AB 186 Nursing Facility Financing Reform

October 25,2022

Stakeholder Meeting

Department of Health Care Services

DHCS

October 2022

Agenda

1. Welcome & Introductions
2. AB 186 Overview
3. Workforce & Quality Incentive Program (WQIP) Draft Program Design & Considerations
4. Public Comment

Introductions

- Michelle Baass, Director, Department of Health Care Services
- Jacey Cooper, State Medicaid Director and Chief Deputy Director for Health Care Programs
- Palav Babaria, M.D., Deputy Director & Chief Quality and Medical Officer
- Lindy Harrington, Deputy Director, Health Care Financing
- Rafael Davtian, Chief, Capitated Rates Development Division
- Alek Klimek, Chief, Fee-For-Service Rates Development Division
- Laura Miller, M.D., Medical Consultant, Quality & Population Health Management Division

AB 186 Vision & Goals

AB 186 makes reforms to the skilled nursing facility financing methodology that will:

- *Better incentivize and hold facilities accountable for quality patient care.*
- *Emphasize the critical role of the workforce.*
- *Better balance distribution of annual rate increases.*
- *Result in the long-term financial viability of facilities in the Medi-Cal managed care environment.*

AB 186 Components

- Base Rates
- COVID-19 PHE Rate Add On
- Workforce & Quality Incentive Program
- Workforce Standards & Labor Base Rate Augmentation
- Accountability Sanctions

Base Rates

- Reauthorizes the "AB 1629" cost-based reimbursement methodology and Quality Assurance Fee (QAF) applicable to Freestanding Skilled Nursing Facilitates (SNFs) Level-B and Adult Freestanding Subacute Facilities Level-B for Calendar Year (CY) 2024 through CY 2026.
- Establishes separate rate components and growth limits for labor costs and non-labor costs and provides annual rate increases of up to 5 percent for labor costs and 2 percent for non-labor costs.
- Beginning in CY 2024, requires half of the annual increase for non-labor costs to be allocated to base rates and half to increasing Workforce & Quality Incentive Program (WQIP) payments.

COVID-19 PHE Rate Add On

- For CY 2023 only, facilities will receive a rate add-on equivalent to the current COVID-19 Public Health Emergency (PHE) temporary rate increase regardless of the end date of the PHE.
- The funds will continue to be restricted to allowable costs set forth in AB 81 (Chapter 13, Statutes of 2020) and subject to audit.
- Pursuant to Welfare and Institutions Code section 14126.032(a)(2), at least 85 percent of the funds from the add-on must be used for labor costs such as increased wages or benefits, shift incentive payments, staff retention bonuses, pay differential for workers employed by more than one facility, or overtime payments to non-managerial workers. Spent funds determined not to meet these requirements will be recouped and redistributed to the WQIP.

Workforce & Quality Incentive Program (WQIP)

- The WQIP will provide directed payments to facilities through the managed care delivery system to succeed the former fee-for-service Quality and Accountability Supplemental Payment (QASP) program.
- The WQIP will have a targeted funding amount of $280 million in CY 2023 which will grow annually in CYs 2024, 2025, and 2026 by an amount equal to half of the annual rate increase for non-labor costs (see slide 5).
- AB 186 requires DHCS to establish the methodology, parameters, and eligibility criteria for the WQIP in consultation with representatives from the long-term care industry, organized labor, consumer advocates, and managed care plans.

Workforce Standards & Labor Base Rate Augmentation

- For CY 2024 through CY 2026, DHCS will establish industry workforce standards such as maintaining a collective bargaining agreement or similar agreement, payment of a prevailing wage, payment of an average salary above minimum wage, participation in a Labor Management Committee, or other determined factors.
- Facilities that meet the workforce standards will receive a facility-specific base rate augmentation determined by calculating the CY 2024 base rate without applying annual growth limits to the labor cost category.

Accountability Sanctions

- DHCS will hold facilities accountable for the quality of their services by sanctioning facilities that do not meet quality standards established by DHCS on a per Medi-Cal day basis.
- To the extent that there are common metrics with the WQIP, DHCS' intent is for the thresholds for WQIP and accountability sanctions to be different. The sanctions will be focused on facilities that have substantially lower quality.
- The accountability sanctions may include quality metrics from the former QASP program that are "topped out". DHCS also proposes to include the Infection Preventionist Requirement from the former QASP program.

