

# **Aging and Disability Services Administration – Residential Rates Overview**

September 26, 2007

## Residential Settings

- Aging and Disability Services Administration establishes daily rates for the three licensed residential settings under review by this task force:
  - Nursing Homes
  - Boarding Homes
  - Adult Family Homes

## Residential Settings

Setting	Number/ Size of Facilities	Number of Residents	Range of Medicaid Rates	FY08 Budget
Nursing Homes	<b>259</b> Average 90 beds	11,180 state- funded, 23,313 beds	\$158.31/day Average	\$534 million
Boarding Homes	<b>548</b> Average 49.4 beds	6,384 state- funded, 27,054 beds	\$48.95 - \$110.11/day	\$98 million
Adult Family Homes	<b>2,617</b> Average 5.5 beds	5,620 state- funded, 14,398 beds	\$48.32 - \$91.73/day	\$69 million

## Nursing Homes

- Washington has 233 Medicaid-certified nursing facilities, serving over 11,000 Medicaid clients monthly. There are 259 licensed nursing facilities with over 23,000 licensed beds.
- An average facility has 90 beds, and 63 percent of the residents are paid for by Medicaid
- Nursing Homes provide 24-hour supervised nursing care, personal care, therapy, nutrition management, organized activities, social services, room, board and laundry

## Boarding Homes

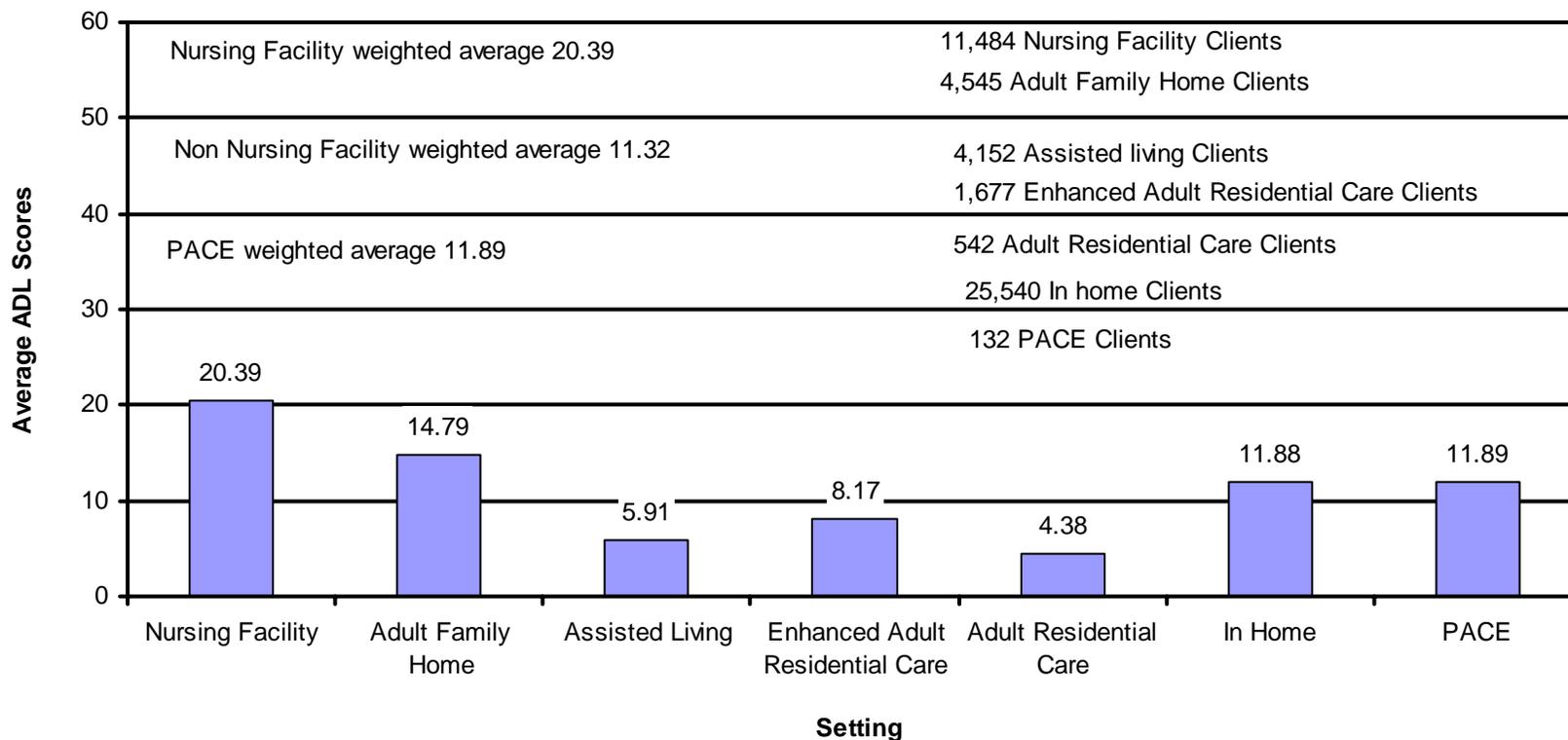
- Washington has 548 licensed boarding homes with over 27,000 beds. The average facility is approximately 50 beds, and over 23 percent of boarding home residents are paid for by Medicaid.
- Licensed to care for seven or more clients, providing housing, meal services, medication assistance and personal care. Residents may receive limited supervision.
- Contracted services include adult residential care (ARC), enhanced adult residential care (EARC), and assisted living.
- EARC – Intermittent nursing care must be provided, may also provide specialized dementia care, no more than two people share a room
- Assisted Living – Intermittent nursing care and private apartments

