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## Report Highlights

# Utilization, Cost, and Quality of Care in Medicaid Nursing Facilities

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## Why We Conducted This Audit

Louisiana is in the planning stages for developing Medicaid managed care for recipients of long-term care services. The purpose of this report is to provide information on the current utilization, cost, and quality of care in Medicaid nursing facilities to evaluate the future impact of managed care in these areas.

## What We Found

As of November 2013, Louisiana had 259 Medicaid nursing facilities with a total of 32,193 beds. As of December 2013, 24,920 (51%) of 48,016 individuals who are elderly or have disabilities receiving long-term care services in Louisiana received these services in a nursing facility. During fiscal year 2013, nursing facilities received approximately \$840 million or 24.1% of the total Medicaid budget for private providers, making it the largest Medicaid private provider group.

### Utilization

- **The number of Louisiana Medicaid participants receiving care in a nursing facility decreased from 26,563 in July 2011 to 25,335 in November 2013.** Despite this decrease, Louisiana ranks among the top five states for nursing facility utilization per capita for individuals over the age of 85, according to the Department of Health and Hospitals (DHH).
- **The average occupancy rate (i.e., the number of occupied beds in a nursing facility) in Louisiana is lower than the national average.** The average occupancy in individual nursing facilities in Louisiana ranged from a low of 18% in fiscal year 2012 to a high of 100%. The statewide average nursing facility occupancy rate ranged from 72.5% in fiscal year 2011 to 75% in fiscal year 2013. According to the Kaiser Family Foundation, Louisiana's 2011 occupancy rate (72.5%) ranked 43rd lowest out of all 50 states compared to the national average occupancy rate of 83%.

### Cost

- **During fiscal years 2011 through 2013, nursing facilities in Louisiana received approximately \$2.5 billion in Medicaid payments, with an average annual payment of approximately \$3 million per nursing facility.** Since 2003, nursing facility rates have been calculated using a price-based case mix system based on costs developed by DHH in conjunction with the nursing facility industry. In Louisiana, unlike most other states with similar reimbursement methodologies, the case mix index (acuity or sickness) includes all residents in a nursing facility, including private pay and Medicare residents. If only Medicaid residents were included in the case mix calculation, nursing facility rates would be lower since Medicare and private pay residents typically have higher acuity.
- **Nursing facilities are paid indirectly for their excess capacity through the capital component of the reimbursement methodology.** This excess capacity costs approximately \$15.6 million per year. According to this methodology, the capital component of the rate is calculated by dividing the fair rental value by a minimum occupancy rate. Act 150 of the 2010 Legislative Session, increased this minimum occupancy rate from 70% to 85%. This means that facilities with occupancy rates that are lower than this are automatically raised to 85% for reimbursement purposes. As a result, facilities raised to this minimum occupancy rate are reimbursed for 15% of their excess capacity in the capital component of their rate.

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# Utilization, Cost, and Quality of Care in Medicaid Nursing Facilities

## What We Found (Cont.)

- **Nursing facility rates have increased by 38% since June 2010 because of rising costs and acuity increases, but rank relatively low compared to other states.** The average nursing facility daily rate has increased by 38%, from \$117.19 in June 2010 to \$161.56 in October 2013. As of October 1, 2013, rates for individual nursing facilities ranged from \$138.92 to \$187.31. Louisiana currently ranks 4th lowest for Medicaid rates among 19 states.
- **The Medicaid Trust Fund for the Elderly has been used to fund these rate increases; however, this fund will likely be depleted at the end of fiscal year 2015.** Because of this, Act 439 of the 2013 Regular Legislative Session requires voters to decide whether the Louisiana Medical Assistance Trust Fund will be created as a constitutional fund. This fund will be used to fund nursing facilities, among other providers, and if passed will lock nursing facility rates into their current amount (on average, \$161.56 per resident per day).

### Quality of Care

- **From state fiscal year 2011 through 2013, Louisiana nursing facilities were cited for 7,666 deficiencies.** Although 6,978 (91%) of these deficiencies were for violations categorized as “no actual harm with potential for more than minimal harm,” 284 (3.7%) were for immediate jeopardy violations meaning that the violation was likely to cause serious injury, harm, impairment, or death to a resident. In addition, 3,165 (41%) of the total deficiencies cited were repeat deficiencies.
- **Although Louisiana had the lowest overall nurse staffing (an average of 3.6 hours per resident per day) out of all 50 states, all Louisiana nursing facilities met state regulations regarding staffing.** The chart below lists Louisiana’s average staffing hours per resident per day (for RNs, LPNs, and CNAs), the national average, and Louisiana’s ranking when compared to other states. Louisiana ranked 51st for all nursing staff.

Nursing Staff Type	Average Staffing Hours Per Resident Per Day - Louisiana	Average Staffing Hours Per Resident Per Day - National	Louisiana’s Ranking
Registered Nurse	0.42	0.75	51 <sup>st</sup>
Licensed Practical Nurse	0.94	0.82	10 <sup>th</sup>
Certified Nurse Assistant	2.23	2.45	47 <sup>th</sup>
<b>All Nursing Staff (RN, LPN, and CNA)</b>	<b>3.59</b>	<b>4.02</b>	<b>51<sup>st</sup></b>

- **During state fiscal years 2011-2013, Louisiana nursing facilities were assessed approximately \$4.9 million in sanctions for deficiencies.** Of this total, approximately \$2.5 million (51%) were federal fines, while approximately \$2.4 million (49%) were state fines.
- **According to May 2011 U.S. Agency for Healthcare Research and Quality data, Louisiana is “far from the benchmark” for several quality of care indicators.** For example, the percentage of residents spending most of their time in a bed or wheelchair in Louisiana was 7.3%, compared to the benchmark of 1.43%, and the percentage of residents in physical restraints in Louisiana was 6.09%, compared to the benchmark of 1.35%. However, the percentage of residents receiving and being assessed for flu and pneumonia vaccinations in Louisiana achieved the benchmark.
- **Louisiana ranks at or near the bottom when comparing quality indicators among states.** According to a September 2011 report titled *Raising Expectations: A State Scorecard on Long-Term Services and Supports for Older Adults, People with Physical Disabilities, and Family Caregivers*:
  - Louisiana ranked 50th for the percent of high-risk nursing facility residents with pressure sores.
  - Louisiana ranked 48th for the percent of long-stay nursing facility residents who were physically restrained.
  - Louisiana ranked 47th for the percent of nursing home residents with low care needs.
  - Louisiana ranked 47th for the percent of long-stay nursing home residents with a hospital admission.