Staff Summary of the Brown University Report to Simplify Nursing Facility Medicaid Payment Rates 11/14/2007

Specific Recommendations:

1. **Rate components: reduce from seven to three components.** Have one "capital" cost center. Operating costs are divided into "direct care" and "indirect". (See detail on the table on the next page.)

2. **Minimum occupancy adjustment: eliminate for all *operating* costs.**

3. **Case mix adjustments: continue them, but apply to more costs** besides direct care, such as therapy care and some of support services.

4. **Capital: Use "fair rental" as the cost basis** instead of historical data and **eliminate the Certificate of Capital Authorization (CCA) process.**

5. **Rebasing: do every three years, with some uncertainty as to when** this would occur. Keep the prospective facility-based system. (Note: the 2007 Legislature already put *biennial* rebasing into law.)

6. **Add-ons & "pay for performance": do *separately* from the base rate,** to accomplish desired policy objectives such as increasing wages or improving quality. Sunset or make them annual to keep the base rate simpler and to provide accountability.

7. **Increase auditing of the Minimum Data Set (MDS)** assessments to insure accuracy in calculating costs.

8. **Graduated implementation** of above.

The Recommendations Do *Not* Address:

- Whether the reimbursement system should continue to be in statute.

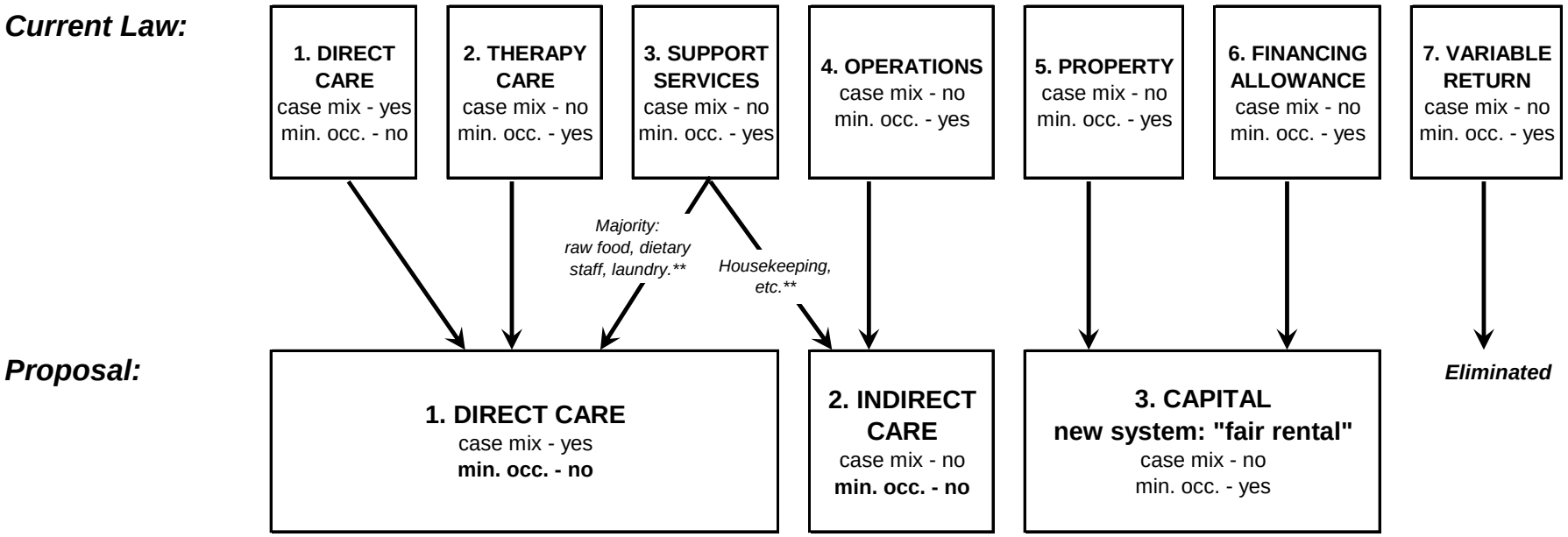
- Whether to continue to do a settlement process.

- The exact composition of cost centers or rate components, i.e. which current "support services" costs should become "direct care" vs. "indirect".

- The level of "lids" or "caps" for each cost center (i.e. 90% of median, etc.). Instead, the lids can be set by the Legislature to create certain incentives or to adjust the price tag of the proposal.

Nursing Facility Medicaid Rate Components

Current Law vs. Brown University Recommendations



+ Supplemental Add-on Rates for Pay-for-Performance, Wages, etc.

**The proposal makes suggestions, but does not specify exactly which support services costs go to indirect care.