Iowa Association of
Homes & Services
for the Aging

December 8, 2000

Jesse Rasmussen, Director
Iowa Department of Human Services
Hoover State Office Building
Des Moines, Iowa 50319

Dear Ms. Rasmussen:

We are writing to you with our comments for inclusion in your report to the General Assembly on your plan for implementation of a case mix reimbursement system for Iowa's Medicaid certified nursing facilities and skilled nursing facilities.

We have participated in the four meetings your department has held on this issue. We have offered comments and spoken with you and your staff numerous times. Our position remains unchanged, we favor a cost based system as to opposed the price based system which the department intends to proceed with. **A Cost Based System does not cost any more money than a price-based system but it does assure that dollars go to patient care, and only actual costs are reimbursed.** This is in line with the department's responsibility to assure that dollars are spent for the purpose for which they are intended.

Public Accountability
Under your plan and according to your own documents, 165 facilities will receive payments in excess of $10 per resident day more than their costs as reported to your department on June 30, 2000. In total, payments will result in a wind fall profit exceeding $20,000,000 statewide in the first year alone. While at the same time other facilities have costs, which are not recognized. It is our position that public accountability demands facilities should incur increased care costs in order to receive increased payments.

Quality of Care
We applaud the Department's attempt to address the quality of care issue. However, it falls short. This infusion of funds to implement case mix reimbursement is the department's chance to have a significant impact on quality care in Iowa's nursing facilities and to address the widely understood need to increase the numbers of certified nurses' aides, to increase the training they receive, and to improve their wages.

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This first year infusion of $21,000,000 into the system for case mix can go along way to address these problems. However, only $3,000,000 in your plan is devoted to "quality". The plan offers the potential to certain qualifying facilities to receive a "bonus payment" at the end of the year of as much as $3.00 per resident day. The three dollar payment is broken in to 6 categories so payment for bonus' could be as little as 50¢ per resident day. The quality incentive plan (presented for the first time this week) suggests that a 50¢ a resident day is enough to motivate a facility admit an above state average Medicaid population or reduce their administrative costs, for example.

With $21,000,000 available, the Department could far better address quality deficits, which exist in some Iowa nursing homes today. The HCFA 10 year long study on nursing hours entitled "Appropriateness of Minimum Nurse Staffing Ratios in Nursing Homes" released this summer to the U.S. Senate Special Committee on Aging brought to light the statistically significant relationship which exists between number of nursing hours and quality care. The plan, which you present, does not in any way address this very important issue. In fact, any money which is "saved" by not spending it on increased staffing, becomes "profit" thus providing a perverse incentive to cut staffing.

Goals of the Senior Living Program

One of the stated goals of the Senior Living Program is to reduce utilization of nursing home beds and encourage home care and assisted living. With the unregulated profits you have built into the system, you have provided no incentive for facilities to convert or phase out services. In fact, the proposed system will have the effect of discouraging conversion to assisted living.

Urban/Rural

Your plan gives an 16.25% increased payment to urban facilities. The urban definition is MSAs. We are verbally assured that some process will be made available for "exceptions". We wish to request that this process be given careful attention as there are numerous examples of facilities lying just outside the county of a MSA but essentially in the same market for labor. A cost based system is better because it would recognize higher costs in MSA's as well as in specific rural areas without the need to grant exceptions.

Increasing Cost

Facilities find themselves in a situation in which they are unable to control certain costs such as heating and liability insurance premiums. In addition, if the department is successful in reducing the population in nursing facilities, it is projected that the remaining population will be those with greater needs and thus higher costs. This really demands that the department rebase costs annually. The proposal includes a type of indexing which we would suggest to be inadequate.

In addition, the costs of caring for individuals with behavior problems, especially aggression and dementia need further careful consideration. This population has been studied for years in Iowa with each study concluding that their special needs produce

increased costs. The unit at Clarinda is inadequate to handle the volume. Facilities across the state need the support to provide the necessary care.

Training
The association prefers to provide their own training to our members and not have the department provide it. We would request that someone from the department be available to speak at such training regarding the department's perspectives.

Process
Under section 16 of the Senior Living Program, HF 2408, DHS is directed to convene a task force consisting of the members of the Senior Living Coordinating Unit, representatives of the nursing facility industry, consumers and consumer advocates to develop a case mix reimbursement methodology. This has not happened. We are informed that the Department intends to implement their plan by rule this month. What is the purpose of reporting to the General Assembly if the Department believes that they are capable of independently developing and implementing their plan?

Members of the Iowa Association of Homes and Services for the Aging have long been proud of the high quality of care provided by our member facilities. We will continue offer the services and staffing levels we believe the residents need and deserve, even though the department does not recognize those costs of care.

Thank you for this opportunity to participate. It is our hope you will reconsider your plan for a price based model and further consider a cost based model which we believe provides public accountability and puts the dollars where they are needed.

Sincerely,

Dana Petrowsky

Dana Petrowsky
President/CEO

Attachment: Case Mix Reimbursement, Principles for Development

FACT SHEET

The Iowa Association of Homes & Services for the Aging (IAHSA) represents 111 not-for-profit skilled nursing and nursing facilities, residential care facilities, retirement housing, assisted living facilities and home & community based service providers.

Representing

- 6,082 nursing beds including 584 Alzheimer/CCDI beds and 805 skilled beds
- 1,172 residential care beds
- 1,081 assisted living units
- 4,461 independent living units

Member characteristics

- 61% are religious sponsored
- 21% offer Alzheimer's units
- 31% offer Respite Care
- 12% offer Adult Day Care
- 21% offer Home Health Care
- 10% are HUD housing providers (516 units)
- 32% are continuing care retirement communities

Employment statistics:

- Over 8,400 full-time and 4,530 part-time people are employed by IAHSA member organizations representing a total annual payroll of over $135 million.
- 18% of IAHSA member organizations pay all and 79% pay part of the premium for employee health insurance.
- 71% of IAHSA organizations contribute toward a pension or retirement plan for employees.

IAHSA organizations pay a mean-weighted average of $8.71 per hour for CNA's statewide, with an hourly range from $7.97 to $10.39, depending on the type of facility and its rural or urban location.