

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 213

Short Title: GPAC/Medicaid Nursing Home Payment.

(Public)

Sponsors: Senators Martin of Guilford; and Blackmon.

Referred to: Government Performance Audit.

February 17, 1993

A BILL TO BE ENTITLED

1 AN ACT TO IMPLEMENT A RECOMMENDATION OF THE GOVERNMENT
2 PERFORMANCE AUDIT COMMITTEE TO IMPLEMENT A PROSPECTIVE
3 PEER-GROUPED, CASE MIX-BASED MEDICAID PAYMENT
4 METHODOLOGY FOR NURSING HOMES.
5

6 The General Assembly of North Carolina enacts:

7 Section 1. The General Assembly finds that peer grouping identifies facilities
8 that can be expected to incur similar costs based on certain statistically valid variables
9 such as geographic location, bed size, and occupancy levels. A peer group ceiling rate,
10 generally based on a percentile of costs or on the median cost, establishes the standard
11 for efficient and economic facilities. The General Assembly finds that peer grouping
12 will achieve savings for North Carolina because facilities with costs above the ceiling
13 will have payments capped at the ceiling level. To encourage facilities with costs below
14 the ceiling to maintain these costs, an efficiency incentive can be paid.

15 The General Assembly further finds that separate peer group ceilings should
16 be established for each cost component. North Carolina's current policy to allow more
17 generous reimbursement of direct patient care costs to ensure quality of care should
18 continue, but costs such as housekeeping and laundry and linen, which do not reflect the
19 costs of hands-on patient care, should be moved into another component with more
20 stringent ceilings.

21 Sec. 2. Effective July 1, 1994, the Division of Medical Assistance,
22 Department of Human Resources, shall implement a prospective peer-grouped, case
23 mix-based Medicaid reimbursement methodology for nursing homes, not only to
24 achieve savings but also to promote access for patients requiring a higher level of care,

1 because this reimbursement is more closely tied to patient needs than the one currently
2 employed. This methodology shall address the findings made in Section 1 of this act
3 and, in addition, shall:

- 4 (1) Update rates each year by an appropriate inflation factor, in order to
5 allow greater predictability in estimating nursing facility expenditures;
- 6 (2) Adjust payments by the case mix, to reflect the varying levels of
7 resources required to treat patients; and
- 8 (3) Incorporate the input of nursing facilities in the development of the
9 methodology, to promote greater understanding of its goals and
10 objectives.

11 Sec. 3. There is appropriated from the General Fund to the Division of
12 Medical Assistance, Department of Human Resources, the sum of one hundred eighty
13 thousand dollars (\$180,000) for the 1993-94 fiscal year in administrative costs incurred
14 in implementing this act.

15 Sec. 4. The base budget of the Division of Medical Assistance, Department
16 of Human Resources, is reduced by nine million six hundred thousand dollars
17 (\$9,600,000) for the 1994-95 fiscal year due to the implementation of this act.

18 Sec. 5. It is the intent of the General Assembly to reduce the base budget of
19 the Division of Medical Assistance, Department of Human Resources, in subsequent
20 fiscal years due to the implementation of this act, according to the following schedule:

21	Fiscal Year	Amount
22	1995-96	\$10,200,000
23	1996-97	\$10,800,000
24	1997-98	\$11,400,000
25	1998-99	\$12,100,000
26	1999-00	\$12,800,000
27	2000-01	\$13,600,000
28	2001-02	\$14,400,000.

29 Sec. 6. This act becomes effective July 1, 1993.