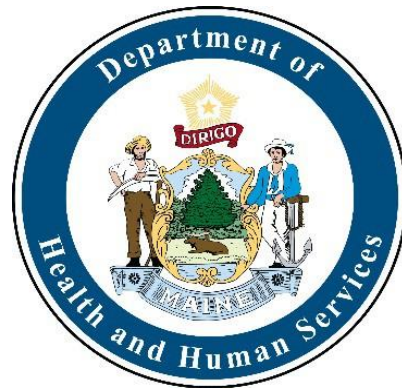


Maine Department of Health and Human Services (DHHS) & Guidehouse

Rate Reform Studies of Long-Term Care Services Under MaineCare

Rates Workgroup Meeting #3

May 17, 2023



Agenda



May 17, 2023

- Why Are We Here: 3 Minutes
- Review of Input From Meeting # 2: 7 Minutes
- Approach to Developing Trend: 25 Minutes
- Open Discussion: 20 Minutes
- Workgroup Meeting Schedule: 5 Minutes

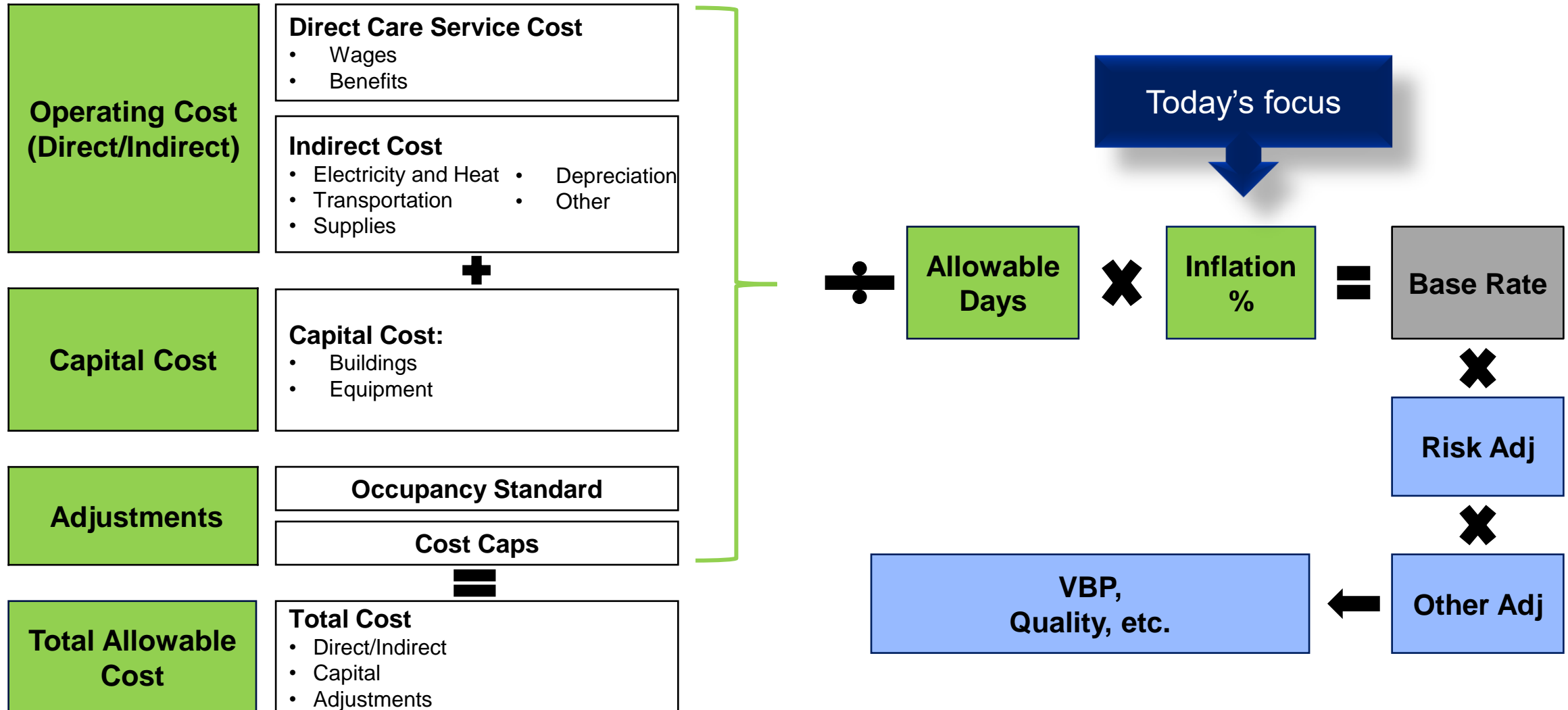
Why Are We Here

- The Department has engaged Guidehouse to help it **reevaluate** its **reimbursement model**, and **rate methodologies** for Nursing Facilities (NFs) and Residential Care Facilities (RCFs - PNMIC LIV).
- DHHS and Guidehouse would like your help and input on the following:
