
POLICY LEVEL

PL-P8 Private Duty Nursing Rate Increase

RECOMMENDATION SUMMARY TEXT

The Health Care Authority (HCA) requests \$1,767,000 (\$883,000 GF-State) in the 2016 Supplemental to increase access to home-based private duty nursing for an adult (greater than 18 years of age) who requires four to 16 hours of skilled nursing care.

PACKAGE DESCRIPTION

The HCA's Apple Health (Medicaid) program covers four to 16 hours of skilled nursing care for an adult to be provided in the home under the Private Duty Nursing (PDN) benefit. Skilled nursing is provided by registered nurses (RNs) and licensed practical nurses (LPNs). This benefit is one of two options to access skilled care to provide home-based services to adult clients once released from a hospital or in lieu of a hospital admission, if appropriate. (The other option is for intermittent skilled nursing care under the home health benefit.)

The HCA is experiencing decreased access to skilled nursing care through the PDN benefit for adults because the current reimbursement rate is not competitive or sufficient to prompt skilled nursing agencies to hire more staff to fill the need. The HCA has not been approved to increase the rates for this service since 2007. If the reimbursement rate is not sufficient to help cover staff salaries and benefits, companies have no incentive to expand staff numbers to provide needed services. Currently, there is a notable gap between the demand and supply of PDN resources.

Hospitals expressed their concern about the lack of discharge options available to patients and the effect this is having on their bed utilization and operational costs. Paying for skilled nursing services under the PDN benefit is a more cost-effective use of health care dollars than extended hospital stays, which costs more for Apple Health, hospitals and the patients, who can be exposed to sources of infection and adverse health care outcomes by longer hospital stays.

A comparison of rates found that Medicaid's Fee-for-Service rate is on average 68 percent of the rates being paid by other commercial carriers for the same skilled nursing service. It is difficult to compete for access to a limited service at a reimbursement rate of \$35.32 per hour when commercial carriers are paying an average of \$49.34 per hour. When the range of hours is between four to 16 per day, the day rate difference is \$121.48 - \$565.12 per day at Medicaid's rate compared to \$197.36 - \$789.44 at the average commercial rate. Since this service is required seven days a week, four weeks a month, the difference becomes significant and it is easy to understand why the adequate reimbursement rates are a fundamental driver to developing and maintaining staff capacity.

The HCA is requesting funding to increase reimbursement for registered nurses and licensed practical nurses by \$10 per hour to improve access to this service. This will increase the hourly base Fee-for-

Service rate for an RN to \$45.32 and for an LPN to \$37.23. Overtime and holiday pay will be increased hourly by \$10, as well as Managed Care rates.

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FISCAL DETAILS/OBJECTS OF EXPENDITURE

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
1. Operating Expenditures:			
Fund 001-1 GF-State	\$ -	\$ 883,000	\$ 883,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ -	\$ 884,000	\$ 884,000
Total	\$ -	\$ 1,767,000	\$ 1,767,000
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
2. Staffing:			
Total FTEs	-	-	-
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
3. Objects of Expenditure:			
A - Salaries And Wages	\$ -	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ -	\$ -	\$ -
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ 1,767,000	\$ 1,767,000
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ -	\$ 1,767,000	\$ 1,767,000
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
4. Revenue:			
Fund 001-C GF-Federal Medicaid Title XIX	\$ -	\$ 884,000	\$ 884,000
Total	\$ -	\$ 884,000	\$ 884,000

NARRATIVE JUSTIFICATION

WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?

The agency hopes to secure and maintain consistent access to home health nursing care services. Accessing this care will control the incidences of emergency rooms, inpatient readmissions, skilled nursing facility admissions, and will support prompt inpatient discharge to the home thereby reducing expenditures for these services, while improving client health care outcomes.

PERFORMANCE MEASURE DETAIL

Activity Inventory

H011 HCA All Other Clients – Fee for Service – Mandatory Services

IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?

Yes, it supports the HCA's role in achieving a healthier Washington by assuring accessibility to quality PDN care to provide skilled assessment and treatment in the home in lieu of an inpatient setting or a skilled nursing facility.

DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?

Yes, increasing reimbursement rates for PDN care contributes to the Results Washington Goal "Healthy and Safe Communities" because individuals will be healthier through the delivery of this care.

WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?

Excessive inpatient days are costly to hospitals. The reimbursements they receive do not cover the costs associated with extended stays and hospitals must assume those costs. The hospitals are very interested in any measures that can be taken to promote the efficient delivery of acute inpatient services and timely discharge. The Washington State Hospital Association (WSHA) is supportive of measures that will lead toward better access for Medicaid clients.

The Home Health Association is very interested in measures that will support adequate reimbursement for the care they are experts in delivering and consistent with their mission: to provide quality home health care.

WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?

One alternative considered is to do nothing. If we do nothing we will not be addressing the need to access the home based care for our clients.

WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?

If the HCA does not secure increased access to skilled nursing care services, children and adults will remain in the hospital setting, which is a misuse of appropriated health care dollars. Access to these delivery models should be supported by increasing the reimbursement rate for skilled nursing in both models.

WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?

None

WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?

None

EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS

REVENUE CALCULATIONS AND ASSUMPTIONS:

The HCA assumes this request will receive 50 percent federal match.

EXPENDITURE CALCULATIONS AND ASSUMPTIONS:

The funding amount requested was derived by capturing the number of all types of visits billed for registered nurses and licensed practical nurse services in fiscal year 2015. If we had paid for these services at the new rate of \$10 more per hour the cost would have been an additional cost of \$1,767,000. Unfortunately, the agency cannot predict what additional costs will be incurred as a result of increasing timely access to this service. The HCA assumes this change can be implemented July 1, 2016.

DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:

These are ongoing costs

BUDGET IMPACTS IN FUTURE BIENNIA:

These costs will carry over into future biennia. The variation in total costs will be secondary to changes in the number of clients requiring this service.