



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

Larry Hogan, Governor - Boyd Rutherford, Lt. Governor - Van T. Mitchell, Secretary

September 15, 2016

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
H-107 State House
Annapolis, MD 21401 - 1991

The Honorable Michael E. Busch
Speaker of the House of Delegates
H-101 State House
Annapolis, MD 21401 - 1991

Re: Health – General §19-310.1(f)/SB 101 (Chapter 503 of the Acts of 2007), as amended by HB 67 (Chapter 58 of the Acts of 2015) – Report on Implementation of Quality Assessment on Nursing Facilities

Dear President Miller and Speaker Busch:

I am pleased to submit the report required by SB 101, enacted during the 2007 regular session of the General Assembly, which required the Department to report by March 1, 2008 and annually thereafter on the implementation of a quality assessment on specified Maryland nursing facilities. SB 101 established in law this quality assessment on Maryland nursing facilities (with the exception of facilities with fewer than 45 beds, and those operated by continuing care retirement communities, or CCRCs), to be applied to all non-Medicare days of care provided by the facility in the previous quarter of the State fiscal year.

HB 67, enacted during the 2015 session of the General Assembly, changed the date of the required annual report to September 1 of each year, in recognition that the March 1 date fell before the current fiscal year's final expenditures were known, and before the budget allocation for the next fiscal year's allocation was finalized by the General Assembly.

This report will update the General Assembly on the implementation of the quality assessment during FY 2016, and provide the specific information required at Health – General Article §19-310.1 (f). For the FY 2016 assessment, the Department established two per-diem payment rates for nursing facilities subject to the assessment on non-Medicare days of care.

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These rates were \$24.03 for most nursing facilities, and, for the five facilities providing the highest number of Medicaid days of care in the previous year, \$6.05 per non-Medicare day of care.

Information Specified by SB 101 Reporting Requirement

SB 101 required that the Department report by March 1, 2008 and annually thereafter on its implementation of the quality assessment. The relevant section of the new statute specified that this report include the following information:

- (1) The percentage and amount of the assessment charged to each nursing facility subject to [the assessment];
- (2) The number of nursing facilities subject to [the assessment] with a net loss; and
- (3) A comparison of the total amount provided in the Medicaid budget for nursing home reimbursement in the current fiscal year to the amount proposed for the upcoming fiscal year.

In response to the first section, the percentage and amount that each nursing facility will pay is projected in the statistical model submitted to CMS each year by dividing the amount of revenue to be collected via the quality assessment — in FY 2016, \$145,954,084 — by multiplying the per diem assessment rate, \$24.03 or \$6.05, by the facility's non-Medicare days of care projected for FY 2016, from a statewide total of 7,289,471 days projected for FY 2016.¹

Pinpointing the exact amount of revenue earned by each nursing facility — since the quality assessment program generates funds that both repay each provider in part for the amount of assessment paid for each Medicaid day of care, and augment the overall Medicaid reimbursement rate — is complicated by the complexities of the methodology with which the Department sets nursing facility rates. The variation between facilities along the four cost centers — nursing, other patient care, administrative and routine, and capital costs — make head-to-head benefit versus cost comparisons approximate at best. The factors that contribute to a net loss with regard to the payment of the quality assessment are a relatively low number of Medicaid days of care, and relatively high numbers of private-pay days, for which these facilities will pay the per diem but receive neither a refunded per diem nor an enhanced Medicaid rate. The facility with the highest net loss resulting from the payment of the quality assessment is the

¹ The actual total number of assessable days for FY 2016 will have been provided to the Department by mid-May 2016, a compilation of fiscal year-end cost reports from all facilities. The Department's audit contractor uses these reports to verify the number of days for which each facility has reported and paid a per diem.

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only privately-owned, non-CCRC nursing facility that does not participate at all in the Medicaid Program.

The following chart shows the 17 nursing facilities that the statistical model developed for the FY 2016 quality assessment projected would pay more for their non-Medicare days of care than they would benefit by being reimbursed for the assessment paid for Medicaid days and also by receiving the higher Medicaid rates partially financed by the assessment.

Nursing Facilities with Projected Net Loss from Payment of FY 16 Quality Assessment

Name	Quality Assessment paid in 2016	Repayment of QA for Medicaid days of care	Rate increase attributable to QA	Total benefit from QA (MA per diem repayment + rate increase)	Net impact attributable to QA
Carriage Hill Bethesda (not a Medicaid provider)	\$630,884	\$0	\$0	\$0	(\$630,884)
Charlotte Hall Veterans Home	\$2,023,999	\$939,325	\$747,618	\$1,686,943	(\$337,056)
Homewood at Crumland Farms	\$852,921	\$298,369	\$246,617	\$544,986	(\$307,935)
Rockville Nursing Home	\$645,374	\$191,930	\$168,788	\$360,719	(\$284,655)
Manor Care Potomac	\$820,072	\$272,337	\$314,181	\$586,518	(\$233,554)
Genesis PowerBack Rehab Brightwood Center	\$186,857	\$3,483	\$11,591	\$15,074	(\$171,783)
Hillhaven Nursing Center	\$445,973	\$164,033	\$149,387	\$313,420	(\$132,553)
St. Thomas More Medical Complex	\$1,351,567	\$551,608	\$687,387	\$1,238,995	(\$112,572)
Genesis Glade Valley Center	\$657,845	\$263,569	\$304,109	\$567,678	(\$90,167)
St. Joseph's Ministries	\$691,175	\$320,474	\$292,152	\$612,626	(\$78,549)
Genesis Spa Creek Center	\$600,221	\$239,117	\$315,856	\$554,973	(\$45,249)
Potomac Valley Nursing and Wellness Center	\$1,202,413	\$630,358	\$530,733	\$1,161,091	(\$41,322)
Fox Chase Rehab and Nursing Center	\$490,596	\$236,512	\$213,287	\$449,799	(\$40,797)
Mid-Atlantic of Fairfield	\$448,208	\$185,637	\$227,674	\$413,311	(\$34,897)
Genesis Franklin Woods Center	\$533,130	\$208,692	\$293,704	\$502,396	(\$30,733)
Lorien Bulle Rock	\$202,164	\$85,232	\$95,266	\$180,498	(\$21,666)
Crofton Convalescent and Rehab Center	\$1,023,318	\$509,624	\$503,405	\$1,013,028	(\$10,289)

This means that the large majority of nursing facilities subject to the assessment² — a total of 182 during FY 2016 — derived at least some level of benefit from the assessment, and those with high percentages of Medicaid recipients benefitted most.

The enabling legislation also requires a comparison of the Medicaid budget for nursing home reimbursement for the current and the upcoming fiscal years, shown below.

² Because Carriage Hill is by choice not a Medicaid provider, it receives neither the benefits of reimbursement for the assessment paid on Medicaid days of care nor a higher Medicaid day rate, as do Medicaid providers. The enabling statute imposes the assessment on all non-Medicare days of care provided by facilities subject to the statute, so Carriage Hill pays the per diem on its privately-paid and privately-insured days of care, without the benefits of additional Medicaid-related revenue.

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FY 2016 reimbursement	\$1,161,116,432
FY 2017 (appropriation)	\$1,172,281,186

If you have any questions about this report, or would like additional information, please contact Mark A. Leeds, Director of Medicaid's Long Term Services and Supports Administration, at (410) 767-1443.

Sincerely,



Van T. Mitchell
Secretary

cc: The Honorable Edward J. Kasemeyer
The Honorable Thomas M. Middleton
The Honorable Maggie McIntosh
The Honorable Peter A. Hammen
Shannon McMahan
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