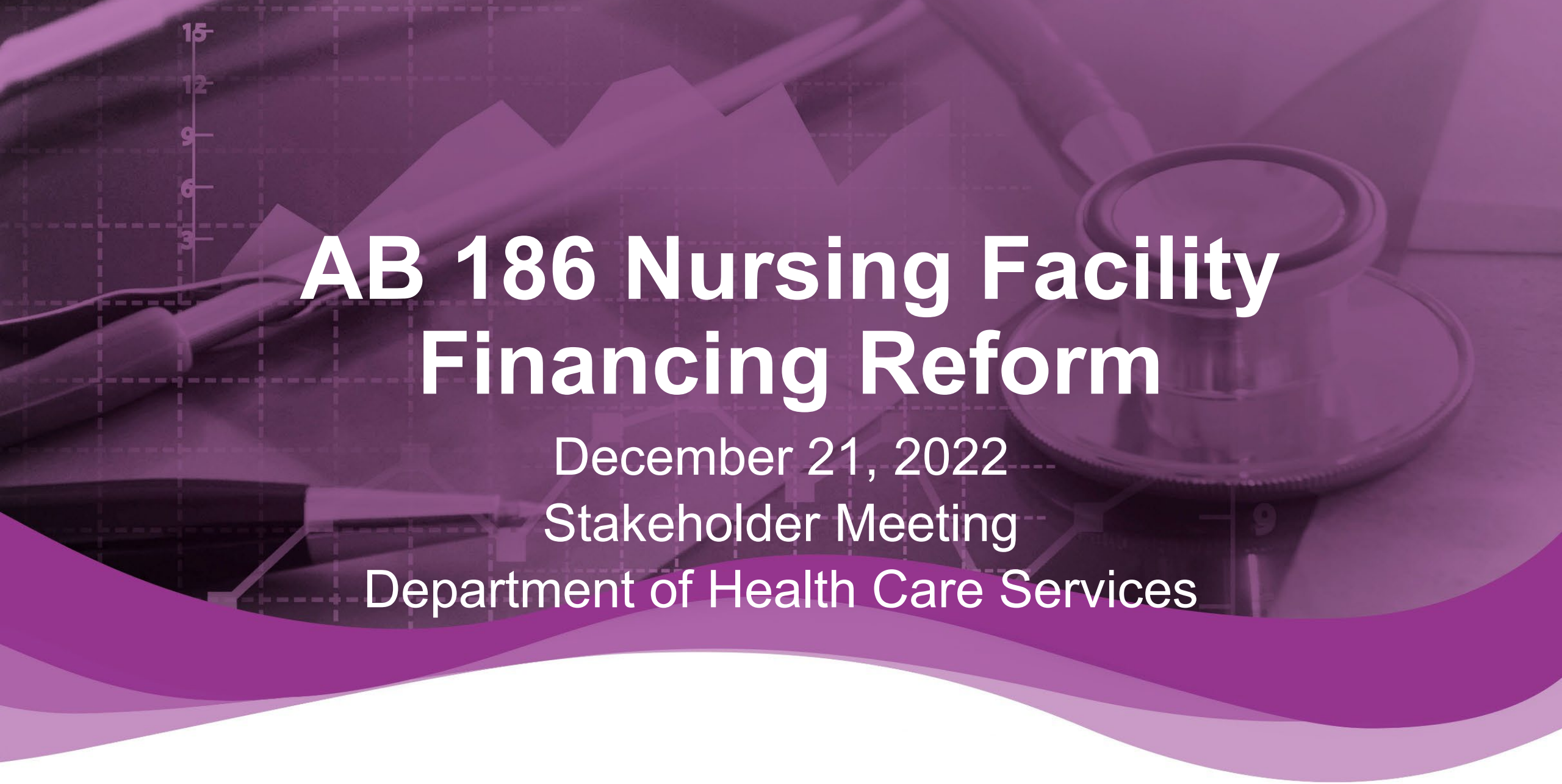


AB 186 Nursing Facility Financing Reform

December 21, 2022

Stakeholder Meeting

Department of Health Care Services

DHCS

Introductions

- Lindy Harrington, Deputy Director, Health Care Financing
- Laura Miller, M.D., Medical Consultant, Quality & Population Health Management Division
- Alek Klimek, Chief, Fee-For-Service Rates Development Division

