HB 782

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 782 (Delegate James, *et al.*)

Health and Government Operations Finance

Nursing Facilities - Accountability Measures - Pay-for-Performance Program

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This bill requires the Department of Health and Mental Hygiene (DHMH) to phase in the distribution of revenues to nursing facilities under the pay-for-performance (P4P) program beginning July 1, 2010, with full implementation beginning July 1, 2011.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: The bill's requirements can be handled with existing DHMH budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill codifies language relating to distribution of a portion of revenues from the nursing facility quality assessment based on accountability measures through a P4P program and makes the following changes.

Phase-in of the P4P Program: By July 1, 2009, DHMH must (1) score nursing facilities based on the criteria included in the plan submitted by DHMH in December 2008, as required under Chapter 200 of 2008; and (2) send each nursing facility a transmittal with the scoring criteria, the performance of the facility relative to the scoring criteria, and the monies that would have been received by the facility using the scoring criteria.

Beginning July 1, 2010, DHMH must distribute 50% of the revenues from the quality assessment being used in the P4P program based on the scoring criteria. Beginning July 1, 2011, DHMH must fully implement the P4P program.

Ongoing Reevaluation of the P4P Program: By December 1, 2009, and annually thereafter, DHMH, in consultation with specified stakeholders, must make necessary changes to the P4P program to determine the effect on providers and whether the measures are objective, measurable, and, when considered in combination, have a correlation to residents' quality of life and care. In performing this annual review, DHMH must examine and modify the P4P program to include improvement measures in the scoring criteria.

Assessment of Long-term Care Reimbursement: DHMH must consult with stakeholders to assess the State's long-term care reimbursement methodology and whether it is prospective and predictable, promotes quality and efficiency, and considers severity. In conducting this assessment, DHMH has to consider alternative reimbursement mechanisms, the P4P program, and quality and outcome-based measures. By October 1, 2010, DHMH must report its findings to the General Assembly.

Current Law: Chapter 503 of 2007 imposed a quality assessment equal to the lesser of 2% of the revenues for nursing facilities in the State or the amount necessary to fully fund the nursing facility payment system. Revenues generated by the assessment and federal matching funds must be used to increase Medicaid nursing home reimbursement rates. Continuing care retirement communities and facilities with less than 45 beds are exempt from the assessment. Chapter 503 directed DHMH to develop accountability measures relating to the nursing home quality assessment.

Chapter 200 of 2008 repealed the requirement that DHMH develop accountability measures and instead required DHMH to develop a plan for accountability measures to use in a pay-for-performance program. Implementation of the program was delayed from July 1, 2008 to July 1, 2009. The plan required under Chapter 200 must include program goals, recommended options, funding sources, implementation timelines and benchmarking periods, and the administrative cost of implementation of a P4P system. The plan must be developed in consultation with industry representatives and other stakeholders and submitted to the General Assembly by December 1, 2008.

Beginning July 1, 2009, up to 25% of the revenues generated by the assessment must be distributed to nursing facilities based on accountability measures that indicate quality of care or a commitment to quality of care. The accountability measures must be objective, measurable, and when considered in combination with each other, deemed to have a certain correlation to residents' quality of life and care.

Background: DHMH began assessing nursing homes on October 1, 2007. In fiscal 2010, the assessment will be set at the statutory maximum of 2.0% of nursing home revenues and is expected to bring in $42.3 million in general fund revenues. These funds will be matched with federal funds, resulting in a net impact on the nursing home industry of a $42.3 million increase in Medicaid reimbursement. Actual impact varies by nursing home. Facilities that serve a disproportionate share of Medicaid patients will benefit as the additional reimbursement will exceed the cost of the assessment, while homes that serve only a few Medicaid patients will experience higher costs as the assessment will exceed additional revenue.

For fiscal 2009, nursing homes were granted a 6.6% Medicaid rate increase over fiscal 2008 rates. However, this increase was reduced to a 3.3% rate increase over fiscal 2008 effective November 1, 2008. This change imposed a $25.5 million reduction in funding for nursing homes for the remainder of fiscal 2009. Funding for a rate increase for nursing homes is not included in the Governor's proposed fiscal 2010 budget. Legislative Services estimates that, if provided, nursing homes would have received a 5.5% rate increase or $70.0 million in total funds.

In December 2008, DHMH submitted a plan for accountability measures to use in a P4P program that was developed in collaboration with stakeholders. Under this P4P model, eligible providers will receive a composite score based upon multiple quality measures, in order to determine qualification for an incentive payment. The five measures selected are:

- the Maryland Health Care Commission Family Satisfaction Survey (40%);
- staffing levels and staff stability (40%);
- Minimum Data Set quality indicators (16%);
- employment of an infection control professional (2%); and
- staff immunizations (2%).

Each facility's composite score will indicate its rank and subsequent amount of payment per Medicaid patient day. Funding for the P4P program will be derived from a reallocation of a portion of the rate increase funded by the quality assessment. The report notes that some nursing home industry representatives have expressed concern about implementation timing and funding during a time that rate reductions are being imposed.

State Fiscal Effect: This bill does not alter the amount of the assessment but rather delays the date after which a portion of assessment revenues may be distributed through the P4P program. Distribution of these revenues through the P4P program is phased in beginning in fiscal 2011, with full implementation in fiscal 2012. As the assessment itself is unchanged, the bill is not expected to have a fiscal impact. DHMH can handle the bill's assessment and reporting requirements with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: SB 664 (Senator Garagiola, *et al.*) - Finance.

Information Source(s): Department of Legislative Services

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