

Skilled Nursing Facility PDPM Amendment SC1009

This amendment addresses the way the direct care component of Ohio's skilled nursing facility (SNF) reimbursement rates will be adjusted for resident acuity beginning July 1, 2025. Ohio employs a federally-prescribed methodology to calculate a case-mix score for each SNF that reflects the acuity and care needs of its residents. The case-mix score is then used to adjust the facility's direct care rate. Because CMS changed its case-mix formula from Resource Utilization Groups (RUGs) to the Patient-Driven Payment Model (PDPM), Ohio in turn must change its system to adopt PDPM.

Two years ago, HB 33 put in place an interim case-mix system until Ohio could incorporate the federal changes. The interim system ends June 30, 2025. In HB 96, ODM spells out how they think the transition to PDPM should proceed. The amendment would adjust ODM's proposal in several ways, but in a budget-neutral manner.

ODM would use only one of the five PDPM components, the nursing component. CMS designed PDPM for Medicare, which covers short-term, post-acute residents who come to a SNF for rehabilitation before they return home. PDPM was not designed for Medicaid, but CMS requires state Medicaid programs to use it. As a result, adjustments are needed. They will not make PDPM perfect for Medicaid, but can make it fit better.

We agree that the nursing component is the primary building block of a Medicaid PDPM system, but it is not the only one. The amendment would include smaller proportions of two other components – speech-language pathology (SLP) and non-therapy ancillaries (NTAs) – to make PDPM better reflect the needs of Medicaid SNF residents. These two components add information to the formula about conditions that are common to Medicaid residents but not captured by the nursing component. The amendment uses 70% nursing, 20% SLP, and 10% NTAs.

We also have concerns about ODM's phase-in methodology. After a 6-month case-mix freeze, ODM proposes to use 1/3 PDPM and 2/3 RUGs to set direct care rates starting January 1, 2026, then reverse the proportions from July 1, 2026, through December 31, 2026. This approach will lead to winners and losers among SNFs - rate cuts and rate gains - before they have had time to adjust to the new system. In some cases, the cuts will be so large as to threaten facilities' viability.

The amendment would replace ODM's approach with a stop loss/stop gain methodology that would limit both losses and gains to a reasonable \$5 per day until January 1, 2027. At that time, PDPM would be fully implemented, but providers would have had time to learn and adjust to the new case-mix system.

The amendment also would correct two technical issues in HB 96.

First is the different scales of RUGs and PDPM. Each SNF's direct care rate is the product of a standardized price for each peer group multiplied by the facility's own case-mix score. Because the scale of case-mix scores for PDPM averages around 1.4 and the scale for RUGs averages around 3.0, simply substituting the PDPM score for the RUGs score would result in huge cut to the direct care rate of every SNF in Ohio. HB 96 currently is silent on this issue. The amendment would adjust the prices to account for the difference in the case-mix scale.

Second is the language in HB 96 calling for a six-month case-mix score freeze from July 1 to December 31, 2025. We support the freeze, but the bill's language refers to freezing each facility's quarterly RUGs case-mix score for June 30. Most Ohio SNFs do not have quarterly RUGs scores because they froze their scores at the March 31, 2023, level. The SNFs that did not freeze their scores also will not have a June 30 quarterly score on July 1 because quarterly case-mix scores are not finalized for 45 days after the end of the quarter.

The amendment would correct the bill's language to reflect the current situation in the field. For facilities that froze their case-mix scores, the amendment would use the already-frozen score. For facilities that did not freeze, the amendment would use the case-mix scores that otherwise would have taken effect July 1. Those scores are the average of the quarterly scores from the fourth quarter of 2024 and the first quarter of 2025, both of which will be final before July 1.

The amendment does not have any impact on appropriations.