## Adult Family Homes

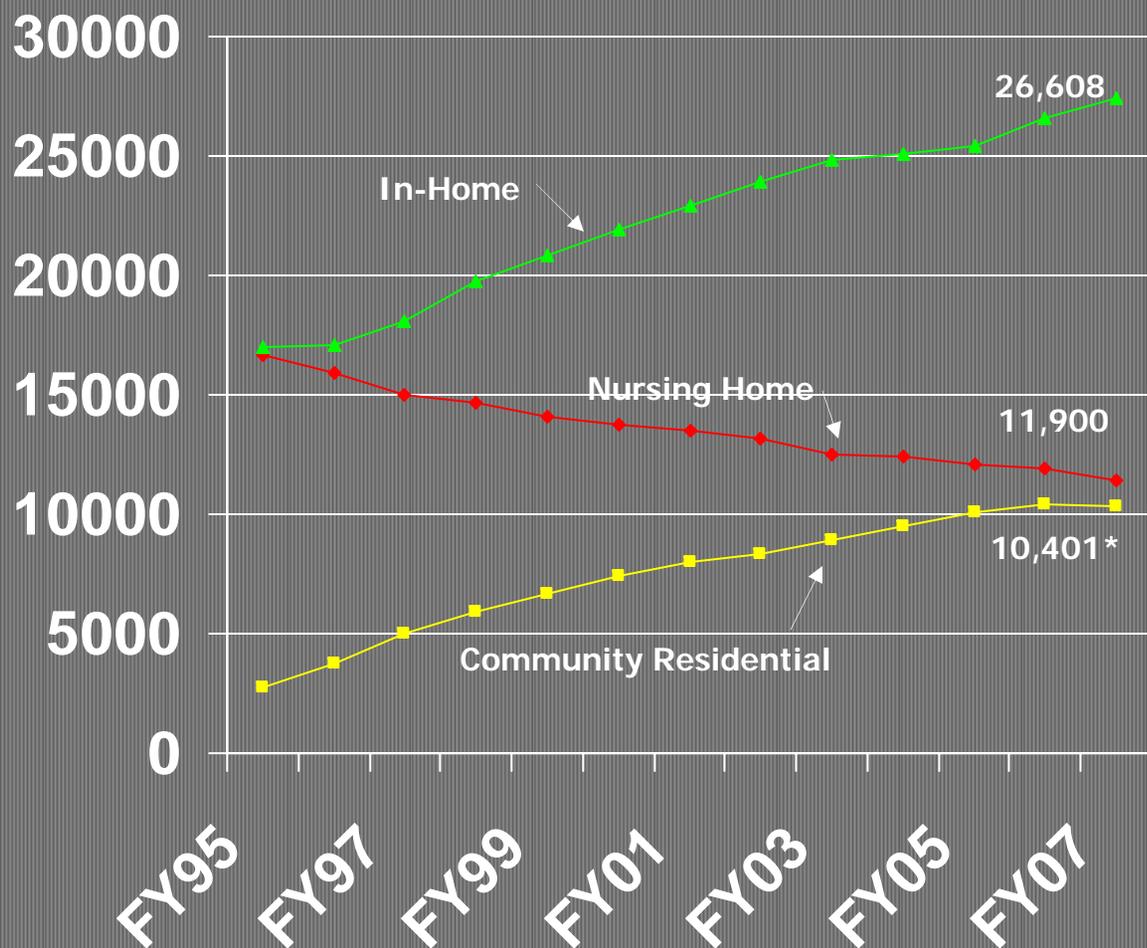
- Washington has over 2,600 licensed adult family homes with over 14,000 beds. An average facility has 5.5 beds and over 39 percent of adult family home residents are paid for by Medicaid.
- Adult Family Homes are licensed to care for up to six residents
- Homes provide room, board, laundry, supervision, assistance with activities of daily living, and personal care
- Some provide nursing or other special care