Agenda

1. AB 186 Overview
2. Workforce & Quality Incentive Program (WQIP) Final Program Design
3. Workforce Standards Program, Development Timeline and Initial Program Concepts
4. Public Comment

AB 186 Program Components	Development Timeline	Implementation Timeline
Workforce & Quality Incentive Program (WQIP). DHCS will provide directed payments to facilities to incentivize workforce and quality. This program succeeds the former Quality and Accountability Supplemental Payment (QASP) program.	September 2022 - December 2022	Payments made to facilities in early 2024 based on Calendar Year (CY) 2023 utilization
Workforce Standards Program. DHCS will establish workforce standards such as maintaining a collective bargaining agreement or paying prevailing wage. DHCS will provide facilities that meet these standards with a workforce augmentation to the base per diem rate effective for CY 2024.	December 2022 - April 2023	Rate augmentation effective for CY 2024. Facility reporting required in mid-2023.
Accountability Sanctions Program. DHCS is authorized to sanction facilities that do not meet quality standards established by DHCS on a per Medi-Cal bed basis.	April 2023 - November 2023	Quality standards will be effective for CY 2024.

Stakeholder Engagement

- DHCS has scheduled the following stakeholder meetings in 2023 to continue developing AB 186 programs:
  - February 1, 2023, 1:30 p.m.
  - March 10, 2023, 1:30 p.m.
  - April 12, 2023, 3:00 p.m.
- Additional meetings may be scheduled later in 2023.
- Please submit any comments in writing to AB186Comments@dhcs.ca.gov
- Please visit dhcs.ca.gov/AB186 for meeting materials and information on how to join upcoming meetings.

WQIP Final Program Design

WQIP Overview

- The WQIP will provide directed payments to Skilled Nursing Facilities (SNFs) through the managed care delivery system to succeed the former fee-for-service Quality and Accountability Supplemental Payment (QASP) program effective for Calendar Year (CY) 2023.
- DHCS presented the WQIP program design at the October 25 and November 18, 2022 stakeholder meetings. Today, DHCS will present the final program design and clarifications, based on stakeholder feedback and further staff research and analysis.
- DHCS must submit the program design to the federal Centers for Medicare & Medicaid Services (CMS) by December 31, 2022.

WQIP Design Objectives

- DHCS has articulated key objectives for Nursing Facility Financing Reform:
  - Better incentivize and hold SNFs accountable for quality patient care.
  - Emphasize the critical role of workforce.
  - Better balance distribution of annual rate increases.
  - Result in the long-term financial viability of SNFs in the Medi-Cal managed care environment.
- The WQIP will account for approximately four percent of Medi-Cal reimbursement to SNFs with annual growth. The former QASP program accounted for only about one percent of total Medi-Cal reimbursement to SNFs.
- The WQIP is intended to more broadly distribute funding to incentivize workforce and quality improvement as a core part of facilities' reimbursements, compared to QASP which provided a smaller bonus only to the highest performing facilities.

Strategic Alignment

- The WQIP is aligned with the *DHCS Comprehensive Quality Strategy* Guiding Principles:
  - Eliminate health disparities through anti-racism and community-based partnerships
  - Data-driven improvements that address the whole person
  - Transparency, accountability, and member involvement
- DHCS aims to align managed care plan quality and performance reporting with the quality measures being monitored at the facility level through the WQIP.
- The WQIP is informed by CMS' August 22, 2022 Informational Bulletin: *Medicaid Nursing Facility Payment Approaches to Advance Health Equity and Improve Health Outcomes*.
- The WQIP is aligned with the *California Master Plan for Aging:* Health Reimagined Goal.

Managed Care Delivery System

Managed Care Background

- As part of CalAIM, nursing facilities are carved-into managed care effective January 1, 2023.
- AB 186 requires DHCS to implement the WQIP as a managed care directed payment for network providers.
- DHCS is responsible for designing the program, calculating scores for each facility, and directing managed care plans (MCPs) to make payments.
- A managed care directed payment must comply with applicable federal laws and regulations and is subject to federal approval through the CMS Preprint process. WQIP will not utilize a State Plan Amendment.
- Pursuant to AB 186 and federal directed payment rules, WQIP payments cannot be made for Fee-For-Service or out-of-network utilization.

