



the cedars
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Nursing Facility Funding Overview

PRESENTED FOR

LONG TERM CARE WORKFORCE COMMISSION

Provided by S. John Watson on November 2019

thecedarsportland.org

Who do we serve?

- **Only those elderly who meet Maine's strict admissions criteria**
 - Our level of care is physician directed, requires an independent assessment of medical eligibility prior to admission and is highly regulated
 - Our level of care requires levels of nursing services that cannot be met as safely or as cost effectively at home (payer driven)
- **Maine's medical eligibility among the strictest in US which ensures:**
 - Level of resident acuity is among the highest in the US
 - Level of acuity requires high levels of nursing staff
 - Costs of care are among the highest in the US

Who do we employ?

- **Registered Nurses for Direct Care and clinical documentation**
- **Certified Nurse Aides**
- **Certified Med Techs**
- **Ward Clerks**
- **Therapeutic Recreation Staff**
- **Social Workers/Case Managers**
- **Maintenance, Housekeeping, Laundry workers**
- **Cooks, Chefs, Dieticians**
- **Licensed Administrators**
- **Human Resources staff**
- **Receptionists, Admin assistants, Medical Records staff**
- **Controllers, CFO's, accounting, billing, payroll, payables staff**

Who pays for care?

Approximate Payer Mix in Maine*

MaineCare – 67%

Medicare – 12%

Private Pay – 21%

* Kaiser Family Foundation cites Maine's payer mix in 2017

How much does MaineCare pay for its own residents?

LESS THAN A THIRD OF THE COST OF CARE

MaineCare resident care is heavily subsidized by others:

- **Federal Subsidy:**
 - Federal gvt pays Maine approximately \$2 for every \$1 spent by state on MaineCare resident care
 - Maine only bills the feds for allowable costs, not ACTUAL allowable costs
- **Provider Subsidy:**
 - State pays less than actual allowable costs by \$25-\$35 million EACH YEAR
 - Providers' non-MaineCare revenues must cover \$25-\$35 million annual shortfall
- **Provider Tax Subsidy:**
 - State collects 6% of resident care revenues; keeps 25% by law
 - State pays back only to the extent of MaineCare census

How does MaineCare Reimbursement work?

Three categories of Rates:

1. **DIRECT CARE RATE** – Wages, benefits for nurses, nurse aides, activities staff; non-billable medical supplies and OTC medicines – CAPPED AT UPPER LIMIT
2. **ROUTINE COSTS RATE**– All other wages, benefits, operating expenses (heat, lights, food, etc) – CAPPED AT UPPER LIMIT
3. **FIXED COSTS RATE**– Interest on debt, property/liability insurance, Provider Taxes, depreciation on fixed assets – FUNDED 100% TO EXTENT OF MAINECARE CENSUS

How are DC and Routine Cost Rates Determined?

DIRECT CARE RATE–

1. Facilities are put into three peer groups based largely on size
2. Rates are “rebased” every two years using two-three year old costs per patient day (PPD) and acuity data depending on fiscal year end
3. For example; 2019 rebasing for July 1, 2019 rates starts with 2015-2016 cost/acuity data
4. Those older costs are rolled forward by published general inflation factors then reduced by base year wage and acuity indices to arrive at a “purer” starting point for averaging cost which bears no resemblance to current costs of care
5. The resulting “adjusted” Direct Care costs PPD are averaged to arrive at a median cost
6. The cap or Upper Limit for Direct Care reimbursement becomes 110% of that median
7. A wage index is applied to that median to accommodate half of the labor cost variances among providers lost in arriving at the median
8. A Direct Care Add-on is calculated only at rebasing to add funds to those providers whose rate is still coming up short of the contrived number
9. The final contrived rate becomes the basis for application to CURRENT acuity for paying 2019-2020 costs, depending on your fiscal year end
10. 40-50% of providers are not paid the cost of Direct Care labor

Non-clinical labor Costs underfunded

ROUTINE COSTS RATE –

1. Facilities are put into three peer groups based largely on size
2. Rates are “rebased” every two years using two-three year old costs per patient day (PPD) and acuity data depending on fiscal year end
3. Most recent rebasing for July 1, 2019 rates starts with 2015-2016 cost data only
4. Those older costs are rolled forward by published general inflation factors
5. The resulting costs which bear no resemblance to current costs are averaged to arrive at a median cost
6. The cap or Upper Limit for Direct Care reimbursement becomes 110% of that median

What could be wrong?

DIRECT CARE RATE –

1. Rate setting based on irrelevant data:
 - a. Rebased starts with cost and acuity data that is well behind current costs
 - b. Rebased does not recognize actual labor inflation, or accommodate pace of change
 - c. Rate setting does not accommodate significant variances across labor markets or wage pressure driven by competition for
 - d. Rate does not recognize significant training, orientation, recruiting, retention or professional development costs necessary to attract and maintain a workforce
 - e. Rate setting funds labor for many providers at 80-90% of labor costs

ROUTINE COSTS RATE –

1. Rate setting completely arbitrary – averaging Routine Costs of all across the state
 - a. Based on old cost data
 - b. Sets Routine Rate as if we all operated in the same sized facility, in the same town, in the same labor market
 - c. Many providers compete with hospitality industry for labor in this category without adequate funding

RATE SETTING FOR NURSING FACILITIES

CEDARS NURSING CARE CENTER - PORTLAND:

	2015	2016	2017	2018	2019
DIRECT CARE					
Actual Costs PPD	\$ 144.50	158.84	165.84	175.26	163.29
Reimbursed for Direct Care PPD	\$ 121.08	129.04	130.96	135.1	154.31
Direct Care Shortfall PPD	\$ 23.42	\$ 29.80	\$ 34.88	\$ 40.16	\$ 8.98
MaineCare resident days	12,134	10,880	11,048	11,204	11,887
Direct Care Shortfall	\$ 284,178	\$ 324,224	\$ 385,354	\$ 449,953	\$ 106,745
ROUTINE COST					
Actual Costs PPD	\$ 95.98	77.57	84.89	91.23	94.64
Reimbursed for Direct Care PPD	\$ 67.93	72.91	75.11	77.56	84.3
Direct Care Shortfall PPD	\$ 28.05	\$ 4.66	\$ 9.78	\$ 13.67	\$ 10.34
MaineCare resident days	12,134	10,880	11,048	11,204	11,887
Routine Cost Shortfall	\$ 340,359	\$ 50,701	\$ 108,049	\$ 153,159	\$ 122,912
TOTAL STATE SHORTFALL:	\$ 624,537	\$ 374,925	\$ 493,404	\$ 603,111	\$ 229,657
PROVIDER TAX SUBSIDY	\$ 462,753	\$ 495,517	\$ 482,725	\$ 468,690	\$ 510,631
TOTAL STATE SUBSIDY FROM CEDARS	\$ 1,087,290	\$ 870,442	\$ 976,129	\$ 1,071,801	\$ 740,288
Number of FTE's unfunded at average clinical wage	24	19	21	23	16