AB 186 Implementation Timeline

Component	Development & Stakeholder Engagement	Go-Live Date
WQIP	September 2022 – December 2022	January 1, 2023
Workforce Standards & Labor Base Augmentation	December 2022 – March 2023	July 1, 2023 – date of record for facilities to meet standards to receive CY 2024 increase
Accountability Sanctions	April 2023 – November 2023	January 1, 2024

Stakeholder Engagement

- Stakeholder Meetings:
  - October 25, 2022
  - November 18, 2022
  - December 12, 2022
  - Additional meetings in 2023

- DHCS will receive stakeholder input in writing through the AB186Comments@dhcs.ca.gov inbox.

Workforce & Quality Incentive Program (WQIP) Draft Program Design & Considerations

DHCS

October 2022

Calendar Year 2023 Program

- As part of CalAIM, nursing facilities are being carved-into managed care effective January 1, 2023, necessitating a new directed payment financing mechanism.
- DHCS' program design will be subject to federal approval based on 42 C.F.R. § 438.6(c). DHCS must submit a Preprint for the program to the Centers for Medicare & Medicaid Services (CMS) by December 31, 2022 to be effective for CY 2023.
- This presentation is focused on the CY 2023 program year. Given the limited time for policy development, DHCS intends to continue to engage with stakeholders and develop capacity to make further improvements in future program years.

Strategic Goals & Alignment

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

Eligibility

- WQIP payments will be made by managed care plans to facilities for days which:
  - Medi-Cal is the primary payer
  - Are rendered to a Medi-Cal member actively enrolled in the plan
  - The facility is a Network Provider as defined by All Plan Letter 19-001 and contracted to provide the rendered service to the member, for the applicable dates of service.
  - Are reported by plans and accepted into the Managed Care data warehouse prior to June 30, 2024.
- A service qualifies for a directed payment only if there is an unbroken "contracting path" for the dates of service between the Plan and Network Provider for the service rendered and the member receiving the service.
- Additionally, a facility must meet quality data completeness requirements and have no AA or A citations in order to be eligible for WQIP.

Funding

- 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.
- DHCS will establish a maximum per-diem payment by dividing the funding target by the projected number of eligible days.
- Funds will not be pooled and are at-risk. Unearned funds will not be redistributed between facilities.

Payments

- DHCS will make payments to managed care plans through an interim and final payment methodology. Interim payments will be made to plans in monthly capitation in CY 2023.
- Managed care plans will pay facilities based on the number of CY 2023 eligible days and the WQIP score.
- Managed care plans will make two payments to facilities:
  - Initial payment in Quarter 1 of 2024 for CY 2023 utilization reported to DHCS by December 31, 2023.
  - Final payment in Quarter 3 of 2024 for any additional CY 2023 utilization reported by June 30, 2024.

Amount of Payment

The amount of payment from each managed care plan to each facility will be determined by multiplying:

Eligible Days

x

WQIP Score (0% to 100%)

x

Maximum Per Diem Amount

Metrics & Scoring

- Metrics and scoring methodology for the CY 2023 program must be finalized as part of the CMS Preprint before the beginning of the start of CY 2023 by December 31, 2022.
- DHCS proposes to use a fixed set of four workforce metrics and nine clinical metrics for CY 2023. All metrics will be scored. Individual metrics may be added or removed in future program years.
- DHCS proposes to weight the quality score 30 percent for workforce metrics and 70 percent for clinical metrics. A WQIP score between 0 and 100 will be calculated for each facility.

Performance Period

- DHCS proposes to use a July 1, 2022 through June 30, 2023 performance period for most metrics, aligned with the former QASP program.
- For claims-based metrics, DHCS may use a calendar year performance period to align with managed care quality and performance reporting.
- DHCS may use an abbreviated performance period for certain measures in CY 2023 if full-year performance data is not available.

Benchmarks & Points

- DHCS proposes to use a two-tier "gate and ladder" approach to score metrics, with a maximum of ten points for each measure (see table on following slide):
  - For each metric, DHCS proposes to set a Tier 1 Benchmark for full points and a Tier 2 Benchmark for partial points
  - Additional points may be earned for substantial improvement/gap closure above the prior performance period
  - Points may be lost for substantial performance deterioration
- Except where an evidence-based benchmark exists, DHCS proposes to set benchmarks at the better of state or national performance for the previous performance period:
  - The Tier 1 Benchmark will be set at the 75th percentile
  - The Tier 2 Benchmark will be set at the 50th percentile

Proposed Point Structure

DHCS is continuing to refine and test the proposed scoring methodology. Specific point assignments on this slide are illustrative and may be modified prior to finalization of the program design based on further research and stakeholder feedback.