 - Discuss thoughts on suggested trend development methodology.
 - Discuss thoughts on underlying data sources to be used in trend development.
 - Provide feedback on overall approach and data sources.

✓ **Workgroup Goal:** *Advise on trend methodology that Guidehouse will incorporate into a proposal to DHHS for rate setting.*

Approach to Developing New Rates

Overview of General Rate Build-Up Approach



Review of Input From Meeting # 2

Open Discussion Question 2: What suggestions would you make to deal with unexpected high-cost trends, e.g., wages?

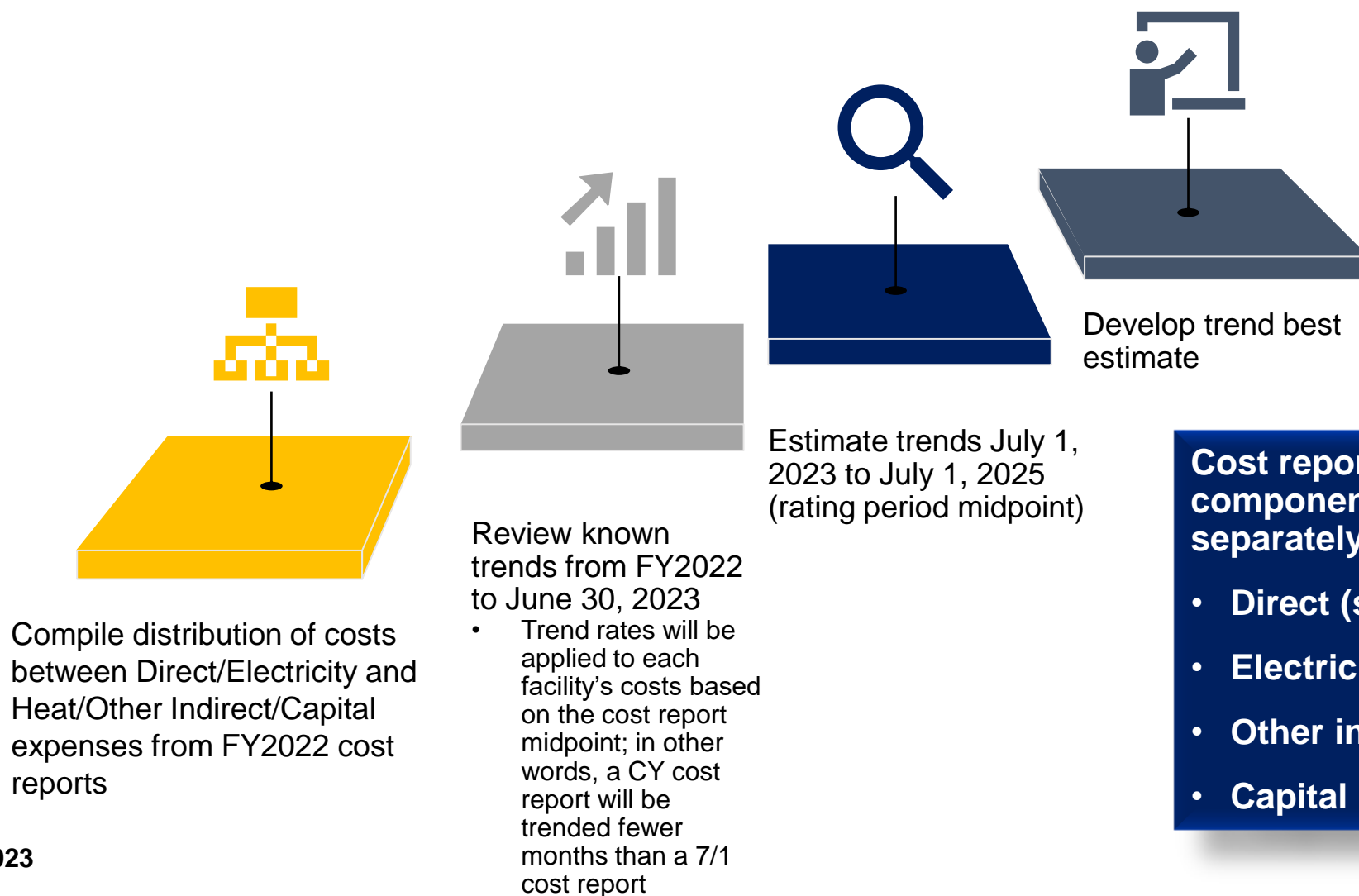
We received valuable input at our last meeting on the high-cost trends. Here is a sample of your feedback:

