

Skilled Nursing Facilities Medi-Cal Funding, Rate-Setting & CalAIM

ISSUE: Medi-Cal funding must support SNF workforce investments

It is essential that the Department of Health Care Services (DHCS) implement a Medi-Cal broad-based funding framework for skilled nursing facilities (SNFs) authorized in AB 186 (2022) that does the following:

- (1) guarantees that SNF quality payments are distributed annually
- (2) rebases Medi-Cal rates utilizing broad-based standards to support SNF workforce investments
- (3) assures effective CalAIM implementation & enforcement

BACKGROUND

Current SNF Medi-Cal financing program

SNFs are reimbursed under a Medi-Cal rate setting system developed in AB 1629 (2004) and amended with AB 186 (2022). The system features a Quality Assurance fee paid by these facilities which is matched by federal funds and has generated over \$5 billion in state funds. The system supports a facility-specific reimbursement rate that promotes spending on quality staffing for nursing home patients. AB 186 established a Workforce and Quality Incentive Program (WQIP) to provide \$280 million for providers that meet specified workforce and quality measures, and also included a one-time augmentation to the reimbursement rate for facilities that meet certain workforce standards.

Nursing homes are almost 100% government funded, with Medi-Cal reimbursement comprising more than 70% on average, of their patient census.

SNF Staffing Crisis

Nursing facilities, which suffered significant workforce losses during the COVID-19 pandemic, continue to struggle to recruit and retain the quality workforce needed to sustain quality patient care. As of 2017, SNFs are required to maintain at least a minimum number of nursing hours per patient day of 3.5 and a patient to certified nursing assistant (CNA) ratio of 2.4 hours per patient day. These requirements along with the rising minimum wage and competitive employment environment has made it next to impossible for SNFs to recruit the nursing staff they need to provide quality patient care. Most facilities have been forced to reduce their census and reduced bed capacity for those patients in need of long-term care. To ensure continued access to care for a vulnerable Medi-Cal population, the state needs to:

- **Guarantee SNF Quality payments are distributed annually**

California leads the nation in quality for skilled nursing facilities in a number of areas. Centers for Medicare & Medicaid Services (CMS) measures performance in skilled nursing centers by tracking 18 quality measures including mobility, weight loss and falls among skilled nursing residents. In 2019, California providers improved outcomes for residents in **15 out of 18 categories** and the state currently ranks **No. 1, 2 or 3 in the nation** in eight quality measures. CAHF supports the additional \$280 million in WQIP funding made available by AB 186. It is important, however, that these funding payments be disbursed in 2023, as intended by the Legislature, as delays will harm many providers that are at the edge of maintaining financial viability and may have to limit admissions or reduce services in order to survive.

- **Rebase Medi-Cal rates broadly to support SNF workforce investments**

Skilled nursing facilities were provided a Medi-Cal rate enhancement during the COVID-19 pandemic to cover the extraordinary costs of care during the public health crisis. This rate enhancement of 10% will continue through December 2023. AB 186 included an opportunity for nursing facilities to have their rates rebased determinant on their ability to meet certain workforce standards. It is essential that DHCS establish workforce standards that are broad-based to ensure that as many providers as possible are able to increase wages for their workers and receive rate adjustment to reflect their true labor costs.

- **Effective CalAIM Implementation and Enforcement**

SNFs, Intermediate Care Facilities for the Developmentally Disabled, Pediatric and Adult Sub Acute facilities have or will be carved into Medi-Cal Managed Care in 2023 as part of the CalAIM program. This transition will require major changes in managed care plan and provider operations to ensure that residents are placed in the appropriate care setting and providers are reimbursed accurately and in a timely manner so that they can continue to provide safe and high-quality care. The State will need to provide clear direction and engage in careful monitoring to ensure plans are meeting network adequacy requirements facilitating appropriate referrals.

The state needs to be a strong partner for its nursing facilities as they move beyond the pandemic and weather the continued labor challenges that are unprecedented and unwavering. Medi-Cal's SNF new rate setting system has the capacity to finally provide improved funding for SNFs, but the implementation must allow for full participation by providers and a steady and fair allocation of quality payments.