

FHCA 2019 Annual Conference & Trade Show

CE Session #49 – PPS Boot Camp: You Don't Have to Rough it

Wednesday, August 7 – 4:30 to 5:30 p.m.

Celebration 5-6 – Finance/Development

Upon completion of this presentation, the learner will be able to:

- Review the latest Long Term Care Plan and changes resulting from the 2019 legislative session
- Understand the importance of planning for audits and appeal implications on rates
- Learn how to implement changes to improve their rates and prepare for the future

Seminar Description:

The new Prospective Payment System (PPS) reimbursement methodology has presented many challenges in the first year. This session will focus on lessons learned, provide updates from the legislative session and discuss strategies for getting your ideal reimbursement in this environment. Topics will include changes in the Long Term Care Plan, audit and appeal strategies and actions you can take to prepare for annual rate updates and rebasing in 2021. Attendees will learn to evaluate their current position and develop comprehensive strategies to compete effectively in the PPS environment.

Presenter Bio(s):

Lorne Simmons is a Manager on the Healthcare Team at MSL and is a member of the Firm's Senior Housing and Long-Term Care Practice Groups. He has over 20 years experience in long term care, 15 of which are with MSL. Lorne has presented at Florida Health Care Association's Annual Conference on nine previous occasions including a session on the most recent Medicaid Managed Care initial program in 2013. He serves as the primary author of MSL's monthly Florida Health Care Association Pulse column and blog posts. Lorne is a member of the Florida Health Care Association Reimbursement Committee and has presented internal webinars and training sessions on Florida's Medicaid Managed Care Program.

**PPS Bootcamp – Toughing it
Out**

Lorne Simmons
Senior Healthcare Manager
August 7, 2019

OBJECTIVES

- Review of MCD PPS Basics
- Cost Reports, Emergency Payments and Audits
- Review Cost, Quality, and FRVS
- Discuss Appropriations And Budget Impacts
- Talk about Strategies for Survival

Prospective Payment System

- Price Based - Rates based on median costs
- Costs still used to set DPC, IPC, OP Components
- Use of **peer groups**. Same rate for all facilities.
- Peer Groups
 - North – SMMC Regions 1-9, less Palm Beach & Okeechobee
 - South – SMMC Regions 10-11, plus Palm Beach & Okeechobee
- Elimination of Retroactive Adjustments

Prospective Payment System contd

Changes of Ownership

- Proof of Financial Ability to Operate (PFAs) still required
- New owner inherits old provider rate (incl. quality score)
- Audits completed before used to set a rate
- NO COST SETTLEMENT

New Facilities

New Facilities

- Provisional base rate will be standard per diem for facilities in same peer group
- No per diem floor until initial CR is submitted
- FRVS, Prop Taxes and insurance based on budget
- Quality incentive valued at 50th percentile for all FL facilities

Other PPS Issues

- Cost Reports
 - How Information is used
 - Deadlines and Penalties
- Audits
- Emergency Payments

Cost Reports

- How Information is used
 - DPC Hours for Staffing Quality Measure
 - Pass thrus for Prop Ins/Taxes
 - Audit of FRV Portal Information
 - DPC/IPC Spending for Rebase

Cost Reports

- Deadlines and Penalties
 - 5 months after CR Fiscal Year End
 - 60 Day Grace Period before Sanctions
 - \$1,000 per day per report

Audits and Appeals

- Audit Scope and Process
 - Combination of Field Audits and Desk Reviews
 - Both Types are considered Equal
 - Audits Completed in Less Than 1 Year
 - Standardization of Workpapers and Scope
- Goal to audit every provider at least once prior to Rebasing
- What Cost Reports Will be Subject to PPS Audit?
- Appeal Rights and Process

Emergency Payments

- Emergency Payments
 - Hurricane Interims No Longer Allowed
 - Must go through Legislative Process for Funding

PPS Rate Components

- Cost
- Quality
- FRV
- Add-ons
- Passthru
- NHQA

COST

Cost Shifts

- Direct Includes All Allowable Therapy and Dietary
- Indirect includes Non-Therapy Ancillaries
- Operating Includes Medical Records
- Home Office Property pass thru eliminated
- Medicaid Bad Debts still 100% Operating
- Home Office Administrative costs still 100% Operating



PPS Rate Components - Cost

➤ Cost Prices and Floors

- DPC – 100% Median, 95% Price
- IPC – 92% Median, 92.5% Price
- OP – 86% Median, 0% Price (no floor)
- Pass Thru Costs for Property Insurance and Taxes



PPS Rate Components - Cost

Rebasing

- Initial rates effective 10/1/18
- First rebase year effective 10/1/2021
- Based on most recent audited cost reports
- Adjusted for Actual Cost to Floor variances
- Cost based Rates run to establish floors





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QUALITY

Quality Component

Quality Component Funding:

- Total of funds determined annually
- Based on appropriations
- Quality points rescored annually
- "Cut-Points" will rebase every 3 years



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Quality Component

- 2018 Budget incr from 6% to 8.5% (\$1.23 per pt)
- July 1 effective per quality point is \$0.86
- Loss of \$0.37 per pt, per day (15pts = \$5.55 per day loss)
- 40 Point System – Current minimum threshold – 10.5
 - Will increase to projected 12.5 pts. Oct 1, 2019
 - Price per point will remain around \$0.86



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Quality Measures

- October 1 '19 scores based on CY 2018 NH Compare
- Future scores always 1 year behind
- SS/Activities staffing now from PBJ – Qualified Only
- DPC Staffing from latest filed CR as of 4/30/ each yr



