

**Research Highlights: The Implications of Medicaid Managed Care  
for Long-Term Care on Nursing Facility Providers**

As part of our broader efforts to reform long term care financing options, AHCA has released a new report on Medicaid managed care. The report, entitled *The Implications of Medicaid Managed Care for Long-Term Care on Nursing Facility Providers*, was prepared by Joe Lubarsky of Eljay, LLC. The purpose of this report is to provide state affiliate offices with relevant information on managed care programs. State affiliates may use this information to assist providers in negotiating with programs in their states and to develop strategies for providers to successfully operate within managed care environments.

This report focuses on Medicaid managed care in Arizona and Minnesota. These two states were chosen because of their programs' longevity, market penetration, geographic coverage area, and rate setting approaches. As a result of examining these programs, it is clear that such programs have major implications for providers. To illustrate, in a managed care environment, it is highly likely that Medicaid occupancy will decline as new nursing home eligibles are diverted to home and community-based programs. Additionally, serving long-term chronic Medicaid patients in an institutional setting will be highly price competitive. As such, successful rate negotiation for Medicaid residents will depend upon a number of factors that include: location and number of other providers in close proximity; competition among program contractors; having a critical mass of facilities and/or residents with a given program contractor; meeting program contractor performance expectations; and serving specialized populations, including patients in advanced stages of dementia and those with behavioral problems. It is also imperative that an empirically valid patient classification system be in place so that as the acuity of long stay residents residing in nursing homes increases, the additional resource requirements are properly identified and factored in the rates.

Under managed care, greater opportunities may exist for providers to serve short-term stay patients. Managed care plans that are responsible for both Medicare and Medicaid services for their enrollees are highly incentivized to provide services that meet quality and safety standards as efficiently and cost effectively as possible. The goals of such plans include reduced hospitalization and shorter hospital lengths of stay, as well as reduced re-hospitalizations and fewer emergency room visits. The extent to which nursing home providers can develop programs and services that help the plans achieve these goals, the better positioned they will be for increased admissions and for rate negotiations.

Potential issues and concerns may exist for providers in a managed care environment. Initially, the program goals of the provider and managed care plan may not be aligned. For example, the managed care plan may expect the average Medicare length of stay to be 10-15 days, while the provider's experience with length of stay under a prospective payment system may be double the plan's expected average. As such, the trade off may

be increasing nursing home short stay admissions, resulting in more complex cases but also greater leverage in negotiating rates and bonus incentives. Even so, the provider must ensure that the care treatment plans and protocols of the managed care plans are consistent with their own and that the necessary staffing resources and expertise are in place.

Timeliness of payment will also be a major issue and concern in a managed care environment. Payment is likely to be slower than providers typically experience with a state agency-administered program, compounded by a greater number of issues involving service authorizations, covered services, and contract exclusions.

Finally, based upon discussions with providers and the program contractors, the managed care plans are not currently contracting with nursing homes to provide home-based services or case management. Relative to personal care and home-based services, the rates offered for the services may not be adequate to make this a financially feasible option for nursing home providers. However, some of the providers interviewed for this study are providing Medicaid-covered assisted living and have indicated that the endeavor is financially feasible.

In summary, some of the key issues for nursing facility providers operating within managed care environments include:

- ✓ Medicaid occupancy
- ✓ Successful rate negotiation
- ✓ Valid patient classification system
- ✓ Short-term stay patients
- ✓ Reduced hospitalizations and re-hospitalizations
- ✓ Shorter hospital lengths of stay
- ✓ Fewer emergency room visits

The full report is available in PDF format on the AHCA Research website at [www.ahca.org/research](http://www.ahca.org/research).

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Contacts:

- Steven R. Gregory, Director of Medicaid Reimbursement and Research, (202) 842-4444.
- Joe Lubarsky, Eljay, LLC, at (502) 245-8895