Managed Care Eligibility

Pursuant to AB 186 and federal laws and regulations, WQIP payments will be made by MCPs to facilities for days which:

- Medi-Cal is the primary payer.
- Are rendered to a Medi-Cal member actively enrolled in the MCP.
- The facility is a Network Provider as defined by All Plan Letter (APL) 19-001, APL 19-001 Attachment A, and the MCP's contract with the state.
- The facility is contracted by the MCP to provide the applicable service to the member, for the applicable dates of service.
- Are reported by plans and accepted into the DHCS data warehouse at the time of the final calculation.

Managed Care Contracting

- A service qualifies for a directed payment only if there is an unbroken "contracting path" for the dates of service between the MCP and Network Provider for the service rendered and the member receiving the service.
- DHCS allows contracts to be retroactive to the start of the program period if they are finalized before the period ends.
- A Letter of Agreement (LOA) between the MCP and facility does not meet the criteria for a Network Provider agreement.
- DHCS encourages MCPs to contract with providers to meet Network Provider adequacy requirements.
- If services are not made pursuant to a Network Provider Agreement, the facility may negotiate the rates for services with the MCP.

Funding & Payments

Funding Target

- WQIP payments will target a total budgeted amount of $280 million for CY 2023. The funding in future program years will increase in accordance with statute. Funds are not pooled and are partially at risk based on performance and utilization.
- MCPs will make directed payments to facilities on a per diem basis. DHCS will direct plans to pay a per diem rate that is adjusted as a function of the facility's WQIP score.
- DHCS will establish the per diem rate and the scoring function to target $280 million if facilities achieve an average raw WQIP score of at least 40 percent. Based on the point design and percentile tiers, 40 percent is the expected raw score if facilities perform at baseline on average.

Per Diem Payment Calculation

- DHCS will establish the baseline per diem rate based on:

  $280 million ÷ Projected Number of Eligible Days

- Each facility's raw WQIP score will be curved by:
  1. Calculating the mean WQIP score weighted for WQIP-eligible days
  2. Determining the curve factor = 100 / Mean WQIP Score
  3. Limiting the curve factor to no more than 2.5 (i.e. 100 / 40)
  4. Applying the curve factor to each facility's raw score to calculate the curved score
- A curved WQIP score for a facility may exceed 100 percent.
- Payments from each managed care plan to each facility will equal:

  Eligible Days × Curved WQIP Score × Per Diem Rate

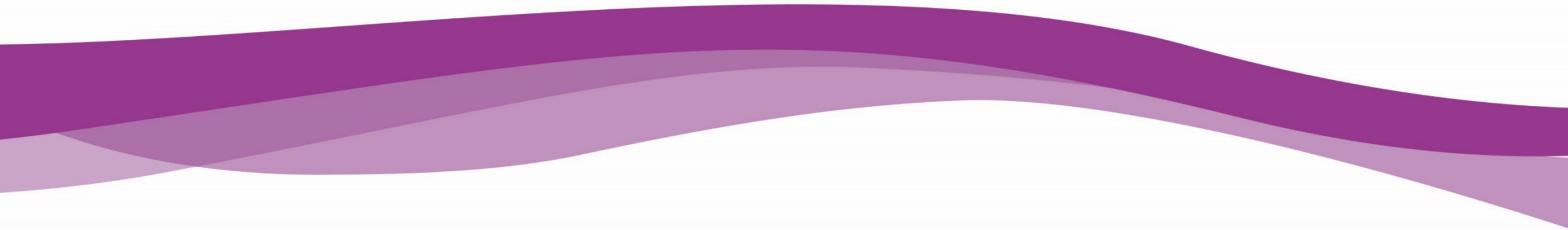
Timing of Payments

- DHCS will direct MCPs to make initial and final payments to facilities based on the managed care utilization reported to DHCS by the specified date.

	Timing of Payment	Utilization reported by
Initial Payment	2024 Quarter 1	December 31, 2023
Final Payment	2024 Quarter 3	June 30, 2024

- DHCS has determined that earlier payments are not feasible for the 2023 program year. DHCS will evaluate options to make earlier payments in future program years.