Benchmark	Achievement Points	Improvement Points*	Deterioration Penalty*
Tier 1 75th Percentile	9 (10 if topped out)	Plus 1 for X% improvement	Minus 1 to 2 points for X% deterioration
Tier 2 50th Percentile	6	Plus 1 to 2 points for X% improvement	minus 1 to 5 points for X% deterioration
Below Benchmark	0	Plus 1 to 5 points for X% improvement	N/A (may receive Accountability Sanction)

*Improvement/deterioration points would not apply to inter-tier movement.

Scoring Considerations

- DHCS may use a simplified scoring methodology for some metrics in CY 2023 if inclusion of prior performance data or establishment of two tiers is not feasible.
- DHCS may need to develop alternative benchmarks for new measures in CY 2023 if prior performance data is not available.

MDS Metrics

- DHCS proposes to continue using clinical metrics reported through the Minimum Data Set (MDS). DHCS proposes the following MDS metrics:
  - Percent of high-risk residents with pressure ulcers
  - One or more falls with major injury
  - Prevalence of antianxiety/hypnotic use
  - Catheter inserted and left in the bladder
- To the extent feasible, DHCS will align the metrics with the national CMS Skilled Nursing Facility Quality Reporting Program instead of using California-specific methodologies.
- MDS metrics will be scored for all patients regardless of payer.

Claims-Based Metrics

- DHCS is developing the capacity to capture claims-based data through the Managed Care Accountability Set (MCAS).
- DHCS proposes the following claims-based metrics:
  - Hospitalization following discharge from SNF
  - Emergency room visits per 1,000 long-stay resident days
  - Healthcare-associated infections requiring hospitalization
- Claims-based metrics would be captured for Medi-Cal managed care beneficiaries.

Additional Clinical Metrics

- DHCS proposes to use the CMS Staff COVID immunization metric for CY 2023.
- DHCS is developing capacity to measure racial and ethnic health disparities and incentivize gap closure. For CY 2023, DHCS proposes to include racial and ethnic data completeness in MDS and/or MCAS as a metric.

Workforce Metrics

- DHCS proposes to use CMS Payroll Based Journal (PBJ) data for all workforce metrics.
- PBJ will replace the small sample of California Department of Public Health (CDPH) audited days under QASP.
  CDPH audits will continue pursuant to HSC 1276.66
- DHCS proposes the following workforce metrics:
  - Total nursing hours per patient day
  - Registered Nurse (RN) hours per patient day
  - Certified Nursing Assistant (CNA) hours per patient day
  - CMS Staffing Turn Over Metric

Nursing Hour Benchmarks

- For CY 2023, DHCS proposes to score the nursing hour metrics with a single benchmark approach without partial points.
- For total nursing hours and CNS hours, the benchmark is proposed at the current state law requirement. For RN hours, DHCS is proposing a new evidence-based benchmark.

Hours Per Patient Day	CY 2023 Benchmark
Total Nursing	3.5
RN	0.55
CNA	2.4

- For CY 2024, DHCS proposes to develop a two-tier methodology in consultation with stakeholders to further incentivize quality improvement. The Upper tier may reflect a higher evidence-based benchmark.

Metrics for Future Programs Years

- For future program years, DHCS is interested in the development of additional clinical and workforce metrics in consultation with stakeholders:
  - Resident quality of life measures
  - Resident/Family/Staff satisfaction
  - Workforce development

Request for Stakeholder Input

- DHCS is continuing to research and refine the program design for CY 2023 and welcomes stakeholder input. DHCS will present an updated program design at future stakeholder meetings.
- DHCS requests stakeholder input on topics including:
  - Evidence to support specific metrics and benchmarks
  - Available data sources and streamlining reporting
  - The scoring methodology and resulting incentives
  - Appropriate thresholds for improvement/deterioration points
- Please submit any questions and written comments to AB186Comments@dhcs.ca.gov by **November 4, 2022**.