



MEMORANDUM

FROM: Health Care Association of Michigan
DATE: February 9, 2021
SUBJECT: Medicaid Payment Adjustment for Nursing Facilities Impacted by COVID-19

HCAM Proposal FAQ's

1. How does the HCAM proposal differ from the one-time payment included in the Governor's 2021-2022 executive recommendation?

The funding included in the governor's executive recommendation offers payment to facilities for rate setting purposes for the fiscal year 2021-2022. Due to the pandemic, it was determined that the normal rate-setting process should not be used to set Medicaid rates for the upcoming fiscal year. Instead, the state budget office and MDHHS used an increase to the 2019 rates to reflect increased costs. This one-time payment is meant to reflect the increase in rates for this unique rate setting process.

Nursing facilities need assistance in the current fiscal year as well, which is why HCAM is advocating for additional funding in a supplemental bill. This funding will help to bridge the gap until vaccination efforts and decreased case rates help operations and census to return to normal. Facilities need help now, and this proposal will get them funding now.

2. Will facilities be paid for decreased census caused by factors other than the pandemic?

The proposal would compare facilities' 2019 census to their census in each of the first three quarters of calendar year 2021. In order to receive payment under this program, a facility would have to have a decrease in census of 5% or more from 2019. Comparing the facility's census to its past performance prevents unintended windfalls, as the various factors that may impact census other than the pandemic are already built into the facility's census information. This would help facilities to address the impact of the pandemic, not other factors that may cause a normal decline in census.

3. Will the proposal create a disincentive for providers to increase census?

No, this funding is a fraction of the revenue facilities would receive if census increased to pre-pandemic levels. Additionally, it is a temporary program, and will only address census declines for January-September of 2021. Facilities will be doing all they can to have census return to pre-pandemic levels as soon as possible.

4. Will this proposal require CMS approval?

Yes, in order to draw down federal matching dollars to fund the full \$100 million of the program, CMS would need to approve these payments. It is unlikely that CMS approval will be a problem – Medicaid supplemental payments have been made to nursing facility

providers in a number of other states, including Indiana, Wisconsin, Virginia, Texas, Nebraska, North Carolina and others.

5. How did HCAM calculate the need of \$100 million?

Background

As the pandemic drags on, Michigan's nursing facilities need additional resources and help as they continue the fight to protect our most vulnerable population. The increased costs of the pandemic – PPE, wages, and operational changes – all remain. Statewide census has dropped more than ten percent since the pandemic hit. Thus, facilities are facing increased costs at a time when revenues are down significantly.

Thankfully, the federal long-term care vaccination program is making significant progress and we are all hopeful the end of the pandemic is only months away. HCAM is requesting additional Medicaid funding directed toward the hardest hit facilities to bridge the gap until vaccination efforts allow for operations to return to normal, census to stabilize, and revenues to return to pre-pandemic levels. This funding request is detailed below.

Funding Sources

HCAM has identified significant savings to the state amounting to more than \$120 million in general fund dollars in FY 2019-2020 in the long-term care services line due to decreased utilization and increased federal match funds. It is expected that similar general fund savings of more than \$120 million will be realized in FY 2020-2021 – **amounting to nearly \$250 million in general fund savings in total.**

In one of its first actions in 2020 in response to the pandemic, Congress passed a COVID-19 relief package (Families First Coronavirus Response Act), that included a temporary 6.2 percent increase in the Federal Medical Assistance Percentages (FMAP). The increased FMAP has brought hundreds of millions of dollars to Michigan since January of 2020, and will continue through the duration of the national state of emergency. Congress passed this funding with the intent to recognize the costs incurred by Medicaid providers due to their response to the pandemic.

While the funding has been used to make up for lost revenue for the state due to the shutdown, the economic outlook has greatly improved over the past several months. It is clear from the January 2021 consensus revenue estimating conference that now is the time to redirect the increased Medicaid match to providers who need it most. In these unprecedented times, there is no better use for a Medicaid dollar than for the care of Michigan's senior population, which is the most vulnerable to COVID-19. The expectation that nursing facilities provide this care at significantly increased costs, without relief, is not feasible.

Additionally, decreased utilization has resulted in significant savings to the state. HCAM estimates approximately \$160 million gross was saved in FY 2019-2020 due to statewide census declining more than 10 percent – savings that will also be realized in FY 2020-2021.

Medicaid Payment Adjustment

Nursing home reimbursement rates are computed by aggregating allowable provider costs and dividing by patient days. The State FY 2021 Medicaid rates are based on costs and occupancy for an individual provider as was reported on the 2019 filed Medicaid cost report.

Our reimbursement system provides adequate funding to nursing home operators when occupancy is stable. When occupancy declines significantly, a provider lacks adequate reimbursement from the remaining patients to cover fixed costs that do not fluctuate with patient volume – for example utilities, mortgage payments, the Director of Nursing salary, the licensed Nursing Home Administrator salary, property taxes and various other expenditures.

A supplement to the Medicaid rate for FY 2021 is needed for providers that continue to face declines in occupancy along with increased costs for wages, PPE, and operational changes due to the pandemic. Without this help, these providers will not have the adequate funding needed to care for residents.

Total Request: \$30 million GF – total \$100 million allocation for impacted providers. These funds represent a fraction of the estimated savings that have been realized by the State of Michigan as a result of the significant decrease in the number of Medicaid nursing home residents, as well as the increase in the federal match for Medicaid spending.

As described above, the additional funding is needed to allow for adequate cost reimbursement to maintain operations and quality care. HCAM would request that the enhanced Medicaid payment be directed to the most severely hit facilities – i.e. those with the largest drop in census since 2019. The targeted funding ensures help is sent to those facilities that need it most for the time period of January 2021 through September 2021, at which time it is expected census, and therefore revenues, will begin to stabilize.

Payment Period: January – September 2021.

Eligibility for Payments: Providers with occupancy levels that have declined by 5 percentage points or more as compared to their occupancy percentage as reported on the 2019 filed Medicaid cost report. For example, if a provider’s actual occupancy in calendar 2019 was 86%, they would be eligible for the additional reimbursement if their actual occupancy in the measurement period was 81% or less. CRC days are not eligible for this payment.

Measurement Periods: A provider may demonstrate eligibility in each of the following periods

Period #1 January – March, 2021

Period #2 April – June, 2021

Period #3 July – September 2021

Determination of Payments:

The payments will be made based on a scale reflecting the change in occupancy between total 2019 filed Medicaid cost report and the measurement period. The scale would be:

- Census decline of less than 5 percentage points No additional payment

- Census decline of 5 to 8 percentage points \$15.00 per Medicaid day
- Census decline greater than 8 percentage points \$25.00 per Medicaid day

MDHHS Implementation and Oversight:

MDHHS will implement the program immediately with a retroactive start date of January 1, 2021. At the conclusion of each measurement period, providers will submit a form that documents the following information:

- Actual occupancy percentage as reported on the 2019 filed Medicaid cost report
- Patient days by payor (Medicaid payor includes fee for service Medicaid, MI Health Link, and Healthy Michigan) and actual occupancy percentage for the Measurement period
- Requested Medicaid supplement per day for each measurement period
- Total billed Medicaid supplement requested (number of billed Medicaid days in measurement period , including MI Health Link and Healthy Michigan, times the Medicaid supplement per day)

The data submitted by each nursing facility may be subject to audit review for verification. MDHHS will perform a final reconciliation of the payments based on their review of the occupancy data.

Please contact Rich Farran at RichFarran@HCAM.org or at 517-281-0396 to discuss further.