Metrics & Scoring



Metrics & Scoring Overview

- DHCS will calculate a raw WQIP score between 0 and 100 for each facility, based on performance in workforce, clinical quality, and equity measurement domains.
- The metrics will use four primary data sources: Minimum Data Set (MDS), claims-based, CMS Care Compare, and Payroll Based Journal (PBJ).

Percent of Total Score	Measurement Domain
50%	Workforce
40%	Clinical Quality
10%	Equity

Metric Weighting

- Each measurement domain is divided into two weighted measurement areas. Each area is composed of one or more metrics. Within each area, metrics have equal weight.

Percent of Total Score	Measurement Area	Number of Metrics
35%	Workforce: Acuity-Adjusted Staffing Hours	5
15%	Workforce: Staffing Turnover	1
20%	Clinical Quality: Minimum Data Set	3
20%	Clinical Quality: Claims-based	3
7%	Equity: Medi-Cal Disproportionate Share	1
3%	Equity: Racial & Ethnic Data Completeness	1

Scoring

- For each metric, facilities are scored based on achievement against tiered benchmarks. Benchmark tiers and point assignments vary by measurement area.
- DHCS intends to score facilities' improvement in clinical quality metrics.
  - In CY 2023 improvement scoring will only be available for MDS clinical metrics due to lack of baseline data for Claims-based clinical metrics.
- DHCS intends to establish, and publish online, prospective benchmark tiers for all metrics based on prior year performance percentiles.
  - In CY 2023, baseline data is not available for Claims-based Metrics and the Medi-Cal Disproportionate Share Metric. Benchmarks will be established retrospectively by grouping facilities into percentile tiers after the end of the performance period.

Measurement Period

- DHCS intends to algin performance periods for metrics with the rate year while allowing sufficient time for scoring.
- In CY 2023, WQIP will use modified performance periods recognizing transitions from the former QASP program.
- A baseline period preceding the measurement period is used to calculate prospective benchmark tiers for achievement scoring and to calculate baselines for facility-specific improvement scoring (for applicable metrics).

Metric Data Source	Baseline Period	Measurement Period	Measurement Population
Acuity-Adjusted Staffing Hours: Care Compare & Payroll Based Journal (PBJ)	July 1, 2021 to June 30, 2022	April 1, 2023 to September 30, 2023	All direct care staff
Staffing Turnover: Care Compare & Payroll Based Journal (PBJ)	January 1, 2021 to June 30, 2022.	April 1, 2022 to September 30, 2023	All direct care staff
Clinical: Minimum Data Set (MDS)	July 1, 2021 to June 30, 2022	July 1, 2022 to June 30, 2023	All long-stay patients
Clinical: Claims-based	N/A, retrospective benchmarks for CY 2023	January 1, 2023 to December 31, 2023	Patients enrolled in Medi-Cal managed care, including Medi-Cal/Medicare Dual-eligible members
Medi-Cal Disproportionate Share	N/A, retrospective benchmarks for CY 2023	January 1, 2023 to December 31, 2023	All patient days
Racial & Ethnic Data Completeness	N/A, fixed non-percentile benchmarks	January 1, 2023 to December 31, 2023	All patients

Metric Suppression

- If DHCS is unable to score a metric for a facility because the facility did not have any reportable data or did not meet the metric's minimum denominator size threshold, then the metric will be suppressed for that facility.
- When a metric is suppressed, points for that metric will be reallocated equally across the other metrics in the same measurement area or domain.
- Metrics will not be suppressed if the facility failed to report data that was otherwise available (i.e., the facility will receive 0 points).

Workforce Metrics

Workforce Metrics Overview

WQIP will use six workforce metrics:

- Acuity-Adjusted Total Nursing Hours
- Acuity-Adjusted Weekend Total Nursing Hours
- Acuity-Adjusted Registered Nurse (RN) Hours
- Acuity-Adjusted Licensed Vocational Nurse (LVN) Hours
- Acuity-Adjusted Certified Nursing Assistant (CNA) Hours
- Total Nursing Staff Turnover

Staffing Hour Metrics

- The score for each staffing hour metric will equal the achievement score times the completeness score for that metric.
- The achievement score will be determined by measuring the average annual acuity-adjusted hours per patient day (HPPD) and determining performance within benchmark tiers between the 25th and 90th percentiles.
- The completeness score is the percentage of days within the measurement period for which data is reported in PBJ and meets the applicable minimum performance benchmark using non-acuity adjusted hours.

