The Growing Importance of Nursing Home 5-Star Ratings and how they are Impacted by Survey Findings

Background

The Centers for Medicare & Medicaid Services (CMS) created the 5-Star Quality Rating System to help consumers, families, and caregivers compare nursing homes more easily and to help them decide which facilities to consider. The *Nursing Home Compare* website[1] features a system that gives each nursing home a rating of between 1 and 5 stars. Nursing homes with 5 stars are considered to have much above average quality and those with 1 star are considered to have quality much below average.

> **"These ratings are increasingly used by consumers, regulators, insurers and other payers, and provider networks to select which facilities they will consider having relationships with."**

Under this system, there is one overall 5-star rating for each nursing home made up of separate ratings for: (1) *Health Inspections* – The health inspection rating contains information from the last 3 years of on-site inspections, including both standard surveys and any complaint surveys; (2) *Staffing* – The staffing rating has information about the number of hours of care provided on average to each resident each day by nursing staff; and (3) *Quality Measures (QMs)* – The QM measure rating has information on 16 different physical and clinical measures for nursing home residents.[2]

Growing Importance of Nursing Home Ratings

Receiving a better than average 5-star rating has never been more important to nursing homes. These ratings are increasingly used by consumers, regulators, insurers and other payers, and provider networks to select which facilities they will consider having relationships with. The ratings are also often a first stop for lenders and investors, who consult them to decide whether a nursing home is a safe investment.

- ***Consumers:*** According to CMS, the rating system gives consumers, patients/residents, and family members a broad overview of how nursing homes are assessed for quality, and helps these individuals to make informed decisions on which nursing homes to consider for needed services.
- ***Providers and practitioners:*** When nurses and doctors discharge patients from hospitals, they often use the ratings in referral decisions. Some health care systems and

[1] See: https://www.medicare.gov/nursinghomecompare/search.html.
[2] See CMS summary of 5-star rating system, posted at: https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/CertificationandComplianc/FSQRS.html.

large provider networks operating throughout the State are also relying on the ratings to select their network partners. LeadingChoice Network does track its member ratings.

- ***Insurers:*** Insurers consider these ratings when setting up their service networks. Several managed care plans, Medicare Advantage plans and Medicare Special Needs plans will not include nursing homes with less than 3-star ratings in their networks. Taken together, these insurers control – or will soon control – a higher percentage of nursing home revenues.
- ***Accountable Care Organizations (ACOs):*** Beginning in 2017, CMS will allow waivers of the required 3-day hospital stay before Medicare will pay for skilled nursing facility (SNF) care for enrollees in certain Medicare ACOs. The waiver requires that patients go to nursing homes with at least 3-star ratings. An ACO is a network of providers that seeks to reduce the total cost of care and meet quality targets for an assigned population of patients.
- ***Medicare Episodic Payments:*** CMS also offers waivers of the required 3-day hospital stay for Medicare SNF coverage in certain "bundled" and episodic payment arrangements. To qualify for the waiver, the majority of the SNF partners in the arrangement must have a quality rating of at least 3 stars. These payment arrangements – some of which are mandatory – encourage hospitals, doctors, SNFs and other providers to coordinate and reduce the cost of care received by patients across an episode of care, such as heart bypass surgery or a hip replacement.

"In summary, nursing homes may not even be able to obtain sufficient referrals or receive Medicare and Medicaid funding in the future if they do not have at least a 3-star rating."

- ***Lenders and investors:*** The U.S. Department of Housing and Urban Development (HUD), an important nursing home lender, is now using star ratings as a component of its risk assessment. Several other lenders and institutional investors include 5-star ratings on their underwriting checklists.

In summary, nursing homes may have serious difficulties obtaining sufficient referrals or receive Medicare and Medicaid funding in the future if they do not have at least a 3-star rating.

Survey Findings and 5-Star Ratings

"The Health Inspections score is the foundation for the 5-star rating, counting for over half of the overall rating."

Nursing homes certified by Medicare and/or Medicaid are required to meet over 180 regulatory standards intended to protect residents. The Health Inspections component of the 5-star rating is based on state inspection reports which provide information on nursing home deficiencies identified during annual surveys, including the number ("scope") and severity of problems, revisits needed to document correction of deficiencies, and actions taken by nursing homes to investigate complaints.

CMS gives greater weight to deficiencies that cause "immediate jeopardy to resident health or safety" when determining each nursing home's score, particularly when the infractions are widespread and not isolated incidents. CMS totals the points for facility revisits and scope and severity for each of the previous three years. After applying weighting factors – with the current year counting the most and less weight applied to the prior two years' results – the Health inspections score is determined.

To reflect variation among states in survey findings, the Health Inspections score reflects the ranked performance of facilities in each state. Accordingly, 5-star ratings are given to nursing homes scoring in the top 10%, and 1-star ratings are assigned to the 20% that scored the lowest. The remaining 70% of facilities are evenly assigned 2, 3, and 4 stars. The Health Inspections score is the foundation for the 5-star rating, counting for over half of the overall rating. To arrive at the overall 5-star rating, the Health Inspections rating is adjusted upward for a 4 or 5-star Staffing rating or a 5-star QM rating, or downward for a 1-star rating in either Staffing or QMs.

It is worth noting that LeadingAge Wisconsin and LeadingAge (national) are asking that the 5-star rating system be changed. Our advocacy agenda includes a request for:

> CMS to revisit the nursing home 5-Star rating system and change its current practice of "grading on a curve" to assess stars to skilled nursing facilities to an approach that sets performance benchmarks for each star rating making five-stars attainable by all. This will require CMS to determine performance thresholds by star level for each measure, and update the benchmarks as performance continues to improve. This would allow providers to strive to attain improved performance levels and be recognized for it. It also would result in the star rating system meaning the same thing from state to state by defining performance and holding providers accountable. Until this new system is in place, CMS should suspend using 3-star or higher status as criteria for where certain ACOs, hospitals and health systems participating in bundled payment initiatives can refer their patients for post-acute skilled nursing care. (www.leadingagewi.org/media/41455/RegReformRequest.pdf)

For now, however, the current 5-star system remains and providers are well advised to pay close attention to and actively manage/monitor its scores.

To summarize, survey inspection results can have a major effect on a nursing home's 5-star rating. Whether a facility receives a high-level deficiency for an isolated incident or accumulates several low-level deficiencies in a survey, the resulting effect on the 5-star rating can have a profound effect on the facility's referrals, business relationships and finances for up to three years.

LeadingAge Wisconsin
www.leadingagewi.org
608.255.7060
January 23, 2017