## Client Characteristics

**Medicaid Nursing Facility clients compared to Boarding Home, Adult Family Home and In Home clients - Average ADL Scores**



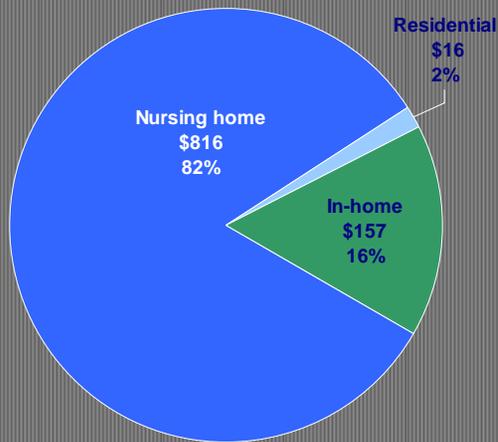
## Caseload Changes Over Time



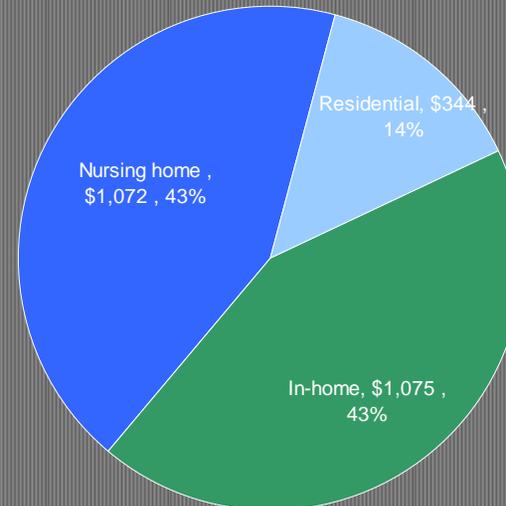
\*FY06 Caseload -  
 AFH - 3,780  
 BH - 1,780  
 AL - 4,602  
 Other - 239

## Expenditure Shift

### 1991-1993 Biennium



### 2007-2009 Biennium



LTC budget

## ADSA Rate Setting

- The Office of Rates Management within ADSA has as its mission:
  - To design and administer fair and equitable payment systems that support the provision of cost-effective long-term care.
- The office sets rates for over 200 nursing homes, 350 boarding homes and 2300 adult family homes each year.
- Authority – for nursing homes, rate-setting methodology set out in detail in statute (74.46) and rule (388.96)
- Authority – for boarding homes and adult family homes, the statute (74.39A) simply directs department to establish payment rates in rule (388-105). Future adult family home rates are subject to collective bargaining.

## Nursing Facility Rates

- Medicaid payment rates are unique for each nursing facility
- Rates are based generally on a facility's costs, a facility's occupancy level, and the individual care needs of a facility's residents
- The MDS is the assessment tool used to determine care needs – clients are placed in one of 36 groups.
- The average rate today is \$158.31 per patient day
- Rates range from \$98.30 to \$310.42\*\* per patient day

\*\*excludes Bailey Boushay

## Nursing Facility Rate Components

The Medicaid rate for a facility is comprised of seven separate components and based on adjusted costs from each facility's cost report. The non-capital components are currently based on 2005 cost reports and rebased every two years:

- **Direct Care** – nursing and other related care provided to residents. This component is adjusted quarterly based on the relative care needs of the residents in the facility. (56.2% of the total rate)
- **Therapy Care** – speech, physical, occupational, and other therapy (less than 1% of the total rate)
- **Support Services** – food and dietary services, housekeeping, and laundry (13.8% of the total rate)
- **Operations** – administration, utilities, accounting, and maintenance (20% of the total rate)
- **Variable Return** – an incentive payment based on relative efficiency (1.8% of the total rate)

## Nursing Facility Rate Components

The capital components of the rate are rebased annually.