Staffing Hour Minimum Performance

- WQIP minimum performance benchmarks are established to align with the requirements of Health & Safety Code (HSC) 1276.65:
  - Total Nursing Hours and Weekend Total Nursing Hours: 3.5 HPPD
  - CNA Hours: 2.4 HPPD
- DHCS is not establishing a minimum performance benchmark for RN and LVN hours given CMS's forthcoming national minimum staffing standards.
- WQIP will not waive the minimum performance benchmark for facilities with CDPH staffing hour waivers. Based on stakeholder feedback and an analysis of the data, staffing waivers do not align with the WQIP's goals of incentivizing workforce investment. WQIP is intended to incentivize workforce investment rather than assess minimum regulatory compliance.

Staffing Hour Data Sources

- For the achievement score, WQIP will use acuity-adjusted hours calculated from CMS Care Compare. Acuity adjusted-hours include administrative nursing hours, nurse aids in training, and medication aides/technicians.
- For the completeness score, WQIP will use non-acuity adjusted PBJ data excluding administrative hours, nurse aides in training, and , and medication aides/technicians.
- PBJ data does not allow an exact cross-walk with the definition of direct care hours used by CDPH to enforce HSC 1276.65. AB 186 does not require WQIP to use the same definitions. PBJ is the best data source available to measure year-round compliance with the minimum performance requirements.

Workforce Metric Achievement Point Chart

Points	Achievement Benchmark
6	90th percentile
5	75th percentile
4	62.5th percentile
3	50th percentile
2	37.5th percentile
1	25th percentile

Clinical Metrics

Clinical Metrics Overview

- Minimum Data Set (MDS)
  - Percent of High-Risk Residents with Pressure Ulcers, Long Stay (CMS Metric)
  - Percent of Residents Experiencing One or More Falls with Major Injury, Long Stay (CMS Metric)
  - Percent of Residents Who Received an Antipsychotic Medication, Long Stay (CMS Metric)
- Claims-based
  - Outpatient Emergency Department Visits per 1,000 Long-Stay Resident Days (CMS Metric)
  - Healthcare-Associated Infections Requiring Hospitalization (CMS Metric)
  - Potentially Preventable 30-Day Post-Discharge Readmission (CMS Metric)

MDS Clinical Metric Scoring

- WQIP will score MDS clinical metrics on achievement and improvement. Facilities will receive the greater of the improvement or achievement score.
- Achievement points will be awarded based on tiers between the 25th and 90th percentile. Percentile benchmarks will be set prospectively based on the most recent data available.
- Improvement points will be awarded based on gap closure between the facility's prior year baseline and the 90th percentile benchmark.

MDS Clinical Metric Point Chart

For each metric, a facility will receive the greater of the achievement or improvement score.

Points	Achievement Benchmark	Improvement Threshold
6	90th percentile	75th percentile achievement + 20% gap closure
5	75th percentile	50% gap closure
4	62.5th percentile	40% gap closure
3	50th percentile	30% gap closure
2	37.5th percentile	20% gap closure
1	25th percentile	10% gap closure

MDS Data Quality Requirements

- WQIP will measure MDS data completeness defined as the percentage of residents who have a qualifying assessment submitted for each quarter they resided in a facility.
- WQIP will exclude all MDS assessments that have a submission date that is more than 60 days after the target date. If an assessment is modified more than 60 days after the target date, the most recently submitted assessment within the 60-day timeframe will be used.
- Facilities that have less than 90 percent data completeness will receive zero points in the MDS clinical measurement area. Facilities with data completeness between 90 percent and 95 percent will receive a 50 percent penalty in the MDS clinical measurement area. Facilities with 95 percent data completeness or higher will not be penalized.

