MEDICAID POLICY INFORMATION SHEET

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Initial ☐ Public Comment ☒ Final ☐

Brief description of policy:

This policy changes the State Veterans' Home reimbursement methodology from the Resource Utilization Group (RUG) IV system to the Patient Driven Payment Model (PDPM) system and updates the billing requirements to reflect this change.

Reason for policy (problem being addressed):

The Centers for Medicare & Medicaid Services (CMS) will change their reimbursement system from the RUG IV to the PDPM effective October 1, 2019. Therefore, this policy change is necessary since the Veterans' Home rates are tied to the Medicare rates. CMS will also discontinue support for RUGs for all states effective October 1, 2020.

Budget implication:

☒ budget neutral
☐ will cost MDHHS $, and (select one) budgeted in current appropriation
☐ will save MDHHS $

Is this policy change mandated per federal requirements?

No

Does policy have operational implications on other parts of MDHHS?

The policy has operational implications for the claims processing and actuarial divisions.

Does policy have operational implications on other departments?

No

Summary of input:

☐ controversial (Explain)
☐ acceptable to most/all groups
☐ limited public interest/comment

Supporting Documentation:

State Plan Amendment Required: ☒ Yes ☐ No If Yes, please provide status: ☐ Approved Date: ☐ Pending Approval ☐ Denied Date:	Public Notice Required: ☒ Yes ☐ No If yes, Submission Date:

DRAFT FOR PUBLIC COMMENT **Michigan Department of Health and Human Services**	
	Project Number: 1913-NF | **Date:** June 10, 2019

Comments Due: July 15, 2019
Proposed Effective Date: October 1, 2019
Direct Comments To: Steve Bolin
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Policy Subject: State Veterans' Home Reimbursement Methodology Change

Affected Programs: Medicaid

Distribution: Nursing Facilities, County Medical Care Facilities, Hospital Long-Term Care Units, State Veterans' Homes, Ventilator-Dependent Care Units, Hospice Providers

Summary: This policy changes the State Veterans' Home reimbursement methodology from the Resource Utilization Group (RUG) IV system to the Patient Driven Payment Model (PDPM) system and updates the billing requirements to reflect this change.

Purpose: The Centers for Medicare & Medicaid Services (CMS) will change their reimbursement system from the RUG IV to the PDPM effective October 1, 2019.

Cost Implications: None

Potential Hearings & Appeal Issues: Minimal

State Plan Amendment Required: Yes ☒ **No** ☐ **If yes, date submitted:**	**Public Notice Required: Yes** ☒ **No** ☐ **Submitted date:**

Tribal Notification: Yes ☒ **No** ☐ **- Date:** April 19, 2019

THIS SECTION COMPLETED BY RECEIVER

☐ **Approved**	☐ **No Comments**
	☐ **See Comments Below**
☐ **Disapproved**	☐ **See Comments in Text**

Signature:	**Phone Number**
Signature Printed:	
Bureau/Administration *(please print)*	**Date**

Proposed Policy Draft

Michigan Department of Health and Human Services
Medical Services Administration

Distribution: Nursing Facilities, County Medical Care Facilities, Hospital Long-Term Care Units, State Veterans' Homes, Ventilator-Dependent Care Units, Hospice Providers

Issued: September 1, 2019 (Proposed)

Subject: State Veterans' Home Reimbursement Methodology Change

Effective: October 1, 2019 (Proposed)

Programs Affected: Medicaid

NOTE: Implementation of this policy is contingent upon approval of a State Plan Amendment (SPA) by the Centers for Medicare & Medicaid Services (CMS).

This bulletin describes changes to the Nursing Facility Cost Reporting & Reimbursement Appendix, Billing & Reimbursement for Institutional Providers chapter, and the Hospice chapter of the Medicaid Provider Manual. Medicaid-certified State Veterans' Homes will be reimbursed based on the Patient Driven Payment Model (PDPM). This payment methodology replaces the Resource Utilization Group (RUG) payment system for State Veterans' Homes. These changes also apply to hospice providers billing for room and board payments for Medicaid beneficiaries residing in a Medicaid-certified State Veterans' Home.

Definitions

The following definitions are added to the Definitions section of the Nursing Facility Cost Reporting & Reimbursement Appendix:

Patient Driven Payment Model (PDPM) – Classification system used to place nursing facility (NF) residents into different case-mix categories as determined by the Minimum Data Set (MDS) and used to set payment rates for Class VII facilities. PDPM consists of four case-mix categories and six rate components. The physical therapy (PT) & occupational therapy (OT) component, the speech-language pathology (SLP) component, the non-therapy ancillary (NTA) component and the nursing component represent the four case-mix categories. PDPM rates are comprised of a PT component, OT component, a SLP component, an NTA component, a Nursing component and a Non-Case-Mix component.

