

# Budget Detail Request - Fiscal Year 2016-17

Your request will not be officially submitted unless all questions and applicable sub parts are answered.

1. Title of Project: LPN Skilled Private Nursing Rate Increase
2. Date of Submission: 12/22/2015
3. House Member Sponsor(s): W. Cummings

## 4. DETAILS OF AMOUNT REQUESTED:

- a. Has funding been provided in a previous state budget for this activity? Yes  
***If answer to 4a is ?NO? skip 4b and 4c and proceed to 4d***
- b. What is the most recent fiscal year the project was funded? 2014-15
- c. Were the funds provided in the most recent fiscal year subsequently vetoed? Yes
- d. Complete the following Project Request Worksheet to develop your request (Note that Column E will be the total of Recurring funds requested and Column F will be the total Nonrecurring funds requested, the sum of which is the Total of the Funds you are requesting in Column G):

FY:	Input Prior Year Appropriation for this project for FY 2015-16 (If appropriated in FY 2015-16 enter the appropriated amount, even if vetoed.)			Develop New Funds Request for FY 2016-17 (If no new Recurring or Nonrecurring funding is requested, enter zeros.)			
	Column: A	B	C	D	E	F	G
Funds Description:	Prior Year Recurring Funds	Prior Year Nonrecurring Funds	Total Funds Appropriated  (Recurring plus Nonrecurring: Column A + Column B)	Recurring Base Budget  (Will equal non-vetoed amounts provided in Column A )	<b>INCREASED or NEW Recurring Requested</b>	<b>TOTAL Nonrecurring Requested</b>  (Nonrecurring is one time funding & must be re-requested every year)	<b>Total Funds Requested Over Base Funding</b>  (Recurring plus Nonrecurring: Column E + Column F)
Input Amounts:					12,016,321	0	12,016,321

- e. New Nonrecurring Funding Requested for FY 16-17 will be used for:  
 Operating Expenses     Fixed Capital Construction     Other one-time costs
- f. New Recurring Funding Requested for FY 16-17 will be used for:  
 Operating Expenses     Fixed Capital Construction     Other one-time costs

5. Requester:

- a. Name: Chani Feldman, RN
- b. Organization: Maxim Healthcare Services
- c. Email: chfeldma@maxhealth.com
- d. Phone #: (301)452-8693

6. Organization or Name of Entity Receiving Funds:

- a. Name: All Providers of Skilled PDN Services in the State
- b. County (County where funds are to be expended) Statewide
- c. Service Area (Counties being served by the service(s) provided with funding) Statewide

7. Write a project description that will serve as a stand-alone summary of the project for legislative review. The description should summarize the entire project's intended purpose, the purpose of the funds requested (if request is a sub-part of the entire project), and most importantly the detail on how the funds requested will be spent - for example how much will be spent on positions and associated salaries, specifics on capital costs, and detail of operational expenses. The summary must list what local, regional or statewide interests or areas are served. It should also document the need for the funds, the community support and expected results when applicable. Be sure to include the type and amount of services as well as the number of the specific target population that will be served (such as number of home health visits to X, # of elderly, # of school aged children to receive mentoring, # of violent crime victims to receive once a week counseling etc.)

Children who require intensive respiratory supports, such as those with tracheostomy and ventilator dependencies associated with high suctioning requirements, are likely to require private duty home nursing rather than brief and periodic skilled nursing visits. A nationwide shortage of qualified pediatric registered nurses and licensed practical nurses often complicates and delays discharge, as does ensuring coverage by insurance for such support. Florida is currently experiencing a shortage in qualified nurses for private duty nursing. This shortage is due to a variety of factors including the low unemployment rate but primarily low rates of reimbursement in both the commercial and government sectors that have not kept pace with market demands. The nursing shortage is making it difficult to recruit and retain qualified nurses, particularly in specialty areas such as nursing care for medically complex and technologically dependent children. Increased reimbursement for private duty nursing would not only ease the workforce shortage but would provide needed access to providers to provide timely quality care for the state's most vulnerable Medicaid population ? medically complex children. Increased reimbursement would also decrease Medicaid costs over the long term by reducing unnecessary institutional care (hospitalization and nursing home care) that are the result of a lack of access to home-based care.

