MACPAC

State Policy Levers to Address Nursing Facility Staffing Issues

Medicaid and CHIP Payment and Access Commission

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Overview

- Background on nursing facility staffing requirements
- Variation in staffing rates by state and payer mix
- Review of state policies
  - Minimum staffing standards
  - Cost-based and wage pass-through Medicaid payment methods
  - Value-based payment
  - Medicaid payment rates
- Policy questions and next steps
  - What is the role of Medicaid payment policy in helping to ensure access to high quality nursing facility care, especially for racial and ethnic minorities?

Background

- Medicaid was the primary payer for 59 percent of nursing facility residents in 2019
- The vast majority of Medicaid-covered nursing facility residents are dually eligible for Medicare and Medicaid
  - Medicare covers skilled nursing care for up to 100 days
  - Medicaid covers subsequent days of long-term care
  - Medicare is the primary payer for hospital care and accrues any savings from reduced hospitalizations as a result of better nursing facility care
- About 91 percent of nursing facilities are freestanding (i.e., not part of a hospital) and dually certified by Medicare and Medicaid

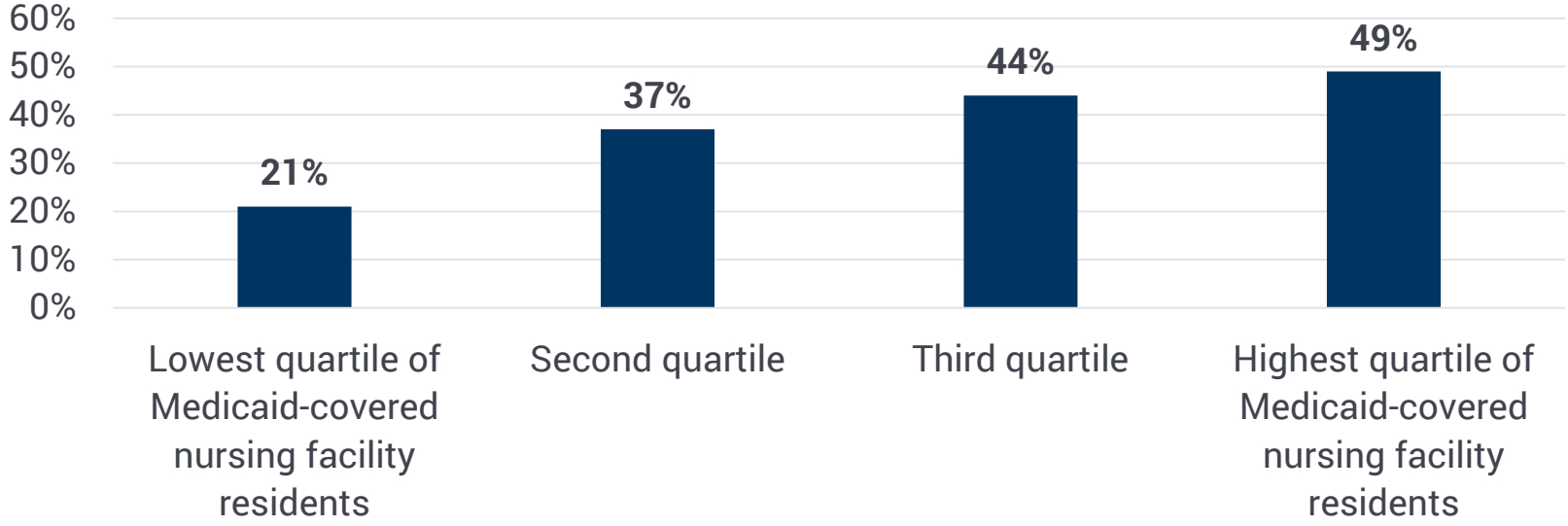
Nursing Facility Staffing Components

- Nursing facility direct care staff include:
  - Registered nurses (RNs)
  - Licensed practical nurses (LPNs)
  - Certified nurse aides (CNAs)
- CNAs account for about two-thirds of direct care staff in nursing facilities
  - Most are paid close to the minimum wage
  - More than half are people of color
- Higher nurse staffing hours per resident day (HPRD) has long been associated with better health outcomes for patients

Staffing Requirements

- Nursing facilities are required to have an RN or LPN 24 hours a day and a RN-level director of nursing 8 hours a day
  - 0.3 HPRD for a typical 100-bed facility
- In 2001 a CMS expert panel recommended 4.1 HPRD to reduce the risk of harm for long-stay nursing facility residents
  - 72 percent of facilities had staffing rates below 4.1 HPRD in 2019
- CMS's Nursing Home Compare website assigns a star rating based on how staffing rates compare to other facilities
  - In 2019, a two-star rating was equivalent to less than 0.5 HPRD of RN care and 3.6 HPRD of total direct care staffing