- There is a continued increase of having to use contract staff rather than permanent staff. Former permanent staff is coming back to the workforce as contract staff because of much higher wages.
 - Temp agencies are a large part of the problem as they hire away our staff and resell to us at inflated rates.
 - To protect access to NFs/RCFs, adequate funding needs to be provided to account for higher wages.
- Suggestion to take age demographics into account as not a lot of young people to fill the workforce due to Maine having an older population makeup.
- Health insurance costs have been increasing 15+% annually as a result of COVID. Health insurance should also be considered as a fixed cost.
- Consider trends by geographic location and account for differing costs for items like snow removal, heating costs and utilities that are materially different by location.

Current Trend Development Process

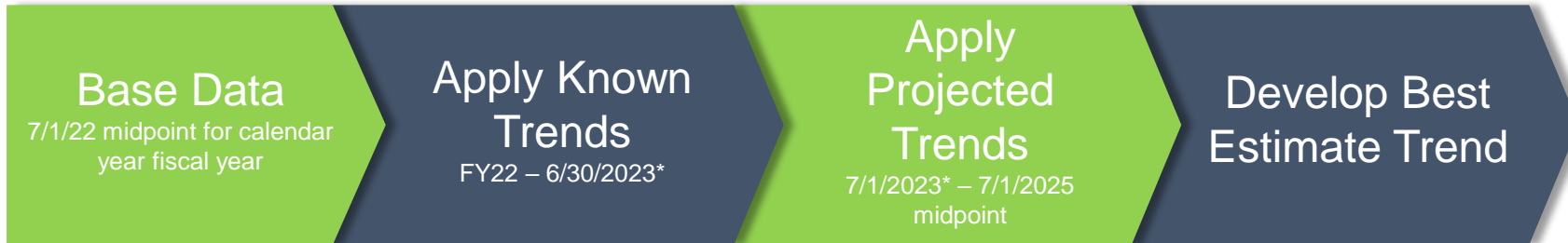
- When DHHS updates rate letters each July, NFs and RCFs are both inflated using Bureau of Labor Statistics Consumer Price Index (CPI-U) medical care services index for professional services, nursing home and adult day care services.
- For NFs, the Direct Care and Routine components are adjusted as follows:
 - In a rebasing year, per diem allowable costs from the cost report are inflated from the last day of the period covered by the cost report to the last day of the fiscal year covered by the rate letter using the CPI from the December prior to the issuance of the letters.
 - In a non-rebasing year, an additional 12 months of inflation is applied using the CPI from the December prior to the issuance of the letters.
- For RCFs the Direct Care, Routine, and PCS components are adjusted as follows:
 - Apply an additional 12 months of inflation using the CPI from the December prior to the issuance of the letters.

