024 Appraisal: ___________________________
2. Multiplied by 1.0037 (0.37% inflation adjustment for capital): ___________________
3. Divided by Number of Licensed NF Beds from 2024 Appraisal: _____________
4. Subtotal: ___________________. Compare to Per Bed Maximum Allowable for SFY 2025 ($80,278); continue with lesser value.
5. (Value from 4 above) + (10% x Value from 4 above) + ($2,000): ______________
6. (Result from 5 above) x 0.09 (9% rate of return factor): __________________
7. Determine NF occupancy percentage from Supplemental Schedule NF-7 (Certified NF Total Patient Days divided by Certified NF Bed Days Available): __ __ __ . __ __ %
8. If value from 7 above is 90% or less, then use 329 days. If value from 7 above is greater than 90%, then calculate the following:
   (Calculation from 7 above) x 365: ______. 0 (round to nearest whole number)
9. (Value from 6 above: ____________) divided by (Value from 8 above: _____): _______

This value is the NF's Capital Rate Component.

The above calculation is draft as of 5/20/24 to be used for educational purposes – the values may change.

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Transition to PDPM (Patient Driven Payment Model)

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Transition to PDPM

- Effective 10/1/2023, CMS ended support of RUGs, removed necessary data elements from the Minimum Data Set (MDS).
- Rates effective 4/1/2024 – 6/30/2024 are currently frozen at the rates effective 1/1/2024.
- Beginning 7/1/2024, PDPM data will be used to calculate the case mix index (CMI).

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Transition to PDPM (cont.)

- Only the nursing component CMI will be applied to the case-mix adjusted rate components.
- Kentucky will be using the CMIs established by CMS, effective 10/1/2023.

PDPM Nursing	HIPPS Code (3rd Digit)	CMI
ES3	A	3.84
ES2	B	2.90
ES1	C	2.77
HDE2	D	2.27
HDE1	E	1.88
HBC2	F	2.12
HBC1	G	1.76
LDE2	H	1.97
LDE1	I	1.64
LBC2	J	1.63
LBC1	K	1.35
CDE2	L	1.77
CDE1	M	1.53
CBC2	N	1.47
CA2	O	1.03
CBC1	P	1.27
CA1	Q	0.89
BAB2	R	0.98
BAB1	S	0.94
PDE2	T	1.48
PDE1	U	1.39
PBC2	V	1.15
PA2	W	0.67
PBC1	X	1.07
PA1	Y	0.62

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PDPM Phase-In

- The PDPM methodology will be phased-in as follows:

Rate Effective Date	Percent PDPM CMI	Percent RUG CMI
7/1/2024	25%	75%
10/1/2024	50%	50%
1/1/2025	75%	25%
4/1/2025	100%	0%

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Calculating Your 7/1/2024 CMI

The CMI utilized for July 2024 rate setting will consist of:

- 75% RUG CMI from 1/1/2024 rate sheet (final Q3 2023 roster)
- 25% PDPM CMI from final Q1 2024 roster

Calculation:

RUG CMI: ______ x 0.75 = _____ plus (+)

PDPM CMI: ______ x 0.25 = _____

_____ = Medicaid Average CMI

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Provider Tax and Quality Program Updates

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Provider Tax and Quality Program Updates

- The Department will be increasing the provider tax fee and allowance on 07/01/2024.
- After receiving the updated provider tax allowance in the Price Based per diem rates, the Department plans to implement a quality program during SFY 2026.
- The quality program will utilize the increased provider tax allowance amount from 07/01/2024 to fund the quality pool.
- 2022 cost reports were utilized to calculate the increased provider tax.
- The Quality Workgroup meets biweekly to discuss how to implement the quality program and quality reports are expected to be distributed in state fiscal year 2025.

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Current Provider Tax Rates

- Hospital Based NFs - $3.64
- NF with an ICF and fewer than 60 beds - $1.82
- NF with less than 60,000 days - $12.85
- NF with greater than 60,000 days - $4.12

The provider tax add-on included in the current rate is $9.64

Provider Tax Rates Beginning 7/1/2024

- Hospital Based NFs - $5.63
- NF with an ICF and fewer than 60 beds - $2.82
- NF with less than 60,000 days - $19.89
- NF with greater than 60,000 days - $6.38

The provider tax add-on will be increased by $31.79 to $41.43

Quality Program

- Beginning with rates during SFY 2026, the provider tax add-on allowance will be reduced and a quality pool will be created.
- Providers will earn a quality add on per diem using the following quality metrics:

Percentage of long-stay residents with a urinary tract infection	Percentage of high risk long-stay residents with pressure ulcers
Percentage of long-stay residents experiencing one or more falls with major injury	Percentage of long-stay residents who received an antipsychotic medication
Medicaid utilization	Occupancy Percentage

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Quality Program

- Funds will be distributed according to provider performance and percentage of Medicaid days.
- This add on will be updated on a quarterly basis.
- Scorecards will be posted to the provider portal beginning July 2024 for provider to review their ranking and draft quality payment.