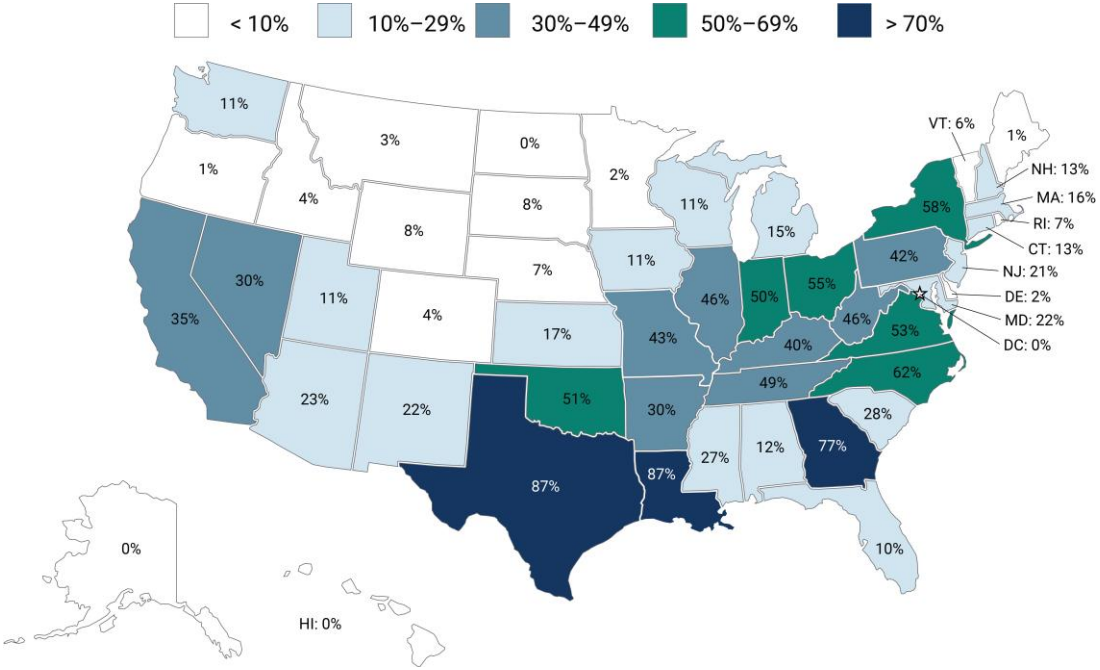
Share of Nursing Facilities with 1- or 2- Star Staffing Ratings, by Payer Mix of Facility, 2019



Notes: Analysis excludes hospital-based nursing facilities and those that are not dually certified by Medicaid and Medicare. In 2019, the lowest quartile of Medicaid-covered nursing residents was equivalent to less than 48 percent of residents whose primary support was Medicaid. The highest quartile was equivalent to more than 71 percent of residents whose primary support was Medicaid.

Source: MACPAC, 2021, analysis of Nursing Home Compare, Medicare cost reports, and the Minimum Data Set.

Share of Nursing Facilities with 1- or 2- Star Staffing Ratings, by State, 2019



Notes: Analysis excludes hospital-based nursing facilities and those that are not dually certified by Medicaid and Medicare.

Source: MACPAC, 2021, analysis of Nursing Home Compare, Medicare cost reports, and the Minimum Data Set. December 10, 2021

State Policies to Address Staffing

- Increasing Medicaid payment rates to help facilities hire more direct care staff and pay them higher wages
- Changing Medicaid payment methods to incentivize facilities to spend more of their revenue on staff
  - Cost-based payment policy
  - Wage pass-through policies
  - Value-based payment (VBP) incentives
- State minimum staffing standards that exceed federal requirements

Review of Current State Policies

- We reviewed current state policies related to staffing
  - 38 states and DC have minimum staffing standards (of which only 11 states and DC have a minimum standard greater than 3.0 HPRD)
  - 32 states and DC use cost-based Medicaid reimbursement
  - 10 states have wage pass-through policies
  - 14 states have value-based payment incentives tied to staffing
- We then examined the extent to which state policies helped explain the variation in staffing rates by state
  - Generally found positive associations between staffing rates and each policy
- These findings appear consistent with prior research

Preliminary Analyses of Payment Rates

- Prior research suggests that increased Medicaid payment rates are associated with higher staffing rates, but data are limited
- As a proxy for Medicaid payment rates, we examined non-Medicare margins in 2019 using data from MedPAC
  - In the aggregate, non-Medicare margins were negative 2 percent
  - Nursing facilities in 21 states had positive non-Medicare margins
  - In 15 states, the non-Medicare margin was 3 percent or greater
- Higher non-Medicare margins were associated with a lower share of facilities with 1- or 2- star ratings in 2019
- These data do not distinguish Medicaid from private pay patients

Changes During the COVID-19 Pandemic

- COVID-19 has exposed and exacerbated nursing facility staffing challenges
  - Total staffing has declined, but so has the average nursing facility census
- Several states have made changes to staffing policies
  - 10 states increased minimum staffing standards
  - 1 state added a new wage pass-through policy
  - 4 states implemented new payment incentives related to staffing
  - 2 states added new minimum wage requirements for direct care staff
  - 1 state added a new direct care loss ratio requirement
- 12 states added hazard pay for nursing facility direct care workers during the pandemic but it is not clear whether this will continue

Next Steps

- Plan to publish state policy compendia
- If there is Commissioner interest, we could draft a chapter commenting on Medicaid's role in addressing staffing issues
  - The effects of low staffing on access and quality of care
  - Medicaid's role in addressing health disparities
  - The need for payment methods that create appropriate incentives
  - The relationship between state policies and federal staffing requirements
  - Opportunities to align efforts to improve nursing facility staffing with efforts to improve the home- and community-based services (HCBS) workforce

Potential Areas for Future Work

- In the next report cycle, we hope to compile more detailed information about Medicaid payments relative to costs using the Transformed Medicaid Statistical Information System (T-MSIS)
- We can also work on developing policy options in this area if there is Commissioner interest

Policy Questions

- This cycle
  - How should CMS enforce the requirement that Medicaid nursing facility payment rates be sufficient to ensure access?
  - How should Medicaid policy relate to federal staffing requirements?
  - How can efforts to improve nursing facility staffing complement efforts to improve the home- and community-based services workforce?
- Future work
  - To what extent are low staffing rates the result of low Medicaid payment rates or payment methods that do not incentivize facilities to pay workers sufficiently?
  - How can payment incentives be better aligned for patients dually eligible for Medicare and Medicaid?

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