Claims-based Clinical Metrics

- WQIP will used CMS claims-based metrics modified to measure patients enrolled in Medi-Cal managed care, including Medi-Cal/Medicare Dual-eligible members, through the Medi-Cal Managed Care Accountability Set.
- WQIP will score claims-based clinical metrics using solely achievement in CY 2023. Achievement points will be awarded based on tiers between the 25th and 90th percentile.
- DHCS is unable to establish prospective benchmarks and improvement targets as historical data does not exist. Facilities will be grouped into percentile tiers retrospectively at the end of the performance period. DHCS intends to use prospective benchmarks and improvement scoring in future program years.

Claims-based Metric Point Chart

Points	Achievement Benchmark
6	90th percentile
5	75th percentile
4	62.5th percentile
3	50th percentile
2	37.5th percentile
1	25th percentile

Equity Metrics

Equity Metrics Overview

- For CY 2023, WQIP will use the following equity-metrics:
  - Racial & Ethnic Data Completeness
  - Disproportionate Share of Medi-Cal Days
- These metrics are intended to develop baseline data to allow DHCS to measure health disparities and incentivize gap closure in future program years.

Racial & Ethnic Data Completeness

- This metric will incentivize facilities to complete the racial and ethnic data fields in MDS.
- Facilities that have less than 90 percent racial and ethnic data completeness will receive zero points on this metric. Facilities will receive 1 point for each one percent of data completeness at or above 90 percent up to a maximum of 10 points.
- This metric will assess MDS field A1000 for dates prior to October 1, 2023. After October 1, 2023, both the A1005 and A1010 fields need to be completed. If only one field is completed, the data will be considered missing and not be counted.

Racial & Ethnic Data Completeness Metric Point Chart

Points	Achievement Benchmark
10	≥99%
9	98%
8	97%
7	96%
6	95%
5	94%
4	93%
3	92%
2	91%
1	90%
0	<90%

Disproportionate Share Metric

- This metric will award points to facilities that have a share of Medi-Cal days above the 50th percentile in their peer group. Facilities are grouped into 11 regional peer groups for rate-setting purposes.
- The numerator for this metric will be all days that Medi-Cal is the primary payer including Fee For Service and Managed Care days using DHCS claims. The denominator will be derived by aggregating the all-patient MDS Census field from the PBJ data. For any day with missing daily MDS Census data, DHCS will impute the daily MDS Census data using the maximum MDS census value for that facility during the year.
- This metric will recognize that facilities with a disproportionate share of Medi-Cal patients face greater socioeconomic/racial inequities and is intended to disincentivize discrimination against Medi-Cal members in the SNF admission process.

Disproportionate Share Metric Point Chart

Points	Achievement Benchmark
5	90th percentile
4	80th percentile
3	70th percentile
2	60th percentile
1	50th percentile

AA/A Citations

AA/A Citation Background

- CDPH issues citations for safety violations where a facility was the proximate cause of a patient's death (AA) or posed imminent danger of death or serious harm to patients (Single-A).
- The former QASP program disqualified facilities with final AA/A citations from the program year in which the violation occurred.
- Stakeholders have raised concern over continuing this eligibility requirement given WQIP's stated goal of being a broad-based program that is a core component of facility reimbursement (rather than a small bonus payment) and the lengthy appeals process.

AA/A Citation Revised Proposal

- Based on stakeholder feedback, DHCS proposes to:
  - AA Citations: Disqualify the facility from the WQIP payment
  - Single-A Citations: Apply a 40 percent penalty to the facility's WQIP payment
- The revised policy provides a stepped approach recognizing the difference in severity between AA and Single-A citations. For AA citations, disqualification is appropriate given the severity of the violation. For Single-A citations, the proposed penalty recognizes that 60 percent of the WQIP score is based on workforce and equity metrics.
- The disqualification or penalty will apply to payments associated with the rate year in which the violation occurred. DHCS will contractually require managed care plans to recoup and withhold WQIP payments until any appeals are exhausted.

Other Health Inspection Data

- Based on stakeholder feedback, DHCS will research and analyze options to incorporate other state and federal health inspection data and trends as a dynamic WQIP metric, for future program years.

