

THEMES FROM INTERVIEW ON THE DEVELOPMENT OF NURSING FACILITY PAYMENT METHODS

EXECUTIVE SUMMARY

The Medicaid and CHIP Payment and Access Commission (MACPAC) convened a [session](#) to examine preliminary findings from a seven-state interview on nursing facility payment methods. Principal Policy Analyst Robert Nelb presented themes on nursing facility payment methods regarding the use of value-based payments, supplemental payments, and managed care and sought feedback on how these findings could inform future Commission work. Overall, the Commissioners supported future work on this topic, and suggested that feasibility of value-based payments be pursued, as well as the role of supplemental payments. Commissioners also acknowledged the shortfalls the COVID-19 pandemic revealed in nursing homes and committed to exploring them in future work.

STAFF PRESENTATION

Mr. Nelb began the presentation by highlighting that nursing home facility services are the second-largest category of Medicaid spending, accounting for \$56.7 billion in fiscal year 2016. He noted that states have broad flexibility to structure nursing facility payments, including managed care payments, supplemental payments, and the fee-for-service base. Mr. Nelb detailed that MACPAC contracted with RTI International to conduct interviews with state, nursing facility, and managed care representatives on current nursing home payment policies across seven states (AL, CO, KS, NY, RI, UT, WI). MACPAC and RTI International also interviewed national experts and staff from the Centers for Medicare and Medicaid Services (CMS).

Mr. Nelb noted that states have been generally slow to move from cost-based to price-based payment methods, and value-based payment initiatives were limited to pay-for-performance incentives. Additionally, the interviews revealed that most supplemental payments were financed by providers through provider taxes or intergovernmental transfers (IGTs). Regarding managed care, representatives detailed that managed care organization paid nursing facilities according to the fee-for-service rates and methods. Finally, Mr. Nelb detailed that many states made temporary rate increases to nursing facilities during the COVID-19 pandemic. The MACPAC staffs seeks Commissioner feedback on how the findings can inform future work.

COMMISSIONER DISCUSSION

Commissioner Bill Scanlon noted that COVID-19 pandemic placed a focus on nursing facilities and the future work should not be whether Medicaid is paying enough, but how to better understand how payments are being used and the rationale and incentives. Additionally, Commissioner Scanlon warned against the use of value-based payments in nursing homes given the heterogenous population and the high likelihood for poor outcomes. He detailed that the Commission should maintain a focus on quality and whether nursing homes have the structure to support quality care. He specifically pointed to persistent workforce issues in nursing facilities and whether the workforce is adequate. Finally, Commissioner Scanlon expressed concern about pricing systems and their potential to result in less services.

Commissioner Toby Doulas emphasized how difficult it is to implement value-based system in nursing facilities given the large amount of coordination that is needed among the broader stakeholder realm. He noted that value-based payments need to be pursued broadly across the Medicaid program in order to realize the needed improvements.

Commissioner Chuck Milligan suggested that the Commission identify the differences between for-profit and not-for-profit nursing facilities. He noted that for-profit facilities are often larger and more willing to take on Medicaid beneficiaries.

Commissioner Fred Cerise highlighted the role of supplemental payments and transitioning to government ownership to secure additional payments. He also suggested examining supplemental payments that are tied to quality, such as facilities maintaining a certain registered nurse (RN) ratio.

Chair Melanie Bella noted that the COVID-19 pandemic exposed many problems in nursing facilities, and she suggested that these shortfalls be examined in order to avoid them in the future. She echoed her colleagues by recommending work on nursing facilities broadly in future sessions.