Trend Development in Four Steps



Trend Will be Developed Separately for Each Cost Component

3.0 years of trend for facilities with January 1 fiscal years



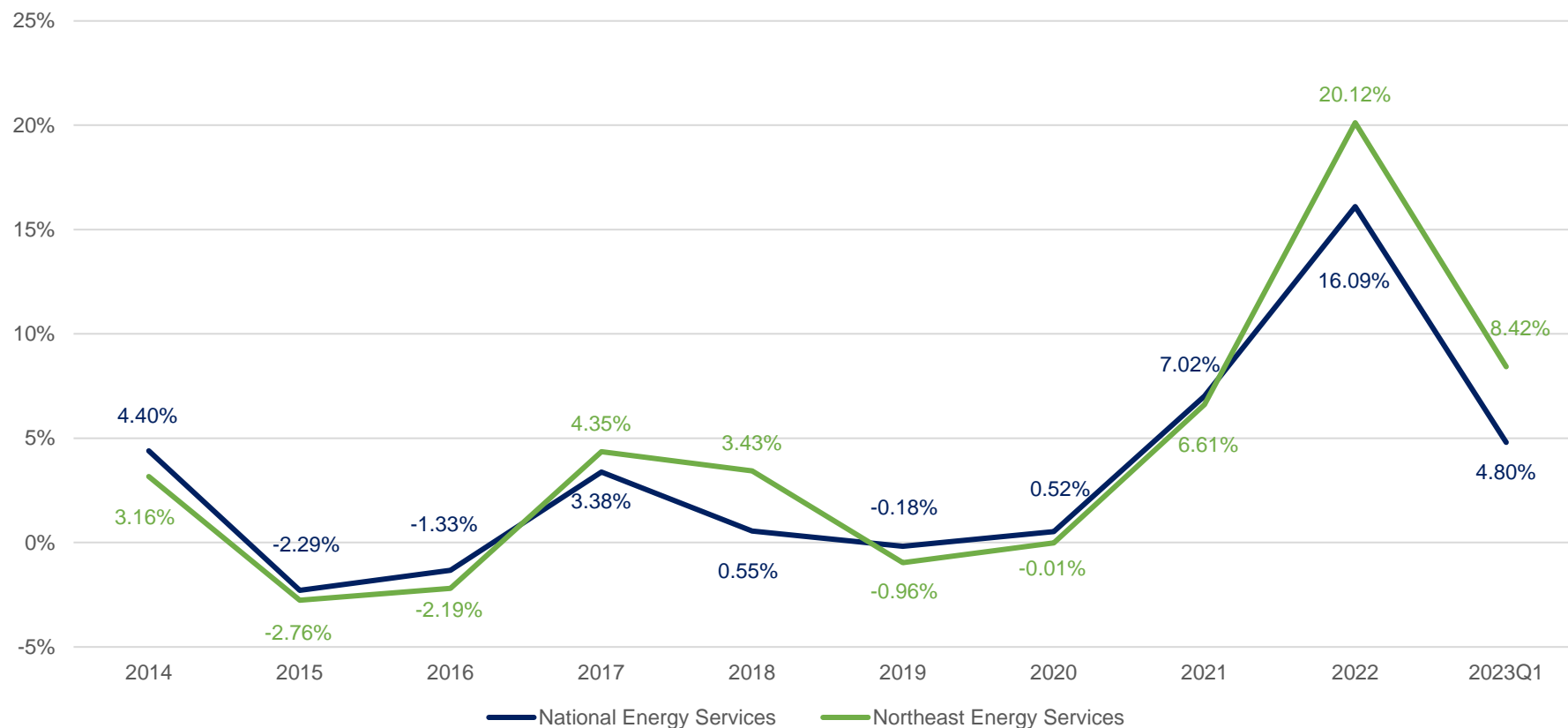
Cost Component	Data Sources	Considerations
Direct	Consumer Employment Statistics (CES) – National Level <ul style="list-style-type: none"> Average hourly earnings of all employees Average hourly earnings of production and nonsupervisory workers 	Requirement: Per Part AAAA, rates must support direct care wages of at least 125% of the state minimum wage.
Electricity + Heat	Consumer Price Index (CPI-U) – National and Northeast Levels <ul style="list-style-type: none"> Energy Services 	
Other Indirect	Producer Price Index (PPI) – National Level	Total PPI and 'Medicaid Only' PPI for different industries
Capital	Producer Price Index (PPI) – National Level	Total PPI and 'Medicaid Only' PPI for different industries