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Bed Reserve Reimbursement Changes

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Bed Reserve Reimbursement Changes

Prior to 7/1/2024

- COVID-19 Disaster SPA temporarily increased service limits to 30 days per resident, per calendar year due to hospitalization.
- COVID-19 Disaster SPA allowed for 75% per diem rate reimbursement if 2019 occupancy levels were above 95%.
- Quarterly census forms required if 75% per diem rate was requested (occupancy level above 95% for prior quarter and below 95% during 2019).
- Otherwise, reimbursement at 50% of per diem rate.

After 7/1/2024

- Makes permanent the reimbursement for a maximum of 30 days per resident, per calendar year due to hospitalization.
- All allowable bed reserve days paid at 75% of the per diem rate, regardless of facility occupancy.
- No need to submit quarterly census forms.

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Reimbursement Changes for Ancillary Services

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Reimbursement Changes for Ancillary Services

Prior to 7/1/2024

- Ancillary services are billed separately from the per diem / room and board rate and paid according to a fee schedule.
- Ancillary services include the following
  - Physical Therapy
  - Occupational Therapy
  - Speech Therapy
  - Oxygen Therapy
  - Lab
  - Radiology

7/1/2024 and after

- Ancillary services are included in the per diem rate.
- Any billings for ancillary services will be paid zero.
- Ancillary Add-On Calculation: Ancillary payments divided by paid Medicaid days for each facility.
  - Actual ancillary payments will be used through 6/30/2024
  - Beginning 7/1/2024, ancillary services provided will be reported on the Ancillary Services Supplemental Schedules.

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Ancillary Services Supplemental Schedule

- For FYE July 2024 and beyond, report units of services provided in the columns for July 2024 and beyond

Kentucky Medicaid Nursing Facility Ancillary Supplemental Schedule

Medicaid Provider Number

Provider Name

FYE 12/31/2024

Units of Medicaid Ancillary Services
(Do Not Include Medicare Part B Services)

Physical Therapy Rev Code	Procedure Code	Description	Procedure Code Modifier	Procedure Code Modifier Description	Month 1 Jan-24	Month 2 Feb-24	Month 3 Mar-24	Month 4 Apr-24	Month 5 May-24	Month 6 Jun-24	Month 7 Jul-24	Month 8 Aug-24	Month 9 Sep-24	Month 10 Oct-24	Month 11 Nov-24	Month 12 Dec-24	Total	Fee Schedule Amt (Facility)	Total Fees
					Dates of Service														
420	97014	APPLICATION OF ELECTRICAL STIMULATION TO 1 OR MORE AREAS, UNATTENDED BY PHYSICAL THERAPIST															-	$ 8.85	$ -
420	97014	APPLICATION OF ELECTRICAL STIMULATION TO 1 OR MORE AREAS, UNATTENDED BY PHYSICAL THERAPIST	CQ	Therapy Assistant													-	$ 5.21	$ -
420	97032	APPLICATION OF A MODALITY TO ONE OR MORE AREAS, ELECTRICAL STIMULATION, EACH 15 MIN.															-	$ 8.96	$ -
420	97032	APPLICATION OF A MODALITY TO ONE OR MORE AREAS, ELECTRICAL STIMULATION, EACH 15 MIN.	CQ	Therapy Assistant													-	$ 5.27	$ -
420	97035	ULTRASOUND THERAPY, EACH 15 MIN.															-	$ 8.65	$ -
420	97035	ULTRASOUND THERAPY, EACH 15 MIN.	CQ	Therapy Assistant													-	$ 5.09	$ -
420	97110	THERAPEUTIC PROCEDUREONE OR MORE AREAS, EACH 15 MIN.															-	$ 17.96	$ -

NF Industry and Stakeholder Engagement

Summary

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Price Based NF Rate Updates Summary

Effective 7/1/2024:

- Rates will be rebased using 2022 cost report data.
- The capital rate component will be revised to incorporate updated replacement values from the statewide reappraisals.
- Case-mix indices will be applied using PDPM CMS CMIs, with a 25% phase-in for 7/1/2024.
- Provider tax rates will increase for each provider tax tier, and the provider tax allowance included in the Medicaid rate will increase.
- Providers will receive quality report cards to begin tracking their quality measure progress, for a program to be implemented SFY 2026.
- Ancillaries will now be included in the routine per diem and no longer paid with a separate fee schedule.
- All allowable bed reserve days will be paid at 75% of the Medicaid rate, and census surveys will no longer be required.

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Thank you! Questions?