

AB 186 Nursing Facility Financing Reform

**June 8, 2023
Stakeholder Meeting**

Call-in Number

- » In addition to the Microsoft Teams webinar, members of the public may call in to +1 279-895-6425 and enter phone conference ID: 451 620 975#.

Introductions

- » Alek Klimek, Chief, Fee-For-Service Rates Development Division, Health Care Financing
- » Jeffery Norris, M.D., Chief, Value-Based Payments, Quality and Population Health Management
- » Samantha Schradle, Health Program Specialist II, Fee-For-Service Rates Development Division, Health Care Financing

Agenda

1. AB 186 Overview
2. Workforce & Quality Incentive Program (WQIP) Update
3. Workforce Standards Program (WSP) Ongoing Policy Development
4. Public Comment

AB 186 Program Components	Development Timeline	Implementation Timeline
<p>Workforce & Quality Incentive Program (WQIP). DHCS will provide directed payments to facilities to incentivize workforce and quality metrics. This program succeeds the former Quality and Accountability Supplemental Payment (QASP) program.</p>	<p>September 2022 - December 2022</p>	<p>Initial payments made to facilities in early 2024 based on Calendar Year (CY) 2023 utilization</p>
<p>Workforce Standards Program. DHCS will establish workforce standards such as maintaining a collective bargaining agreement or paying prevailing wage. DHCS will provide facilities that meet these standards with a workforce augmentation to the base per diem rate effective for CY 2024.</p>	<p>December 2022 – August 2023</p>	<p>Rate augmentation effective for CY 2024. Facility reporting required in mid-2023.</p>
<p>Accountability Sanctions Program. DHCS is authorized to sanction facilities that do not meet quality standards established by DHCS on a per Medi-Cal bed basis.</p>	<p>July 2023 - November 2023</p>	<p>Quality standards will be effective for CY 2024.</p>

WQIP Update

WQIP Technical Program Guide

- » DHCS has published a draft WQIP Technical Program Guide for public review on [DHCS.ca.gov/AB186](https://dhcs.ca.gov/AB186).
- » Please send any comments to AB186Comments@dhcs.ca.gov by July 15, 2023.
- » The WQIP Technical Program Guide will supersede all previous program design presentations.

WQIP CMS Approval

- » DHCS submitted the WQIP Directed Payment Preprint for federal approval to the Centers for Medicare & Medicaid Services (CMS) on December 30, 2022.
- » CMS review of the WQIP Preprint is pending and anticipated to take several months. DHCS will update stakeholders on any substantive changes through further stakeholder meetings.

Workforce Standards Program

Workforce Standards Overview

- » AB 186 requires DHCS to establish a Workforce Standards Program (WSP) for Freestanding Skilled Nursing / Subacute Facilities Level-B. Facilities that meet the standards will receive a workforce rate adjustment starting in CY 2024.
- » AB 186 provides DHCS with broad authority to develop and define the workforce standards, such as maintaining a collective bargaining agreement or paying prevailing wage.
- » The workforce rate adjustment will be made to base Fee For Service (FFS) Per Diem rates via a State Plan Amendment. Managed Care Plans (MCPs) will be required to pay the workforce adjustment through the FFS Equivalent Directed Payment.

Workforce Standards Scope

- » The WSP is focused on labor-management cooperation and setting basic standards for workers' wages and other benefits.
- » In contrast, the WQIP includes workforce metrics incentivizing higher per patient staffing hours and lower staff turnover.
- » The SNF COVID-19 PHE 10 percent temporary rate increase is set to expire on December 31, 2023. The workforce rate adjustment is broadly intended to supplant this funding while holding facilities accountable for investing these funds in the workforce.

Workforce Standards Guiding Principles

DHCS has articulated the following guiding principles for the WSP program design:

- » Hold SNFs accountable for using increased Medi-Cal funding to provide fair compensation and benefits to workers. Fair compensation and benefits will enable SNFs to recruit and retain a workforce that will provide high quality care to Medi-Cal beneficiaries.
- » Focus the Workforce Standards primarily on lower-wage workers who are the core of the SNF workforce and have less economic power.
- » Encourage the development of fair compensation and benefits through labor-management cooperation and collective bargaining in furthering the above goals.
- » Develop policies that align with and build on existing practices in the SNF industry, and which maintain the fiscal sustainability of SNFs.