* Date subject to change depending on timing of trend development

May 17, 2023

BLS Historic Trends

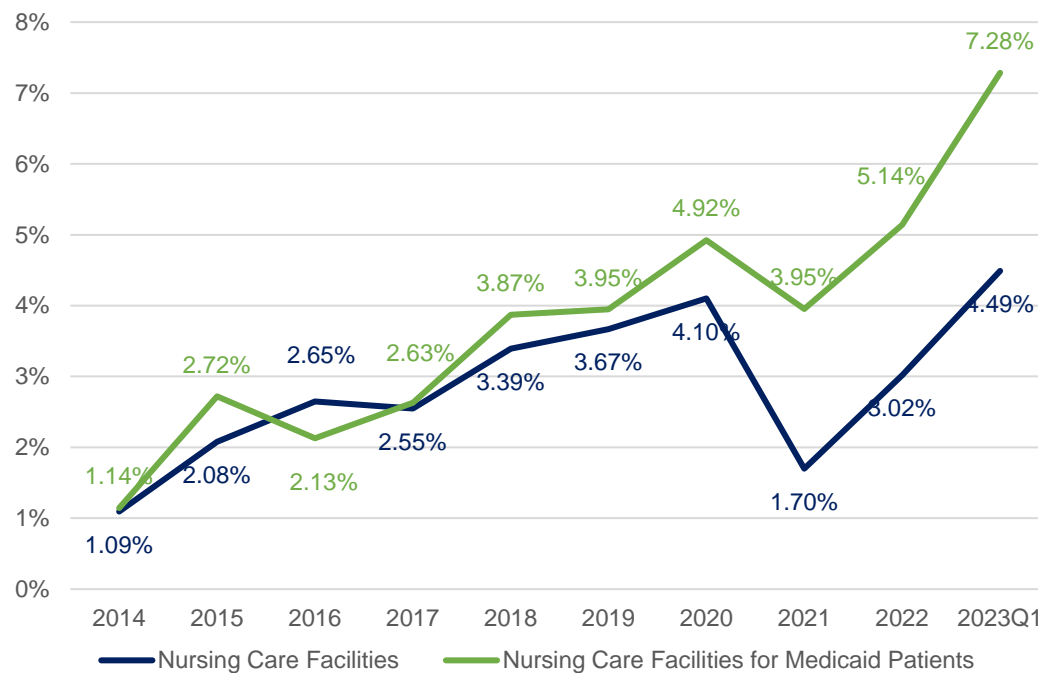
CPI-U Trend – Energy Services



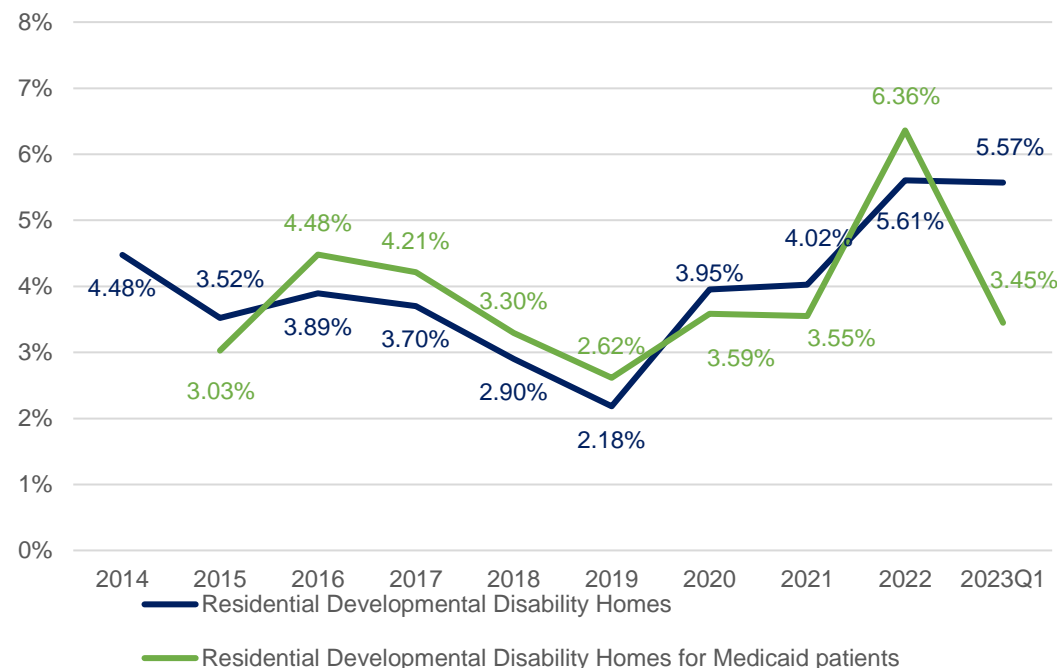
Series	Definition	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023Q1
CUUR0000SEHF	National Energy Services	4.40%	-2.29%	-1.33%	3.38%	0.55%	-0.18%	0.52%	7.02%	16.09%	4.80%
CUUR0100SEHF	Northeast Energy Services	3.16%	-2.76%	-2.19%	4.35%	3.43%	-0.96%	-0.01%	6.61%	20.12%	8.42%