Quality Measures Cont'd

- Calculation of Quality Rate Component
 1. Total pool of \$ based on % of total appropriations
 2. Calculate total points for all eligible providers
 3. Divide Total \$ by Total points to get rate \$ per pt.
 4. Multiply \$ per pt X # points for individual rate
- Minimum threshold is 20th Percentile – currently 10.5
 - Will increase to projected 12.5 Oct 1
 - Median points up to 17





FRVS

Fair Rental Value Changes

- AHCA Database updates through 4/30/19
- FRV database and reimbursement updated annually
- Audited through Annual Cost Reports
- Minimum \$500/bed Total Cost to Qualify



Fair Rental Value Factors

Factors used to calculate FRV

- RS Means Parameter – \$222.05 current
- Facility Specific Information – Size, Age, Occupancy
- Policy Parameters – Same for all providers
 - Land Allowance 10% of Bldg, Equipment Allowance \$8K
 - Depreciation Factor 1.5%
 - Fair Rental Rate 8%



PPS Rate Setting Process

Peer Grouping-

South – Miami-Dade, Broward, Palm Beach, Okeechobee, The Keys

North – rest of the state

Case Mix – None

PPS Rate calculated first

Compared to **latest 2016 published rate** published as of 5/31

Oct 1 rate is higher of PPS vs 2016 hold-harmless rate



PPS Rate Calculation

1. Calculate median cost for DPC, IPC and OP to set price as % of median
2. Calculate individual provider DPC and IPC spending variances
3. Add the Direct, Indirect, and Operating Rate and adjust for appropriations
4. Add the FRV rate, Vent and High MCD Add-ons, pass-thrus, Quality component and NHQA to get a final provider rate



Final Rate Determined

	Facility A	Facility B	Facility C
Total PPS Rate	\$ 193.67	\$ 228.74	\$ 252.06
Total 2016 Cost Based Rate	\$ 200.19	\$ 221.04	\$ 256.81
Variance	\$ (6.52)	\$ 7.70	\$ (4.75)
Final Rate	\$ 200.19	\$ 228.74	\$ 256.81

- > Hold Harmless clause mitigates losses for Yrs 1-3
- > "Winners" will be capped on rate Yrs 1-3
- > Yrs 4 & 5 – all losses capped at 5% from rebased cost based rate





APPROPRIATIONS

The Way We Were 😊

2018 Budget added \$138 mil to fund PPS transition

- Increased DPC Price to 105% of Median
- Increased Quality to 8% of total Appropriations
- Allowed for 10% cap on PPS Winners

Added \$ were 1-time appropriation expired 6/30/19

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Where We Are Now 😞

2019 Budget did not renew the PPS transition funds

- Increase in DPC Price – GONE
- Increase in Quality funds – GONE
- 10% cap on PPS Winners – Reduced to less than ½ of 1% July 1

Added \$23.5 mil for Oct 1 so cap on Gains up to 1.89%

Added \$ are 1-time appropriation expires 6/30/20

Ripple Effect of Reduced Funding

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What Can We do?



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What Can We do?

- NOT MUCH ☹
- July 1 Rates Issued and Final
- No additional funds appropriated for Next 3 months
- Oct 1 rates just issued yesterday on AHCA website
- Includes \$23.5 in Additional Funding
 - Will bump Quality up to 6.5% of Appropriations
 - Other changes will hold the point value to around \$0.86
 - Cap on PPS gains projected at 1.89% of hold harmless rate

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Caps on Gains/Losses

- Hold Harmless clause limits losses for Yrs 1-3
- "Winners" capped on rate Yrs 1-3 based on appropriations
- Yrs 4 & 5 – all losses capped at 5% of rebased cost rate
- After Year 5 – no caps, 100% PPS

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**SURVIVAL
STRATEGY**

Patience



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Know Your Position

- Are you on PPS rate or Hold Harmless Rate?
- If PPS, are you capped?
- If on Hold-Harmless rate, why? Difference from PPS Rate?
- What can you do to prepare for Rebasing in 3 Years?

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Hold Harmless Position

- No big surprises
 - Costs – Meeting Floors? Still important
 - Quality – Focus on low hanging fruit or status quo
 - FRV – Renovations should be monitored for maximum impact
- Can your Hold Harmless Rate change? (Hint: YES)
- Will open audits impact your rate?

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PPS Position

- Is your PPS Calculated rate Accurate?
- True vs Capped PPS
- Can you Impact your PPS Rate Between Rebasing Years?



Budgeting for the next year

- Oct 1 rates good through 6/30/2020
- Maintain minimum staffing requirements
- Monitor Census mix - Medicare still payor of choice
- FRV – Renovation spending and timing is important
- What can you do to prepare for Rebasing in 2 Years?



What About Your Future Rate?

- Rebase in 2021 Eliminates 2016 rate Impact for Hold-Harmless
 - Change to 95% of recalculated cost base rate
 - Costs Based on Most Recent Audited Cost Report
- Are you prepared for changes to the PPS Rate Calculations?
 - Costs – Median costs increasing or decreasing? Price Points Changing?
 - Quality – Will Quality Measures Change? Threshold and Cut Points?
 - FRV – Timing of Renovation Completions, New Regulations (i.e. Generators).
- What Happens after Year 5? Pure PPS – Get Ready now.



Resources

AHCA Prospective Payment Website

> http://ahca.myflorida.com/medicaid/Finance/finance/nh_rates/hhpprm.shtml

FHCA Prospective Payment Website

> http://www.fhca.org/facility_operations/prospective_payment_system

AHCA Request for Comments Website

> http://www.myflorida.com/apps/vbs/vbs_www.ad_r2.view_ad?advertisement_key_num=140990

MSL Prospective Payment Contact

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