Private Duty Nursing

The Florida Medicaid program currently reimburses an LPN \$24.45 per hour for 2 to 24 hours per day of private duty nursing home care (see Table 2). The 2014 Legislature increased LPN private duty nursing reimbursement rates by 5 percent, effective July 1, 2014. Prior to that, reimbursement rates for LPN private duty nursing had not changed for the past 26 years, since 1987. Ultimately, low reimbursement rates can affect service reliability and access to quality of care. Medicaid rates have generally not risen with inflation, do not allow for payment of a competitive living wage and are lower than in most other state Medicaid programs.

Table 2: Private Duty Nursing Rates

Private Duty Nursing	FY 14-15 Rate*	FY 13-14 Rate	Change Amount	Change %
RN	\$29.10/hour	\$29.10/hour		
LPN	\$24.45/hour	\$23.28/hour	\$1.17/hour	5.0%

\*Source: Florida Medicaid Home Health Services Coverage and Limitations Handbook, October 2014

Nursing Home Supplemental Payments for Medically-Fragile Recipients Under Age 21

Nursing facility rates are set twice each year (January and July) and are reimbursed on a cost basis subject to certain ceilings and limitations. Nursing home rates are to be transitioned to an annual rate setting process, effective September 1, 2015 and thereafter. In addition to the per diem payment, nursing facilities may receive a supplemental payment for a recipient under 21 who is medically fragile and requires a higher level of skilled care. The nursing facility must have a written recommendation from Children’s Medical Services, Children’s Multidisciplinary Assessment Team (CMAT), on file prior to the provider billing Medicaid for the supplemental payments. The CMAT recommendation must state the recipient meets the criteria for medically fragile nursing facility care.

The July 2014 average nursing home daily per-diem rate is \$225.99 and the supplemental medically-fragile per-diem rate is \$280.38. The combined nursing facility payment is \$506.37 per day. Florida has increased the medically-fragile supplemental payment rate by over 32 percent over the last 10 years, since January 2004 (see Table 4). Florida spent \$29.3 million for nursing home care to serve 229 medically-fragile children in FY 2013-14 (see Table 3). Expenditures reflect a downward trend with fewer children being served in the nursing facility.

Table 3: Nursing Home Expenditures Children

Year	Recipients	Days	Expenditures	Avg Days	Per Child	Per Day	Per Hour
FY 2011-12	292	75,583	\$37,971,846	259	\$130,041	\$502.39	\$20.93
FY 2012-13	275	65,818	\$41,318,904	239	\$150,251	\$627.78	\$26.16
FY 2013-14	229	51,886	\$29,324,057	227	\$128,053	\$565.16	\$23.55

Source: Agency for Health Care Administration

Table 4: Nursing Home Supplemental Payment Medically-Fragile Children

Effective Date	Rate Per Day	Growth
January 2004	\$211.59	

July 2004	\$214.84	1.5%	
January 2005	\$218.60	1.8%	
July 2005	\$222.19		1.6%
January 2006	\$225.49	1.5%	
July 2006	\$229.13		1.6%
January 2007	\$233.59	1.9%	
July 2007	\$237.80	1.8%	
January 2008	\$241.52	1.6%	
July 2008	\$245.63		1.7%
January 2009	\$249.36	1.5%	
July 2009	\$252.97	1.4%	
January 2010	\$255.80	1.1%	
July 2010	\$258.37		1.0%
January 2011	\$261.11	1.1%	
July 2011	\$263.53		0.9%
January 2012	\$266.07	1.0%	
July 2012	\$268.96		1.1%
January 2013	\$271.85	1.1%	
July 2013	\$274.53		1.0%
January 2014	\$277.90	1.2%	
July 2014	\$280.38		0.9%
Total Increase		32.51%	

Source: Agency for Health Care Administration

#### Cost Analysis

Florida is currently redesigning the Medicaid healthcare delivery system with a focus on quality and cost containment. The redesigned delivery system is putting greater emphasize on providing care in the recipient's home for medically complex children. This strategy of promoting independence is both cost effective as well as consumer focused.

The benefits of home care for children are many, including having the child cared for in the familiar surroundings of a home environment, continued access to social support such as friends and siblings, better growth and development, reduced risk of infection, and less cost compared with continued hospitalization. Children with special health care needs have three times higher health expenditures due to greater utilization of hospital-based services and prescribed medications.