US Bureau of Labor Statistics (BLS) Historic Trends

PPI Trend
Nursing Care Facilities

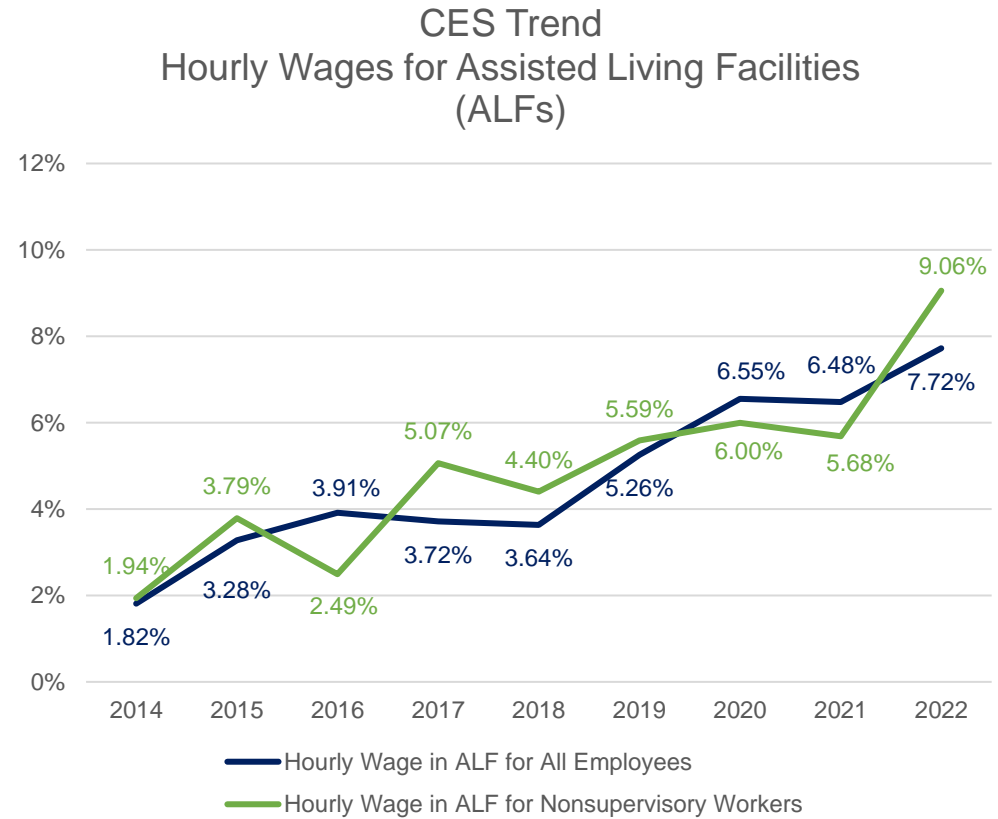
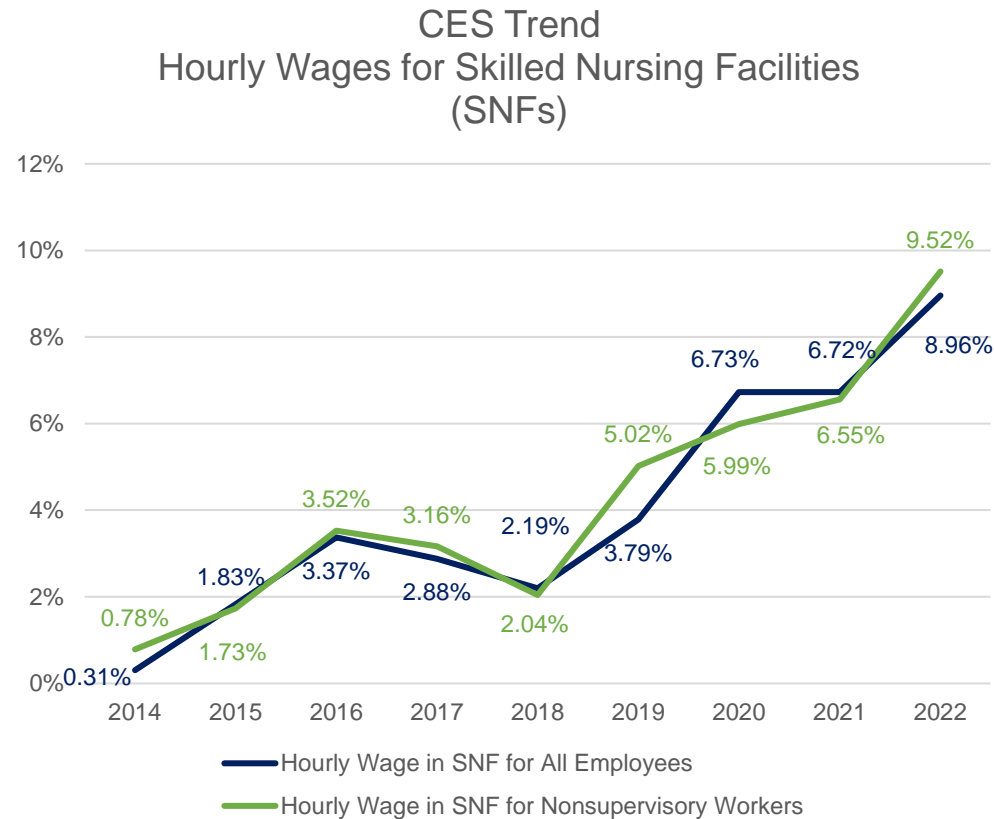


