Property/Capital Incentives/Downsizing Licensed Beds

(Proposal)

1. **Create a Nursing Facility Downsizing Incentive Program:** The program would allow nursing facilities to receive Medicaid revenues based on the Medicaid revenues received prior to starting a major phase-down under section 4.56 of the Medicaid "Methods of Implementation for Medicaid Nursing Home Payment Rates." To quality for this program, under section 4.56, a nursing facility would need to reduce its resident population by 15% or more and would be required to reduce total unrestricted use licensed beds, using the definition of significant changes in licensed bed capacity in section 1.304 of the methods. (Current definition: (1) a change that is greater than or equal to 25% of unrestricted use license beds or (2) 50 beds, or (3) a change in licensure to 50 or fewer licensed beds. Restricted use beds are not used in this calculation.)

   Under this proposal, Medicaid revenues prior to the phase-down are based on the current Medicaid rate and average daily Medicaid census for a period agreed upon by DHS and the nursing facility. This provision allows the nursing facility to receive sum certain Medicaid funding until the major phase-down is completed. The DHS savings will be long-term after the phase-down since a significant number of licensed beds will be taken out of the system.

   In the past, the DHS was able to fund a similar provision because the savings generated by nursing facilities decreasing licensed beds were retained in Medicaid to fund future nursing facility rates and major phase-downs. Nursing facility licensed beds were reduced by 5,600 from January 2004 until January 2012. We again anticipate Medicaid funding will be available from these bed reductions to fund future downsizing efforts.

2. **Replacement Facilities:** Increase the maximum "URC" per bed from $75,900 to $135,000 for nursing facilities seeking to replace their nursing facility but are unable to downsize to 60 beds (see #3 below). These facilities would need to reduce their licensed beds by 15% of the average in resident population from the prior two years in order to qualify for the $135,000 maximum.

3. **Change the Threshold from 50 Beds to 60 Beds to Qualify for Incentive Payments:** Nursing facilities that want to reduce their license to 60 or fewer licensed beds qualify for the same incentive payments currently afforded to facilities with 50 or fewer beds in the areas of the direct care allowance, the EMMUA incentive and the 40% cost share payment in the property allowance.

   Nursing facilities that replace their existing facility with a downsized facility of 60 or fewer beds would qualify for the $10 per day incentive payment in the Medicaid rates, if they meet the criteria under Section 3.655, property incentive for innovative projects of the Methods. With DHS approval, the nursing facility would use the $135,000 "URC" maximum in the property allowance calculation.

4. **Restricted Use Beds:** Allow licensed beds to be placed in “restricted use” for a period of up to five years. Nursing facilities would be required to give a one year notice before the beds can be placed back in service. The provider bed assessment would not apply to the restricted use beds.

   Another option would allow for a reduced provider bed assessment on restricted use beds and possible surrender of 10% of the restricted use beds to DHS at the end of 5 years.

5. **Incentives for Renovation:** Provide an incentive that will allow an organization to renovate its existing facility by agreeing to downsize X% of their licensed beds and create private rooms. The incentives may include: a higher URC maximum; an immediate adjustment to the property allowance at the end of renovation to recognize the increase in costs; an incentive adjustment of $2.00 per day.

6. **Increase the $75,900 URC Maximum:** The current URC maximum has not increased in several years. In the past, the maximum increased between 2.5% and 3.00% annually. The current maximum should be adjusted to $85,900 to reflect a 2.5% adjustment per year for the last five years and then be adjusted annually.

Chapter 150: The current statutes in section 150.345 (see language) only allows nursing home bed transfers within the Health Services Area (HSA), or in a county adjoining the HSA. At the 2/27/12 meeting with DHS, we discussed allowing beds to be transferred anywhere in the state. DHS should work with the nursing home associations and providers to amend Chapter 150.345 by deleting 150.345 (1)(a), "the receiving nursing home is within the same area for allocation of nursing home beds, as determined by the department, as is the transferring nursing home, or is in a county adjoining that area."

150.345 Nursing home bed transfers.

(1) Notwithstanding ss. 150.33 and 150.34, a nursing home may transfer a licensed bed to another nursing home, if all of the following apply:

(a) The receiving nursing home is within the same area for allocation of nursing home beds, as determined by the department, as is the transferring nursing home, or is in a county adjoining that area.

(b) The transferring nursing home and the receiving nursing home are owned by corporations that are owned by the same person.

(c) The transferring and receiving nursing homes notify the department of the proposed transfer within 30 days before the transfer occurs.

(d) The department reviews and approves the transfer.

(2) Upon receiving the notification specified in sub. (1) (c), the department shall adjust the allocation of licensed beds under s. 150.31 for each nursing home in accordance with the transfer that was made.

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Recommendations from the Property/Capital Incentives/Downsizing Licensed Beds Committee

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