Case-Mix Category – System that categorizes residents based on their clinical conditions and resource consumption into different groupings. Residents with similar clinical conditions and resource consumption are grouped into the same case-mix category.

The following definition currently found in the Definitions section of the Nursing Facility Cost Reporting & Reimbursement Appendix will no longer apply effective October 1, 2019:

Resource Utilization Group (RUG) – Classifications which NF residents may be placed into based on their clinical needs as determined by the MDS. RUG classifications are used in the rate setting of Class VII facilities.

PDPM Rate Methodology

The Class VII Nursing Facilities – State Veterans' Homes subsection of the Nursing Facility Cost Reporting & Reimbursement Appendix is revised to read:

Class VII Nursing Facilities – State Veterans' Homes

Reimbursement rates to State Veterans' Homes will be prospective, per patient day, and based on the PDPM classifications of each resident. The Michigan Department of Health and Human Services (MDHHS) will utilize the PDPM classifications used under the Medicare skilled nursing facility (SNF) prospective payment system (PPS) as calculated by the MDS 3.0. PDPM consists of four case-mix categories and six rate components. The PT & OT component, the SLP component, the NTA component and the Nursing component represent the four case-mix categories. PDPM rates are comprised of a PT component, OT component, a SLP component, an NTA component, a Nursing component and a Non-Case-Mix component. The Variable Per Diem adjustment and the add-on payment for residents with AIDS under the Medicare SNF PPS are not included in this rate methodology.

The formula for PDPM payments is as follows:

- PDPM rate = PT rate + OT rate + SLP rate + NTA rate + Nursing rate + Non-Case-Mix rate.

For additional resources on PDPM, visit: www.cms.gov >> Medicare >> Skilled Nursing Facility PPS (under Medicare Fee-for-Service Payment) >> Patient Driven Payment Model.

The rate associated with individual PDPM components will be set as a percentage of the rate paid by the Medicare SNF PPS. The percentage used to set rates will not exceed 100% of the corresponding Medicare PPS rate. MDHHS will notify the State Veterans' Homes of the percentage and specific payment rates upon the implementation of this bulletin and by October 1 of each year thereafter.

The PDPM categories used for payments will be based on the applicable MDS assessment(s) to the billing period. Example: Services were rendered from April 1 through April 30, and MDS assessments were conducted on January 15 and April 15. The payment to the provider would be based on the January 15 assessment for dates of services from April 1 through April 14 and would be based on the April 15 assessment for dates of services April 15 through April 30.

State Veterans' Homes are excluded from the reimbursement policy that requires Medicaid to pay the lower of the customary charge to the general public or the prospective rate determined by Medicaid.

In conformance with the Veterans' Health Programs Improvement Act of 2004, per diem payments received by State Veterans' Homes from the federal Department of Veterans Affairs will not be considered a third-party liability or otherwise used to directly reduce Medicaid payments to these providers.

State Veterans' Homes are excluded from the NF Quality Assurance Assessment Program (QAAP) and all supplemental payments funded by the QAAP. The State Veterans' Homes will receive payment for services through gross adjustments.

Hospice

References to RUG are replaced with PDPM in the Room and Board to Nursing Facilities section of the Hospice chapter.

Billing

Billing requirements for State Veterans' Homes and hospices billing for room and board for residents in a State Veterans' Home are the same as under the RUG billing policy in the State Veterans' Homes subsection of the Billing & Reimbursement for Institutional Providers chapter except as described below:

- References to RUGs are replaced with PDPM.
- The five-digit Health Insurance Prospective Payment System (HIPPS) code reported on the claim represents (in this exact order) the PT/OT score, the SLP score, the Nursing score, the NTA score and the MDS assessment type. HIPPS codes for the PT/OT, SLP, Nursing and NTA scores can be found in the Medicare Claims Processing Manual. The MDS assessment type should always be an Omnibus Budget Reconciliation Act (OBRA) assessment which has a value of 6, so the fifth digit of the HIPPS code should always be 6 on the claim.
- The revenue code, HIPPS code, number of covered days for each HIPPS code, occurrence code 50 and the MDS Assessment Reference Date (ARD) may be reported in the claim notes.

There will be a transition period for MDHHS to replace RUGs with PDPM for the State Veteran's Homes and hospice provider billing for beneficiaries residing in a State Veterans' Home. The payment methodology during the transition period will be determined based on the Assessment Reference Date (ARD) on the Minimum Data Set (MDS) assessment. Payment will be based on the RUGs methodology if the ARD is before October 1, 2019, and the PDPM methodology if the ARD is on or after October 1, 2019. PDPM will be fully implemented on January 1, 2020, no payment will be based on RUGs for services on or after this date.