

**Report of the
Oklahoma Nursing Facility Funding Advisory Committee
(Senate Bill 1622)
December 8, 2004**

Background: Senate Bill 1622 created the Oklahoma Nursing Facility Funding Advisory Committee. The committee is made up of the following:

Four members selected by the Oklahoma Association of Health Care Providers -

Lori Brunholtz	Brett Lessley
Mike Dimond	Jerry Sams

Three members selected by the Oklahoma Association of Homes and Services for the Aging -

Charles Chittum	Bill Pierce
Joe Gunn	

Two members selected by the State Council on Aging -

Bill Anderson	Bob Bristow
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The advisory committee has been staffed and advised by the Oklahoma Health Care Authority -

David Branson	Nico Gomez
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Purpose: The purpose of the advisory committee is to develop a new methodology for calculating state Medicaid Program reimbursements to nursing facilities by implementing facility specific rates based on expenditures related to direct care staffing. No nursing home is to receive less than the current rate at the time of implementation of facility specific rates.

The new methodology is to apply only to new funds that become available for Medicaid nursing facility reimbursement after the methodology has been finalized. Existing funds paid to nursing homes are not subject to the new methodology.

The new methodology will divide the payment into two components:

1. Direct care which includes allowable costs for registered nurses, licensed practical nurses, certified medication aides and certified nurse aides.
2. Other costs

Allowable Direct Care Costs: Direct care shall include costs for registered nurses, licensed practical nurses, certified medication aides and certified nurse aides and shall include wages and salaries, FICA taxes, unemployment taxes, workers compensation costs, group health and dental insurance, life insurance, retirement and pension and other employee benefits. Direct care costs shall include nurse aide competency evaluations, training and staff development.

Costs for registered nurses, licensed practical nurses, certified medication aides and certified nurse aides and related to the following lines on the current Oklahoma Nursing Home Cost Reports shall be included in direct care costs:

Page 5, lines 1, 2, 3, 4, 5, 12

Page 6, lines 1, 2, 3

Page 7, lines 1, 2, 3, 4, 5, 6, 7

Page 8, lines 1, 2

Methodology Recommendation:

The committee recommends additional available funds be allocated annually beginning July 1, 2005 as follows:

1. Additional available funds are to be aggregated annually and allocated 70% to a Direct Care pool and 30% to an Other Cost pool. Additional available funds are defined in the initial and subsequent years as all state appropriations and matching federal funds in excess of the amounts appropriated and matched for state fiscal year ended June 30, 2005, except those made available in the future for specific mandates (e.g. minimum wage increases, etc.)

In subsequent years, additional funds will be added to all previous years' additional available funds and redistributed.

2. The pools are to be applied to individual facilities based on the cost reports filed for the most recent state fiscal year, based on the following methodology:
 - a. The Health Care Authority will construct an array of the facilities' allowable Direct Care costs per patient day, with each facility's value in the array being the lesser of actual cost or a ceiling at the 90th percentile of actual Direct Care costs for all facilities.
 - b. For each facility in the array, the Direct Care cost will be multiplied by their Medicaid days and aggregated to calculate aggregate Medicaid direct care cost.
 - c. The Direct Care pool amount will be divided by the aggregate Medicaid direct care cost to calculate a Direct Care Pool Percentage.

- d. The Direct Care Cost add-on will be determined by applying the Direct Care Pool Percentage to each facility's per patient day value in the array constructed in part 2a. above.
- e. The Other Cost add-on would be determined based on the Other Cost pool divided by Medicaid patient days
- f. Each facility's per diem rate is to be determined by adding the Direct Care Cost add-on and the Other Cost add-on above to the hold harmless rate. The hold harmless rate is the rate in effect on January 15, 2005.

Other Recommendations:

1. For facilities which undergo a change in ownership in which the facility does not cease operations, the payment rate will be the rate paid to the previous owner, until the next statewide rate determination.
2. For facilities not previously participating in the Medicaid program (i.e. those without established Medicaid payment rates) or newly constructed replacement facilities, their initial payment rate will include the hold harmless rate, plus a Direct Care add-on at the 90th percentile, plus the Other Cost add-on in effect for all facilities.
3. Due to the requirements of House Bill 2019 and Senate Bill 1622, we recommend the hold harmless payment rate for those facilities which elected not to participate in the wage enhancement program be established at the same hold harmless payment rate for those facilities which do participate in the wage enhancement program.
4. We recommend further development of the methodology in future years, to strengthen incentives to provide improved quality care. Development should include further research into incentive-based systems successfully implemented in other states. It is the committee's belief that a facility-specific payment system would encourage additional direct care spending as well as replacement of old facilities.
5. We recommend the deadline for filing the annual Medicaid cost report be changed to October 31, with no more than one 15-day extension available upon request, to allow providers to prepare more complete and accurate cost reports. Facilities not submitting their annual report by the extended due date would not receive an allocation of additional funds, and will receive the hold harmless rate until the next annual rate determination.
6. We recommend that the Oklahoma Health Care Authority staff include as part of the regular annual review a specific review of professional services expenditures as they relate to this program.