PPI Trend
Residential Developmental Disability Homes



Series	Definition	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023Q1
PCU623110623110	Nursing Care Facilities	1.09%	2.08%	2.65%	2.55%	3.39%	3.67%	4.10%	1.70%	3.02%	4.49%
PCU623110623110101	Nursing Care Facilities for Medicaid Patients	1.14%	2.72%	2.13%	2.63%	3.87%	3.95%	4.92%	3.95%	5.14%	7.28%
PCU623210623210	Residential Developmental Disability Homes	4.48%	3.52%	3.89%	3.70%	2.90%	2.18%	3.95%	4.02%	5.61%	5.57%
PCU62321062321011	Residential Developmental Disability Homes for Medicaid patients		3.03%	4.48%	4.21%	3.30%	2.62%	3.59%	3.55%	6.36%	3.45%

BLS Historic Trends



Series	Definition	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEU6562310003	Hourly Wage in SNF for All Employees	0.31%	1.83%	3.37%	2.88%	2.19%	3.79%	6.73%	6.72%	8.96%
CEU6562310008	Hourly Wage in SNF for Nonsupervisory Workers	0.78%	1.73%	3.52%	3.16%	2.04%	5.02%	5.99%	6.55%	9.52%
CEU6562331203	Hourly Wage in ALF for All Employees	1.82%	3.28%	3.91%	3.72%	3.64%	5.26%	6.55%	6.48%	7.72%
CEU6562331208	Hourly Wage in ALF for Nonsupervisory Workers	1.94%	3.79%	2.49%	5.07%	4.40%	5.59%	6.00%	5.68%	9.06%

Group Discussion Etiquette

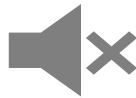
DHHS asks that work group members limit sharing information from work group meetings outside of the group

Raise Hand



Use the raise hand feature to hold your place in “line” to speak in activities where there is a lot of discussion

Mute



Use the mute feature to avoid echoes and background noise when you are not speaking

Video



Keep your camera on during the discussion

Chat Box



Use the chat box feature to send messages to the group for all to see

SESSION EXPECTATIONS

Participation is the ultimate key to a successful discussion today

Respect each other’s ideas and opinions

Add items to parking lot that might take over the flow.

Make the most of the time you have **together**

Don’t **focus** on wordsmithing. We’ll perfect and validate language following the discussion

Open Discussion:

Trend Development



20 minutes



As we consider alternate payment methodologies:

1. For RCFs, which of the two CES indices best represents your place of service?
2. What is your expectation of future annual wage inflation rates?
3. When do you expect inflation to moderate?

As we consider trend development:



7 minutes

1. For RCFs, which of the two CES indices best represents your place of service? (Workgroup questions/comments provided in the chat box)

- 1

Is the BLS data a national statistic or Maine based?
- 2

due to the case mix of Maine's RCFs (higher than other states), the SNF trending would be more appropriate
- 3

How will new cost report section GG impact rebasing?
- 4

Thank you Erica. I wanted to confirm that the new rate model will be ready for January 2025. We've also heard of late that rates will be ready in 2024. Can someone from Guidehouse or the Department confirm the timeline of rate reform?
Thank
- 5

Will inflation be provided through the END of the rate letter period as it is today? Also, although its not typical, but in years where there is a slight inflationary decrease, do you envision the decrease impact the rate calculation?
- 6

