



## MEMORANDUM

**TO:** Amy Epkey, Senior Deputy Director, Financial Operations Administration, MDHHS  
**FROM:** Melissa Samuel, President/CEO, Health Care Association of Michigan  
**DATE:** July 10, 2024  
**SUBJECT:** Ventilator Dependent Care Units in Nursing Facilities

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### Medicaid Ventilator Dependent Care Units (VDCU)

Michigan Medicaid currently provides ventilator care in 11 nursing facilities throughout the state. These VDCU's serve Medicaid beneficiaries in need of continuous ventilator support to maintain their respiratory function. Admissions to these units are prior authorized and payment is established based on historical cost reported data. Each VDCU has a facility specific rate that range from \$560 to \$873 per day with an overall average of \$729.67 based on the rates effective October 1, 2023, which includes the Quality Assurance Supplement (QAS) amount of \$56.41. These days of care are subject to the provider tax assessment but do not have an occupancy requirement. Total days of care in these units in 2022 were 71,875 and Medicaid days were 58,757.

HCAM would like to propose two changes to the nursing facility VDCU Medicaid policy.

1. Change the admission criteria to no longer require a 45-day hospital stay prior to admission to a nursing facility VDCU for all admissions. Admission should be when appropriate to provide the necessary medical care.
2. Change the payment amount for this care from cost reported data to a percentage of the average statewide Michigan Medicaid Long Term Acute Care Hospital (LTACH) rate.

### Admission Criteria

According to the Medicaid Provider Manual (MPM) Hospital section 5.9.A Medicaid Ventilator-Dependent Care, a request for placement must meet the following criteria:

- The beneficiary is dependent on life-supporting mechanical ventilating equipment for at least six hours per day.
- The beneficiary stay normally meets or exceeds the hospital high-day outlier threshold for DRG 207.

The threshold for DRG 207 for Michigan Medicaid appears to be about 12-25 days. Current practice is to require each potential VDCU patient to remain in the hospital for a total of 45 days before discharging to a VDCU in a nursing facility.

Michigan Medicaid has contracted with Michigan Public Health Institute (MPHI) to administer the admission authorization process to these VDCU's. MPHI has informed VDCU providers that they have been instructed to not admit to the VDCU until the end or near the end of the 45-day period. This practice seems contrary to the stated policy in the Medicaid Provider Manual that does not require a 45-day wait period for admission to the VDCU.

If the patient to be transferred to the nursing facility is a Medicaid health plan member, the health plan is responsible for 45 days of care in the nursing facility. The health plan can dis-enroll the patient from the health plan at the time of discharge from the hospital if the stay at the nursing facility is expected to be greater than 45 days. When that occurs the patient can be admitted to the nursing facility upon discharge from the hospital without waiting the 45 days.

Either scenario – whether a fee-for service (FFS) or a health plan Medicaid patient – the patient may be discharged from the hospital directly to the nursing facility VDCU when appropriate. We believe the application of the 45 days seems inconsistent with Medicaid policy. The determination to discharge a patient to the VDCU is decided by their medical team at the hospital and should not be dictated by a policy. If the patient can be cared for in the VDCU prior to the arbitrary 45 days, the discharge should occur. In fact, the policy states “the beneficiary stay normally meets” – which would seem to allow for medically appropriate placement in the VDCU without reference to a number of days in a hospital.

HCAM is proposing that the policy be applied to allow for discharge to nursing facility VDCU when medically appropriate and not hold admission to a mandatory 45-day hospital stay.

#### Payment for Nursing Facility VDCU Care

Nursing facility VDCU payment for care is set by utilizing the cost data from the Medicaid cost reports filed by each of these facilities. The cost report has a separate accounting center to aggregate the costs of each unit. The rates are facility specific and have a built in lag in recognizing the actual cost of the care. The rates are set on October 1 each year based on the prior year's costs which creates the lag. For example, the October 1, 2023 rates are based on the costs from reports filed for fiscal periods ending in 2022.

HCAM is proposing to use the average Michigan hospital LTACH rate that is established each October 1 for payment in the VDCU. This rate would reflect the upcoming cost of care for the forthcoming year as versed to the historical cost reported costs that will always lag behind. The average LTCH rate effective for October 1, 2023 is \$1,177.33 per day. The proposal is to pay the skilled nursing facilities at 80% of the LTACH average, equivalent to \$941.87 per day for all VDCU's in the Medicaid program. The Medicaid program would save about \$235 per day and annually over \$13.6 million based on 58,000 Medicaid days in the VDCU's per year by discharging the resident to the VDCU from the hospital setting.

In summary, HCAM proposes changing the application of the policy from a mandatory 45-day hospital stay prior to admission to a hospital stay that is determined based on medical necessity, and payments be based on 80% of the average Medicaid LTACH rate effective each October 1 for overall services in a skilled nursing facility setting. We believe these changes will provide better financial support and utilization for the existing VDCU's along with continuing to provide a more home-like environment for these patients.

We welcome your comments and further discussion regarding this proposal.