WQIP Next Steps

CY 2023 Program

- DHCS must submit the Preprint to CMS by December 31, 2022. CMS review of the Preprint will take several months. DHCS will update stakeholders on any substantive changes required to obtain CMS approval through further stakeholder meetings.
- DHCS will publish the CMS Preprint for CY 2023 on the DHCS website when it is formally approved by CMS.
- In early 2023, DHCS will develop a program guide providing technical specifications in greater detail and addressing common questions. DHCS will provide an opportunity for stakeholders to review and provide input on technical issues.

Future Program Years

- DHCS intends to continue developing and improving the WQIP in future program years. DHCS will begin stakeholder engagement in mid 2023 for the CY 2024 program.
- DHCS is interested in researching and developing new WQIP metrics in the following areas:
  - Health equity/disparities
  - Health inspection data
  - Resident quality of life measures
  - Resident/Family/Staff satisfaction
  - Workforce development

Workforce Standards Program, Development Timeline and Initial Program Concepts

Workforce Standards Overview

- AB 186 requires DHCS to establish a Workforce Standards Program. Facilities that meet the standards will receive a workforce rate adjustment for CY 2024.
- AB 186 provides DHCS with broad authority to develop and define the workforce standards such as maintaining a collective bargaining agreement or paying prevailing wage.
- The workforce rate adjustment is intended to broadly supplant the COVID-19 PHE 10 percent temporary rate increase (set to expire on December 31, 2023) while holding facilities accountable for investing these funds in the workforce.

Workforce Standards Scope

- The Workforce Standards Program is focused on labor-management relations and setting standards for employee compensation and other benefits.
- In contrast, the WQIP is focused on incentivizing higher per patient staffing hours and lower staff turnover

Workforce Standards Development

- DHCS will develop the workforce standards policy through three stakeholder meetings in February, March, and April of 2023.
- Today's presentation provides a broad outline of the program and identifies major policy decision points for further research and analysis.

Statutory Authority

Welfare & Institutions Code 14126.033(c)(17)(B) “The workforce standards may include, but need not be limited to, criteria such as maintaining a collective bargaining agreement or comparable, legally binding, written commitment with its direct and indirect care staff, payment of a prevailing wage for its direct and indirect care staff, payment of an average salary above minimum wage, participation in a statewide, multiemployer joint labor-management committee of skilled nursing facility employers and workers, or other factors, as determined by the department in consultation with the stakeholders listed above. The criteria may vary for facilities based on facility demographics or other factors such as facility size, location or other factor, as determined by the department in consultation with the stakeholders listed above.”

Basic Framework

- Facilities may meet the workforce standards either through:
  - Maintaining a collective bargaining agreement, participation in joint labor-management committee, or other similar standards established by DHCS; or,
  - Providing compensation and/or other benefits to workers above a standard established by DHCS. The standard may vary by geography or other factors.
- The possible workforce augmentation will be determined by calculating facilities' CY 2024 base reimbursement rate without applying annual growth limits to the labor cost category.

Major Policy Decision Points (1/2)

- What workers should the standards apply to? Should standards vary by worker type?
- What labor-management agreements and other arrangements should the standards recognize? How should these be defined?
- How should wage standards be considered in relation to minimum wage, prevailing wage, and the workforce augmentation funding?
- What other benefits should the standards include? For example: training and development, paid time off, and health care coverage?

Major Policy Decision Points (2/2)

- How should standards vary by geography and other factors? What other factors should be recognized?
- Should the standards be annually adjusted? If so, how?
- What data sources are available to establish standards?
- What information should DHCS collect from facilities to assess compliance?

Workforce Standards Next Steps

- DHCS will present a preliminary program framework at the February 1, 2023 stakeholder meeting and identify further areas for policy development.
- DHCS welcomes stakeholder input on the design of the Workforce Standards Program. Please provide comments in writing to AB186Comments@dhcs.ca.gov by **January 15, 2023** to inform the preliminary program framework.

Public Comment

Public Comment

- DHCS welcomes public comment. DHCS staff may briefly respond to requests for clarification on this presentation.
- Speakers are requested to introduce themselves and their organization.
- Audience members are muted until they are called on by the moderator. Please use the “raise hand” button in Microsoft Teams to be added to the speaker queue. If you are calling-in please press *5 to raise your hand.