RCF services are usually tied to NF quite tightly as many facilities are under 1 roof and part of 1 campus or 1 building. We have many shared staff so consistency is important.
- 7

The ALFs hourly wage best reflects our trend with inflation. I do believe the real inflation would be higher but we can't afford to pay the rates which is why turnover is so high and we can't retain employees.
- 8

I'd suggest review the mix of licensed and non-licensed direct care staff in each of the CES groups and align RCF with one that fits best or a blend of the two.
- 9

GH comment: The BLS data we're using is a national statistic. If we use Maine-based wage data, it is a year old / less current than BLS national data.
- 10

Verbal comment: % increase of wage across facilities needs to be consistent.
- 11

Verbal comment: Inflation experience is in line with graphs, but hard to pay enough to keep employees. Experience would be higher if could pay what they needed to keep staff.
- 12

Verbal comment: State emergency funding is what has supported the industry, has made up for some of the inflation and industry differences over the last few years.
- 13
- 14
- 15
- 16
- 17
- 18

As we consider trend development:



7 minutes

2. What is your expectation of future annual wage inflation rates?
(Workgroup questions/comments provided in the chat box)

1 Verbal comment: macro problem impacting micro in NFs. Replacement staff is not readily available right now. Putting NHs in competition for labor, CNAs. Have to be able to pay more, college training programs? CAN choice of employment is based on higher pay.	2 Until the direct care workforce increases to meet demand, substantial inflationary trends will not subside.	3 Hard to put a number until we are in a stable workforce environment.	4 Inflation rates should be sufficient to keep rates aligned with actual increases in all labor costs including wages, benefits and temporary staffing agencies expenses. Inflation increases should adequately support needed Mainecare member access to services.	5 Verbal comment: How accurate is trend based on previous experience. Known companies that post inflation numbers by industry. Rate of increase has been very steep the last few years, needs to be focused on next few years.	6 I do like the idea of testing the BLS trend for past 10 years against actual cost changes (per cost reports) to determine whether the BLS index is an adequate predictor of actual cost changes
7 I agree that consistency is key for facilities that have multi level care, or we will have disgruntled staff, we do use staff across the levels of care, with licenses	8	9	10	11	12
13	14	15	16	17	18

As we consider trend development:





6 minutes

3. When do you expect inflation to moderate?
(Workgroup questions/comments provided in the chat box)

1 With the workforce setting the standards of who and where to work, the private of industry for nursing and other dept services are setting the price standard.	2 Wouldn't it be great if we all had a crystal ball ? :)	3 inflation will moderate? So many factors, not the least of which is adequate supply of labor, especially direct care workers. The rate setting system should be designed to sustainably respond to various factors (inflation being one) so the State complies with its requirement to provide rates adequate to support needy elder access to Mainecare-funded LTC benefits.	4 All Nursing agencies are private and for profit, price structure will be dictated by state policy. Labor for will dictate the pricing structure. Can't assume prices will go down in near future.	5 Why is no one talking about regulating staffing agencies? Supply is not going to increase any time soon. The agencies are the immediate problem.	6 If labor made a fixed cost and pay what market is demanding would help with the contract staffing but very costly.
7 Bill in session to increase agency fee to work in state, agencies to reveal what was actually paid to agency and what agency paid to staff. Gabrielle is referring to LD 451.	8 Annual rebasing would allow for rates to more adequately follow costs	9	10	11	12
13	14	15	16	17	18

Workgroup Meeting Schedule

Proposed Meeting Topics	Topic	Format	Timeframe	Notes and Considerations
Meeting #1 Introductions and Overview	<ul style="list-style-type: none"> • Introduction • Rate discussion • Rate/APM questions 	Zoom	March 13, 2023	
Meeting #2 Data Methodologies and Rate Study	Direct/Indirect & Capital costs	Zoom	April 12, 2023	
Meeting #3 Presentation of Trend Methodologies	Trend Discussion	Zoom	May 17, 2023	Today
Meeting #4 Presentation of Risk Adjustment Options	Risk Adjustment Discussion	Zoom	June 5, 2023	
Meeting #5 Presentation of Options for VBP and Quality	VBP and Quality	Zoom	June 26, 2023	

Questions or Comments?



Please send any questions or additional feedback from today's discussion to Bryan Lumbra (Bryan.K.Lumbra@maine.gov) and Justyn Rutter (justyn.rutter@guidehouse.com).

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