



**House Committee on Aging and Long-Term Care
January 18, 2011**

**Update regarding the
Nursing Quality Care Assessment**

**Dave Halferty, Director
Nursing Facility and PACE Division**

Current Status

The Quality Care Assessment (QCA) is currently under review by the Centers for Medicare and Medicaid Services (CMS). The review period was extended an additional 90 days, to February 15, 2011, when CMS sent the State a request for additional information in November. CMS regional office staff has indicated the provider tax complies with federal laws and they have also said the related state plan amendment is in order. Once the assessment is approved it will be retroactive to July 1, 2010.

Kansas Administrative Regulation 129-10-31 was written to specify several provisions of the quality care assessment that were left for the agency to determine. It defines the precise assessment rates, the registration date for continuing care retirement communities (CCRC), and thresholds for small homes and high Medicaid homes.

Provisions of the Bill

The QCA allows for a per bed assessment of up to \$1,950 on all licensed nursing facility beds. It states that the assessment rate for CCRC, small homes, and high Medicaid homes will not exceed 1/6 of the general rate.

The legislation also prescribes how the QCA funds will be used. First, Medicaid nursing facility rates are to be reestablished using current cost data and inflation. Second, the 10% cut implemented between January 1, 2010 and June 30, 2010 for Medicaid nursing facility providers is to be paid back. Third, the Medicaid share of the QCA is to be passed through to providers. There are also provisions to eliminate the private pay limit from the nursing facility reimbursement methodology, and to sunset the QCA after four years.

Licensed Bed Assessment

There will be two assessment rates. A general rate of \$1,500 per bed per year will apply to most providers. Small nursing homes, high Medicaid nursing homes, and CCRC providers will pay a rate of \$250 per bed per year. Small nursing homes will be those homes with less than 46 licensed beds. High Medicaid homes will be those that provide 25,000 or more Medicaid days of service per year. CCRC providers will be those that were registered as continuing care providers with the Kansas Insurance Department as of July 1, 2010. The Kansas Soldiers Home and the

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Kansas Veterans Home will be exempt from the assessment. The estimated revenue from the assessment is \$23.1 million.

Reimbursement Rate Changes for FY 2011

Several changes will be made to nursing facility rates using the QCA funds. The cost data used to determine rates will be updated to 2007-2009. Cost data will be inflated to December 31, 2010. The Direct Health Care cost center limit will be increased to 130% of the median cost. The Incentive Factor add-ons will be increased 150%. There will be no limit imposed based on private pay rates. Transition rates will be used to ensure that each provider realizes at least a 3.22% increase in their rate.

10% Cut Payback

The QCA provides for the payout of the 10% cut that was imposed between January 1, 2010 and June 30, 2010. The amount that was cut from each nursing facility provider's payments will be paid out in installments relative to the share of each home's provider assessment that has been paid.

Pass-Through of Medicaid Share of Assessment

The legislation made the QCA an allowable expense and included a provision to pass-through the Medicaid share of this new expense. The Medicaid share will be determined by multiplying each home's assessment payment by that home's Medicaid occupancy percentage.

Provider Impact

Most nursing homes will receive a net gain from the provider assessment and related reimbursement changes, but some will have a net loss. Of the 344 licensed nursing homes in Kansas, 324 will have a net gain averaging \$135,000. There will be 19 nursing homes that will have a net loss averaging \$31,000. One home will have a no impact.

Program Impact

The QCA will have a significant impact on the nursing home program overall. Approximately \$34.2 million will be expended to rebase and inflate rates. Another \$19.2 million will be used to pay out the 10% cut. About \$12.9 million more will be paid to pass-through the Medicaid share of the provider assessment. An additional \$130,000 is allotted for agency administration. The total increase in program expenditures is estimated to be \$66.4 million with a net increase to providers of \$43.2 million.

Quality Care Assessment Panel

Another provision of the QCA is the creation of the Quality Care Assessment Panel. This panel of eleven stakeholders will make recommendations on how the QCA funds should be expended. The panel includes two persons to be appointed by each of the nursing facility trade associations; the Kansas Association of Homes and Service for the Aging, and the Kansas Health Care Association. It includes one person appointed by each of the following entities; the Kansas Advocates for Better Care, the Kansas Foundation for Medical Care, and the Kansas Hospital Association. The panel also includes one person appointed by the Governor to represent each of the following groups; the Kansas Adult Care Executives, the Kansas Department on Aging (non-voting), the Kansas Health Policy Authority (non-voting), and residents/family members.

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Aging and Long Term Care Committee

January 18, 2011

Acting Secretary Bill Rein
Kansas Department on Aging

Mr. Chairman and members of the committee, thank you for the invitation to provide an update of the 'Nursing Facilities Provider Assessment'.

My name is Bill Rein and I am Acting Secretary of the Kansas Department on Aging. I will only serve as Acting Secretary until Secretary-Nominee Shawn Sullivan will assume his duties on January 24, 2011.

Mr. Bill McDaniel, Commissioner of Program and Policy, and Mr. Dave Halferty, Director of the Nursing Facility and PACE Division, are with me today.

Dave has been working with provider assessment issues during the past year and he is prepared to update the committee on the status of that initiative.

So, unless you have questions of me, I'll ask Mr. Halferty to address provider assessment and respond to any questions the Committee may have.

Thank you again. We appreciate the opportunity to be here.