Workforce Standards Development

- » DHCS published the mandatory 2023 SNF Wage & Benefit Survey which was due June 2, 2023. DHCS received approximately 680 responses. DHCS will continue to accept late responses until further notice.
- » DHCS will use data collected in the survey along with updated wage and inflation data to calibrate the workforce standards proposed at the April 12, 2023 stakeholder meeting.
- » DHCS intends to share an updated program design at the July stakeholder meeting and may schedule an additional August stakeholder meeting.
- » DHCS will publish the final program design in a draft State Plan Amendment. DHCS will provide facilities with at least 60 days to opt-in from the date that the draft State Plan Amendment is published.

Workforce Rate Adjustment Amount

- » AB 186 requires DHCS to calculate a facility-specific workforce rate adjustment by “rebasings” audited costs within the labor cost category trended for inflation to CY 2024 without applying historic cost growth limits.
- » If a facility does not meet the workforce standards, AB 186 limits the Medi-Cal rate increase for the labor cost category to five percent in CY 2024 over CY 2023.

Future Rate Years

- » In CY 2025 and CY 2026, rate increases for the labor cost category will be limited to five percent for each year over the previous year.
- » If a facility falls out of compliance with the workforce standards for CY 2025 or CY 2026, the rate for that year will revert down to what it would have been had the facility not received the workforce adjustment in prior years.
- » If a facility becomes newly compliant with the workforce standards for CY 2025 or CY 2026, the rate for that year will be adjusted up to what it would have been had the facility received the workforce adjustment in prior years.

WSP Eligibility

- » DHCS will require facilities to opt in to the WSP for CY 2024 in mid-2023. DHCS will also set opt-in deadlines for facilities newly participating in CY 2025 and CY 2026.
- » Facilities that have completed a Change in Ownership may opt into the WSP mid-year in alignment with the re-computation of the new owner's rate.

WSP Compliance

- » Facilities will be required to comply with the workforce standards for the duration of the rate year. If a facility is found to be noncompliant during the rate year, DHCS will recoup the workforce rate adjustment for the entire rate year and may disqualify the facility for the following rate year.
- » DHCS will provide facilities with a grace period not exceeding 60 days per year for good cause as determined by the department, and will require facilities to provide workers with backpay where applicable. Facilities will be required to report any non-compliance within 15 days of becoming aware of the noncompliance.
- » DHCS will require facilities to report compliance with the workforce standards as part of the annual financial audit or through a supplemental reporting schedule. DHCS may also perform mid-year reviews based on complaints.

Workforce Standards Pathways

Facilities may qualify for the workforce standards program through one of two pathways:

- » Labor-Management Cooperation Pathway: Either:
 - Maintain a collective bargaining agreement (CBA).
 - Participate in a statewide multi-employer labor-management committee (LMC).
- » Basic Wage and Benefit Pathway: Meet all the following requirements:
 - Pay at least a basic wage to indirect and direct care workers, based on regional median wages for comparable occupations.
 - Offer health care benefits to full-time employees with a minimum actuarial value of 85 percent and employer share of 80 percent of the premium.
 - Provide paid sick leave totaling 10 days (including the three days required by state law).
 - Provide paid time and tuition for continuing education requirements for lower wage workers, including CNAs.

Additional WSP Requirements

Additionally, facilities qualifying through either pathway must:

- » Meet all existing minimum wage and wage pass through requirements.
- » Report wage and benefit data to DHCS as part of the annual audit or through a supplemental reporting schedule. DHCS will begin collecting data for CY 2023 in CY 2024 for informational purposes only.

Labor-Management Cooperation Pathway

- » A CBA or LMC agreement must be effective for the duration of the rate year. If an existing CBA or LMC agreement has expired, the parties must agree to extend the prior CBA or LMC agreement while negotiating a successor agreement.
- » DHCS will define a statewide multi-employer LMC to include at least 200 facilities in California and one or more labor organizations that are certified or recognized as the exclusive bargaining representative of workers at a combined total of 100 facilities in California.
- » Recognition of statewide multi-employer LMCs is consistent with the language of AB 186 and is best suited to advance the establishment of industry-wide workforce standards that align with the goals of the WSP.
- » DHCS will require the facility to submit a copy of the CBA or LMC agreement within 30 days of the beginning of the rate year and include an attestation from the labor organization.

