



Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

February 27, 2015

Michael Marshall
Secretary of Senate
State Capitol Building
LOCAL

Carmine Boal
Chief Clerk of the House
State Capitol Building
LOCAL

Dear Ms. Boal and Mr. Marshall:

Enclosed please find copies of reports to the General Assembly relative to the Nursing Facilities Quality Assurance Assessment Fee Report.

This report was prepared pursuant to the directive contained in in Iowa Code 249L.4(6).

Please feel free to contact me if you need additional information.

Sincerely,

Jennifer Davis Harbison
Policy Advisor

JDH/dg

Enclosure

cc: Terry E. Branstad, Governor
Senator Amanda Ragan
Senator David Johnson
Representative David Heaton
Representative Lisa Heddens
Legislative Service Agency
Aaron Todd, Senate Democrat Caucus
Josh Bronsink, Senate Republican Caucus
Carrie Malone, House Republican Caucus
Zeke Furlong, House Democrat Caucus



Iowa Department of Human Services

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February 27, 2015

The Honorable Terry E. Branstad
Governor
State Capitol Building
LOCAL

Dear Governor Branstad:

Enclosed please find a copy of a report to the General Assembly relative to the General Assembly relative to the Nursing Facilities Quality Assurance Assessment Fee Report.

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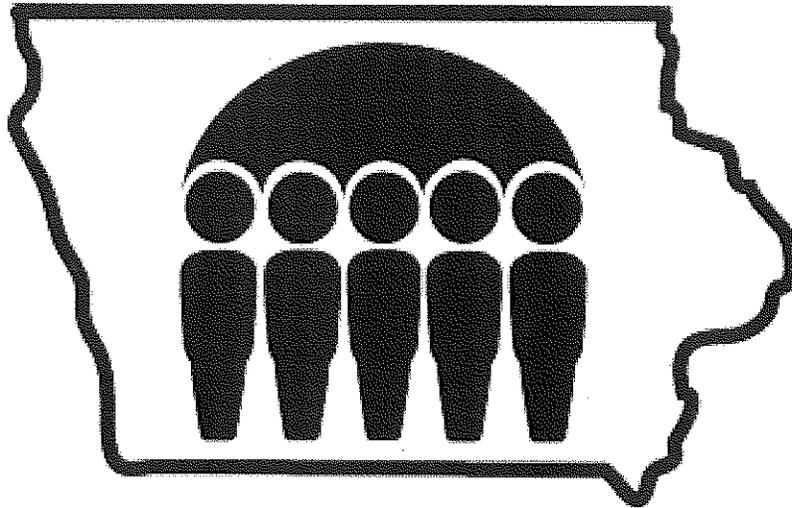
Sincerely,

Jennifer Davis Harbison
Policy Advisor

Enclosure

cc: Michael Marshall, Secretary Iowa Senate
Carmine Boal, Chief Clerk of the House

Iowa Department of Human Services



Nursing Facilities Quality Assurance Assessment Fee Usage Report

March 2015

Introduction

This report is filed in accordance with Senate File 476, 83rd General Assembly. The 2001 Iowa Acts (HF 740) directed the Iowa Department of Human Services (DHS) to begin reimbursing nursing facilities under a modified price-based case-mix reimbursement system beginning July 1, 2001. The components of the case mix reimbursement system resulted from a series of meetings that involved providers, industry association representatives, advocacy organizations, and state agency staff.

During the 2009 session of the 83rd General Assembly, the Iowa legislature enacted SF 476, which allowed for nursing facilities to be charged a Quality Assurance Assessment Fee (QAAF), sometimes referred to as a "provider tax". The QAAF was implemented following approval by the Centers for Medicare and Medicaid Services (CMS).

Body

The law requires each nursing facility to pay a quarterly assessment fee based on the number of patient bed-days. Current fees are \$5.26 for every non-Medicare resident day in the facility, except under certain conditions which would allow for a fee of \$1.00 per non-Medicare day. Through the Medicaid program, the state draws down Federal matching dollars on these fees, all of which goes into a trust fund.

The money in the trust fund is then used in several ways. One use is to fund the bi-annual rate rebasing for nursing facilities. Nursing facilities also receive a "pass-through" payment to re-pay the facility for the fees they've paid in. There is also an add-on payment of \$10 per patient-day. Due to the add-on payment, most facilities will receive more Medicaid reimbursement than paid in assessment fees. When this occurs, the law requires that a portion of the additional monies be spent on employees in order to improve retention and quality of care. At least thirty-five percent (35%) of the excess is to be used for compensation and costs of employment for direct care workers; and at least sixty-percent (60%) of the excess is to be spent on compensation and costs of employment for all nursing facility staff; not including administrators, administrative staff, or home office staff. Examples of allowed categories of spending include increased wages, bonuses, benefits, employee assistance programs, education and advancement opportunities, and tuition reimbursement.

Conclusion/Recommendations

Nursing Facilities were required to send in Form 470-4829, *Nursing Facility Enhanced Medicaid Payment Report* for fiscal years ending September 30, 2013 through August 31, 2014. It was expected that 446 forms would be submitted, however only 401 (90%) were received. The legislation creating the QAAF did not set out provisions for enacting penalties against providers who do not submit the form. Forms that were not received were requested by the department during the desk review process.

Of the 401 facilities that submitted forms, 26 facilities (6.5%) paid more in quality assurance assessment fees than they received, and were exempt from spending any excess; of the remaining 375 facilities:

Nursing Facilities Quality Assurance Assessment Fee Usage Report
March 2015

- 304 (81.07%) were required to spend thirty-five percent (35%) of the excess in compensation and costs of employment for direct care workers.
- 352 (93.87%) were required to spend sixty percent (60%) of the excess in compensation and costs of employment for all nursing facility staff.

The table below summarizes how facilities spent the excess funds. Some nursing homes spent their excesses in multiple ways. Appendix A details, by provider, the calculation of the amount of quality assurance fees paid and received, and how the provider reported they spent the excess.

Description of Excess Fund Use For Remaining 375 Nursing Facilities	Facilities Using Excess Funds for Direct Care Staff		Facilities Using Excess Funds For Other Nursing Staff	
	Funds for Direct Care Staff	Percent	Funds For Other Nursing Staff	Percent
Hourly wage increases	265	70.67 %	252	67.20 %
Bonus and other wages	76	20.27 %	71	18.93 %
Changes in staffing	139	37.07 %	135	36.00 %
Leave benefits	36	9.60 %	31	8.27 %
Benefits	69	18.40 %	68	18.13 %
Education and promotions	20	5.33 %	13	3.47 %
Tuition reimbursement	10	2.67 %	4	1.07 %
Other	183	48.80 %	179	47.73 %

References

Appendix A: Details of Submitted Forms 470-4829 Nursing Facility Enhanced Medicaid Payment Report