Florida currently reimburses nursing homes \$506.37 a day, or \$184,825 a year, per medically complex child. That's more than the \$293.40 a day or \$107,091 a year of at-home private duty nursing care for an average of 12 hours per day provided by an LPN (see Table 5). In contrast, Florida pays an average of \$1,433.11

per day of inpatient hospitalization which is almost three times the daily rate for nursing home care.

Source: Agency for Health Care Administration

Florida provides 12 hours or less of private duty nursing to 74% of the medically complex children served in FY 2011-12 (see Table 6). Only 26% of the children received more than 12 hours of care with half of those children receiving between 12 and 16 hours. Only 6% of the children served received 24 hours of care.

Table 6: Private Duty Nursing Recipients

FY 2011-12

Hours	Recipients*	Percent
4	4,522	20.6%
8	6,562	30.0%
12	5,014	22.9%
16	2,659	12.1%
20	1,828	8.3%
24	1,320	6.0%

\*Duplicated

Source: Agency for Health Care Administration

#### Market Rate Analysis

The current Medicaid reimbursement rate for a LPN Private Duty Nurse is \$24.45 per hour for 2 to 24 hours per day of home care. According to the private duty nursing industry, this Medicaid rate only allows for an hourly rate of \$16 to be paid to the LPN as a result of other operational costs (see Table 7).

According to the Florida Occupational Employment and Wages data for an LPN, the statewide average hourly wage paid to an experienced LPN in other employment settings is \$22.35 per hour (see Table 9). The \$16 Medicaid rate makes it difficult to hire an adequate number of LPNs to meet the needs of the Medicaid program as the hourly wage paid by the private duty nursing industry is approximately 39% less than the average hourly wage paid to LPNs throughout the state of Florida.

Table 7: Industry LPN Hourly Rate Analysis

Service	Amount
Hourly Bill Rate - Medicaid	\$24.45
Hourly Pay Rate	\$16.00
Other Costs of Goods Sold	\$4.99
Taxes, Benefits, Bonuses, Clinical Supervision, Quality Assurance, Unbillable Services, etc.	
Operating Expenses	\$4.11

Compliance, HR, Payroll, Recruitment, Scheduling, Customer Services, Rent, Utilities, Telephone, Supplies, etc.

Sub-total \$25.10

Difference (\$0.65)

Source: Private Duty Nursing Industry

#### Fiscal Impact

Below are estimates of the fiscal impact to increase the Medicaid rate paid to LPNs for private duty nursing services. These estimates were calculated using the same methodology used by the Agency in the Social Services Estimating Conference (SSEC). The incremental increase for a 10% LPN rate increase is \$12 million; a 15% increase is \$18 million; a 20% increase is \$24 million; and a 25% increase is \$30 million (see Table 8).

Table 8: Private Duty Nursing LPN Rate Analysis

FY 2015-16	10.00%	15.00%	20.00%	25.00%	
LPN PER HOUR RATE -	\$24.45	\$26.90	\$28.12	\$29.34	\$30.56
TOTAL EXPENDITURES*	\$176,606,717	\$176,606,717	\$176,606,717	\$176,606,717	\$176,606,717
PERCENTAGE LPN	68.04%	68.04%	68.04%	68.04%	68.04%
LPN COSTS**	\$120,163,210	\$120,163,210	\$120,163,210	\$120,163,210	\$120,163,210
PERCENTAGE INCREASE	10.00%	15.00%	20.00%	25.00%	
TOTAL COST INCREASE	\$12,016,321	\$18,024,482	\$24,032,642	\$30,040,803	
GR 40.47%-	\$4,863,005	\$7,294,508	\$9,726,010	\$12,157,513	
MEDICAL CARE TF 59.53%	\$7,153,316	\$10,729,974	\$14,306,632	\$17,883,290	

\* Expenditures based on FY 2014-15 GAA increased by a 5% growth factor.

\*\* Percentage based on actual FY 2011-12 Private Duty Nursing LPN costs.

8. Provide the total cost of the project for FY 2016-17 from all sources of funding:

Federal: 0

State: 0 (Excluding the requested Total Amount in #4d, Column G)

Local: 0

Other: 0

9. Is this a multi-year project requiring funding from the state for more than one year?

Yes