Basic Wage Standard

- » DHCS has proposed establishing the basic wage standard for direct and indirect care workers at the regional median wage using US Bureau of Labor Statistics (BLS) data for a proxy Standard Occupational Classification (SOC).
 - For direct care workers, use SOC 31-1130 Nursing Assistants
 - For indirect care workers, use SOC 37-2011 Janitors and Cleaner
- » DHCS collected wage data specific to the SNF industry through the Wage & Benefit Survey. DHCS may use this data to further calibrate this standard.
- » DHCS has proposed using the BLS Employment Cost Index to adjust wage data for inflation in CY 2024. In subsequent years, the basic wage will be adjusted for inflation up to five percent per year in alignment with the maximum labor cost increase authorized in AB 186.

Health Benefit Standard

- » DHCS has proposed a standard of offering employee-only health benefits to all direct and indirect care workers employed more than 30 hours/week which meet the Essential Health Benefits included in Covered California plans with a minimum actuarial value (AV) of 85 percent and employer share of 80 percent of the premium.
- » DHCS is analyzing stakeholder feedback suggesting a health benefit standard requiring facilities to offer multiple plans, aligned with Covered California bronze (60 percent AV), silver (70 percent AV), and gold plans (80 percent AV). Employees selecting a lower AV plan would have a lower employee contribution.
- » The proposed 85 percent AV and 80 percent employer share of premium are based on national averages for all private employers. DHCS collected health insurance data specific to the SNF industry through the Wage & Benefit Survey. DHCS may use this data to further calibrate this standard.

Paid Sick Leave Standard

- » DHCS has proposed a paid sick leave standard of 10 days for all direct and indirect care workers, inclusive of the three days required by state law and any days required by local laws. The required sick leave will be prorated for part-time employees. Facilities can meet this standard through existing paid time off policies that can be used as sick leave. DHCS will align permitted uses and accrual policies with provisions applicable to the three days of sick leave required by the Labor Code.
- » This standard is intended to reduce infections in facilities and reduce worker burn out by increasing access to preventative health services.
- » California employers were required to provide 10 days of COVID-19 Supplemental Paid Sick Leave in 2021 in addition to the three days required by state law. Facilities' 2021 cost reports, which will be used to calculate the CY 2024 workforce rate adjustment, reflect costs for these additional days.
- » DHCS collected paid leave data specific to the SNF industry through the Wage & Benefit Survey. DHCS may use this data to further calibrate this standard.

Training/Development Standard

- » DHCS has proposed a training and development standard of providing paid time and tuition for continuing education requirements applicable to lower wage workers.
- » Based on stakeholder feedback, DHCS has identified certified nursing assistant continuing education and food worker safety certifications as existing industry standards.
- » DHCS collected information on training offered to other SNF workers through the Wage & Benefit Survey. DHCS may use this data to identify other appropriate standard trainings.

Other Considerations

- » AB 186 authorizes DHCS to vary workforce standards by facility characteristics. In addition to geographic variation of the basic wage standard, should DHCS vary standards based on any other relevant facility characteristics? For example, standards could be phased-in for smaller/independent facilities. How should these categories be defined? DHCS has not received any actionable feedback.
- » DHCS is considering requiring facilities to contractually apply the basic wage standard to employees of contractors with an ongoing presence on the site of the facility. Facilities are assumed to have less ability to require contractors to meet health benefit and paid sick leave standards. DHCS requests stakeholder feedback for specific working definitions.
- » How should the Labor-Management Cooperation pathway treat facilities with LMCs or CBAs that represent only some, but not all, workers at a facility? DHCS is considering a threshold, such as 50 percent of non-exempt workers must be covered by the CBA or LMC.

Next Steps

- » DHCS welcomes stakeholder input on the design of the Workforce Standards Program. Please provide comments in writing to AB186Comments@dhcs.ca.gov by **June 30, 2023** to inform the next phase of policy development.
- » DHCS will present an updated program framework at the July stakeholder meeting and may schedule an additional August stakeholder meeting.
- » Please visit dhcs.ca.gov/AB186 for meeting materials and information on how to join upcoming meetings.

Public Comment

- » DHCS welcomes public comment. DHCS staff may briefly respond to requests for clarification on this presentation.
- » Speakers are requested to introduce themselves and their organization.
- » Audience members are muted until they are called on by the moderator. Please use the “raise hand” button in Microsoft Teams to be added to the speaker queue. Once you are called on, you must unmute yourself in Microsoft Teams. If you are calling-in please press *5 to raise your hand.