Nursing Home Rate Analysis

Summary of Study Conducted by Navigant Consulting, Inc.

Final Report and Addendum

January 2011

Nursing Home Rate Structure

- Based on costs reported by homes
- Rate methodology in statute (RCW 74.46)
- Based on several different components:
  - Direct Care, Therapy Care, & Support Services
  - [facility] Operations, Property, & ROI
  - Variable Return, Low-wage worker add-on
  - Pay-for-Performance (penalty and add-on)
- Ultimately controlled by the budget dial

Analysis Methodology

- Access: examined current availability of nursing home beds, geographical distribution of beds, and occupancy. Compared WA w/ peer states.
- Quality: compared results of CMS surveyors' inspections. Compared WA w/ peer states.
- Payment-to-Costs: compared Governor's and Legislative fiscal year 2011 supplemental budget proposals to 2009 adjusted (inflated) costs.

Payment-to-Costs

- Governor's Proposal:
  - Six facilities receive 100+ percent of costs
  - 19 facilities receive 95-99.9 percent of costs
  - 49 facilities receive 90-94.9 percent of costs
- Legislative Proposal:
  - Five facilities receive 100+ percent of costs
  - 12 receive 95-99.9 percent of costs
  - 41 facilities receive 90-94.9 percent of costs

Legislative Proposal

Effective March 1, 2011

- Reduce the weighting for the 10 lowest acuity groupings; ultimately impacts direct care rate.
- Reduce financing allowance to 4 percent for all assets.
- Postpones rebasing for one-year and moves the cycle to odd years.
- Moves forward the elimination of variable return.

Legislative Proposal

Effective March 1, 2011

- Lowers cost lids by 2 percent
  - Direct care: 112 percent of median to 110 percent
  - Support services: 110 percent to 108 percent
- Changes minimum occupancy for Operations, Property, and Financing Allowance
  - Large facilities: 92 percent to 95 percent
  - Small facilities: 90 percent to 92 percent
  - Essential: 85 percent to 87 percent

Legislative Proposal

Effective March 1-June 30, 2011

- Temporary Operations Efficiency Adjustment
  - Operations component costs are arrayed into quartiles.
    - Lowest quartile=100 percent of costs
    - Second lowest=88 percent of costs
    - Third lowest=78 percent of costs
    - Highest quartile=68 percent of costs

Budget Dial History

Statewide Weighted Average Daily Medicaid Rate By Fiscal Year and Budget Proposal			
Fiscal Year	**Avg Daily Rate**	**Annual Percent Change**	**FY09 to FY11 Percent Change**
2009	$164.85		
2010	$169.85	+ 3.03 percent	
2011	$166.24	- 2.13 percent	+ 0.84 percent
2011 Governor's Proposal	$164.00	- 3.44 percent	- 0.52 percent
2011 Legislative Proposal	$161.86	- 4.94 percent	- 1.81 percent