



MEMORANDUM

FROM: Richie Farran, V.P. of Government Services, Health Care Association of Michigan
DATE: April 19, 2023
SUBJECT: Fiscal Year 2024 Budget Priorities

Senate Bill 190 (S-1)

Sec. 1950 – Nursing Facility Rate Transition

ASK: Include funding in SB 190 to support nursing facilities in transitioning to a new Medicaid reimbursement system.

HCAM supports the funding allocation of \$110 million included in the Governor’s executive recommendation targeted at supporting nursing facilities during the transition to and phase-in of a new Medicaid reimbursement system.

MDHHS continues work with provider stakeholders to develop and implement a new Medicaid reimbursement system that will take into account the acuity of residents, support investment in the workforce, simplify the reimbursement process, and incentivize efficiencies. HCAM appreciates the collaborative effort, and remains committed to work with the department on the development and implementation of an improved Medicaid reimbursement system. The funding will mitigate negative impacts on providers who may experience a decrease in the Medicaid rate under a new system, and gives them time to adjust operations.

Sec. 1895 – Nursing Homes – Variable Cost Component and Quality Assurance Supplement

ASK: Remove S-1 language and replace with a Medicaid rate setting option that ensures adequate funding to Michigan’s skilled nursing facilities.

The rate setting process described in this section was not included in the governor’s recommendation, and it does not reflect the current collaborative work between MDHHS, HCAM and other provider groups. The section reflects the process used to set rates in FY22 and FY23 due to the COVID-19 pandemic and influx of funding from the federal government. Setting rates in this manner in FY24 would lead to a significant cut to funding for nursing facility providers and continue the significant cash flow issues providers have experienced over the last two fiscal years. Using the FY23 interim rate for FY24 would be devastating for providers who are out of cash and other funding options.

If a placeholder is necessary to continue the conversation on rate setting, the section should reference the current rate setting process as described in the Michigan Medicaid Provider Manual to ensure the rate recognizes the increasing cost of providing. HCAM suggests the following language for use in this section:

Sec. 1895. From the funds appropriated in part 1 for long-term care services, the department shall use providers’ fiscal year 2022 cost reports to set Medicaid rates for the current fiscal year as described in Section 10 of the Nursing Facility Cost Report and Reimbursement Appendix in the Michigan Department of Health and Human Services Medicaid Provider Manual.

Sec. 1645 – Nursing Home Capital Costs

ASK: Update boilerplate to clarify that the initial increase in the CAV limit may exceed 4%, with a 4% cap on subsequent year increases.

The previous four budgets included boilerplate that would change the Medicaid reimbursement limits for capital costs for nursing facilities – called the Current Asset Value (CAV) limit. HCAM worked closely with the State Budget Office and MDHHS in 2018 to update the reimbursement for nursing facilities' capital costs – the increase has already been agreed to by MDHHS, SBO, and HCAM.

The boilerplate called for new methodology to create this limit, which would allow for an initial jump in the limit the first year it is applied, then set a 4% cap for subsequent years. Unfortunately, the new CAV limit was implemented incorrectly – placing the 4% cap on the increase to the limit before allowing for the initial increase. The below boilerplate language would fix this for the 2024 fiscal year, and HCAM requests its inclusion in the budget. This will NOT require additional funding as it is already included in the long-term care services line.

Sec. 1645. (1) The department shall update the Medicaid provider manual policy for the Class I nursing facility current asset value bed limit to use a rolling 15-year history of new construction when establishing a current asset value bed limit for the fiscal year beginning on October 1, 2023.

(2) It is the intent of the legislature that, for the fiscal year beginning October 1, 2024 and subsequent fiscal years, the increase in the current asset value bed limit based on the rolling 15-year history of new construction shall not exceed 4% of the previous fiscal year's limit.

HB 4310 (H-1)

Sec. 1644 – Direct Care Worker Wage Increase

ASK: Include current level funding permanently, and only make increases that can be sustained in the future.

The caregivers and employees in Michigan's nursing facilities were on the frontlines of the pandemic, serving our state's most vulnerable population. The stress of the pandemic and negative rhetoric regarding nursing facility care have led many employees to leave the profession. Data from the United States Bureau of Labor Statistics indicate that the current labor shortage is uniquely affecting skilled nursing facilities. More than 200 thousand workers nationwide have left the profession since the pandemic began, and HCAM estimates more than 10,000 workers have left the profession in Michigan.

The proposed funding offering and additional \$1.50/hour increase to direct care workers employed in nursing facilities will bolster providers' abilities to attract and retain a strong workforce. However, implementing a funding increase of \$1 for only one year will lead to unfunded wage levels for subsequent years – leaving providers without reimbursement for the wage increase for their employees. HCAM is opposed to the one-time wage increase.

HCAM is a statewide trade association representing proprietary, not for profit, county medical and hospital-based long-term skilled nursing and rehabilitation facilities.