- **Property – depreciation allowance for the assets used for resident care (3.3% of the total rate)**
- **Financing Allowance – payment based on the depreciated value of assets (3.8% of the total rate)**

## Nursing Facility Rate Lids

There are several lids which affect an individual facility's rate.

- **Direct Care – ceiling set at 112% of the peer group median.**
- **Support Services – lid set at 110% of the peer group median**
- **Operations – lid set at the peer group median**
- **Minimum occupancy levels – 85% for therapy care, support services and variable return; 90% for operations, property and financing allowance**

## Nursing Facility Rates

- There is a settlement process on the direct care, therapy care and support services component rates each year
- The Legislature sets a budget dial each year in the biennial appropriations act

## Residential Rates

- Rates for boarding homes and adult family homes are standardized.
- There are six payment rates based on the needs of the resident, and adjusted for geographic location.
- Rates range from \$48.32 to \$110.11 per day.
- A cost model using a variety of benchmarks establishes the rates. There are three cost components in the model – Direct Care, Administration/Operations and Capital.
- The CARE assessment determines each client's classification group based on care needs – A low to D high.
- A client's rate is based on the classification group, the care setting, and the service area.

## Classification Groups

- Group A – No mood or behavior disorder, not clinically complex
- Group B – Mood and behavior disorder
- Group C – Clinically complex
- Group D – Cognitively impaired and clinically complex
- Low, Medium or High ADL Count

## Residential Rates – Direct Care

- Based on number of staff service hours by staff type used in the provision of care and services, based on the 2003 time study
- Hourly wage rate by position from Bureau of Labor Statistics and Washington's Employment Security Department, at the 25<sup>th</sup> percentile

## Residential Rates – Administration

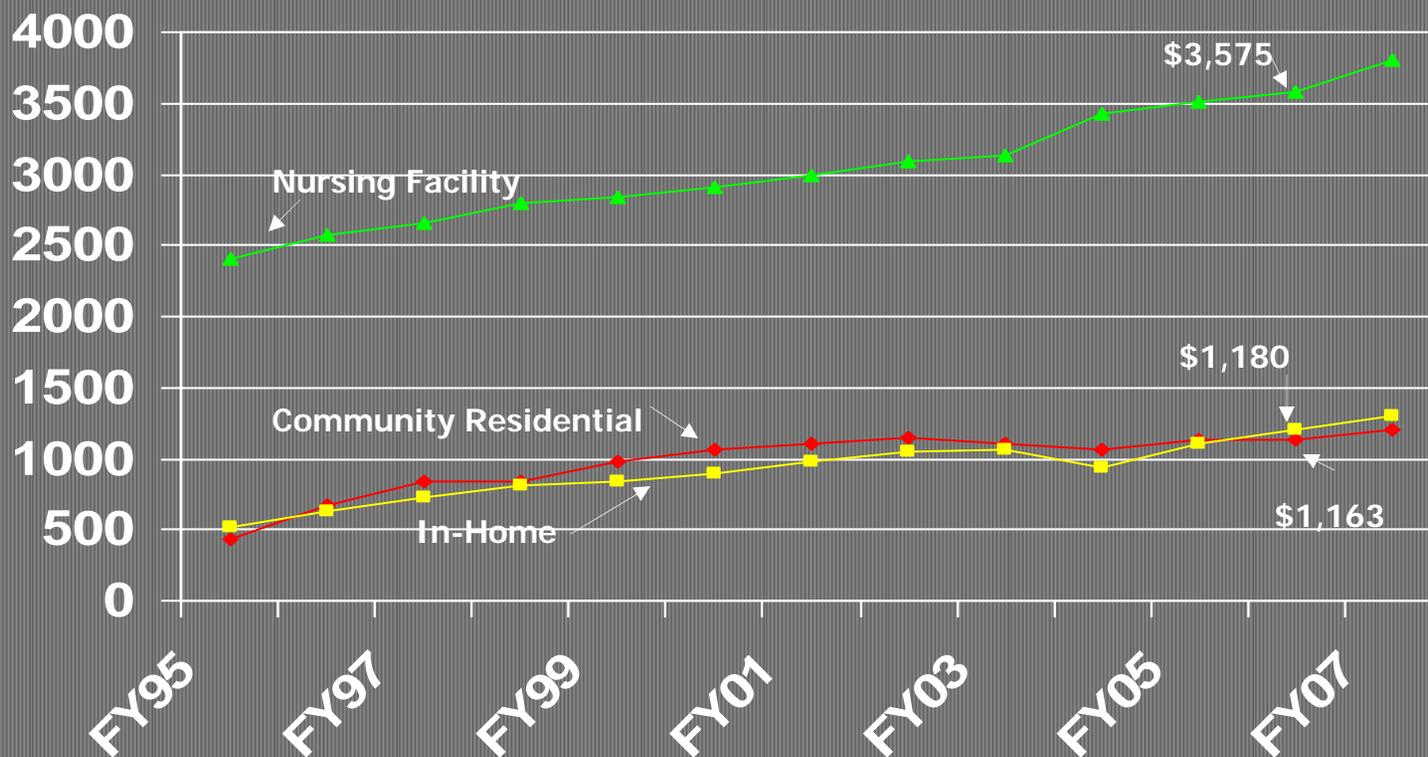
- Based on Medicaid nursing home cost report data at the 25<sup>th</sup> percentile
- Costs included in the Administration/Operations Rate include supplies, utilities, food, taxes, insurance, etc.

## Residential Rates – Property

A rent payment is determined, using:

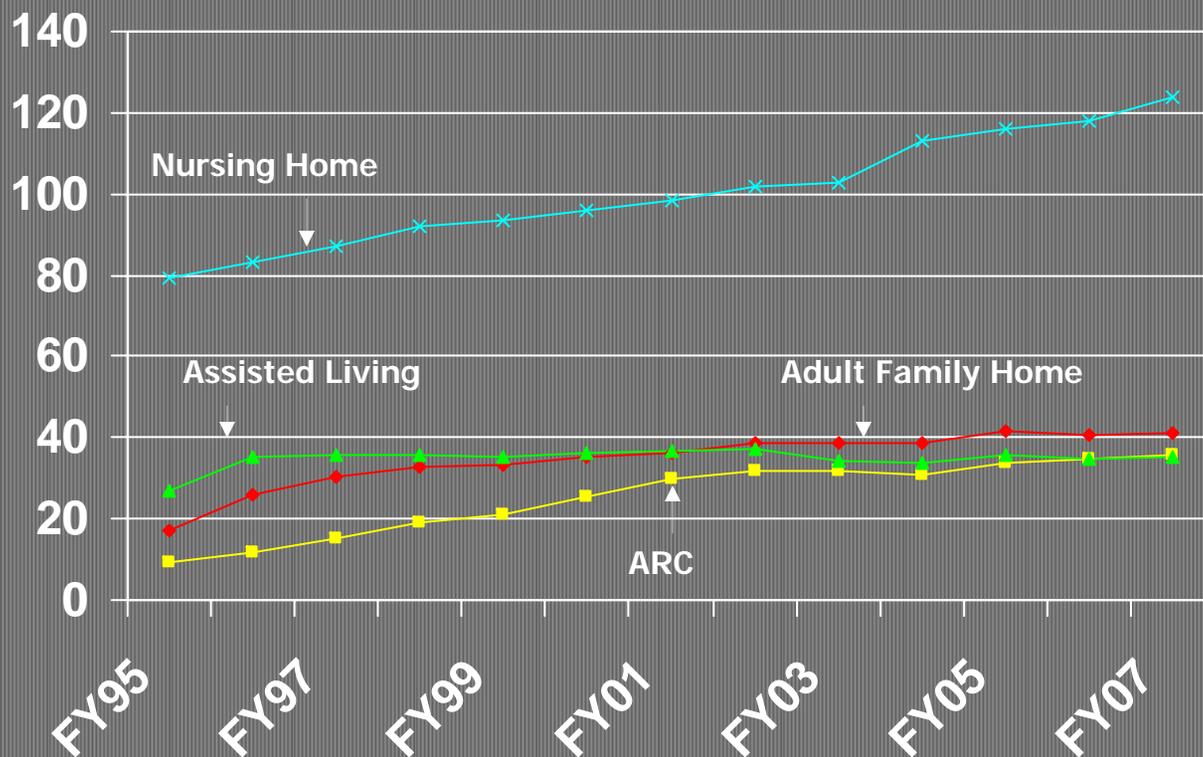
- Marshall Swift appraisal information to determine a price per square foot for new construction
- Moveable equipment calculation based on nursing home cost report information
- Assessed land values
- A capital add-on is paid to qualifying assisted living facilities.

## Average Monthly Cost



LTC clients

## Growth in Rates Over Time\*



\*Excludes Client Participation

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**QUESTIONS??**