



STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
DIVISION OF TENNCARE  
310 Great Circle Road  
Nashville, Tennessee 37243

**IMPORTANT MEMO**

**DATE:** May 1, 2018

**TO:** Medicaid Nursing Facility (NF) Providers  
TennCare Health Plans

**FROM:** Patti Killingsworth, Assistant Commissioner  
Chief of Long-Term Services and Supports (LTSS)

**CC:** Tennessee Health Care Association  
QuILTSS Stakeholder Group  
William Aaron, Chief Financial Officer and Zane Seals, Deputy Chief Financial Officer  
Erika Stanley, Assistant Director of LTSS Value-Based Purchasing

**SUBJECT:** **Implementation of New Acuity and Quality Adjusted NF Reimbursement Methodology and QuILTSS #11 (July –December 2018) Quality Measurement Period**

The purpose of this memo is to provide important information regarding quality-related components of the new acuity and quality adjusted NF reimbursement methodology and the specific requirements for the QuILTSS #11 quality measurement period. The planned implementation date for the new reimbursement system is July 1, 2018; you will be notified if this date changes. While we recognize that this memo is quite lengthy and very detailed, given its impact on Medicaid reimbursement for NF services going forward, we want to help facilities understand these changes.

Quality-related components of the new reimbursement system are the result of more than four years of intense collaboration with the Tennessee Health Care Association and other NF stakeholders. The *Quality Framework*<sup>1</sup> on which quality-related components of the reimbursement system are based was developed based on extensive input gathered directly from people who receive services and their families, as well as LTSS providers during statewide community forums conducted late in 2013.<sup>2</sup> The approach set forth in the final TennCare Rule<sup>3</sup> which implements the new reimbursement system reflects additional input gathered directly from NFs and from resident/family surveys during a 2017 statewide survey process,<sup>4</sup> public input received during the rulemaking process, and ongoing collaboration with the THCA Quality and Regulatory Committee. **We are *incredibly* grateful to all of our partners for their commitment and invaluable input throughout this process.**

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<sup>1</sup> The QuILTSS *Quality Framework* is available at:

<https://www.tn.gov/content/dam/tn/tenncare/documents/QuiltssFramwork.pdf>.

<sup>2</sup> The Technical Assistance Report which summarizes this input is available at:

[https://www.lipscomb.edu/transformaging/upload/file/64782/tenncare%20report\\_3.5.14\\_final2.pdf](https://www.lipscomb.edu/transformaging/upload/file/64782/tenncare%20report_3.5.14_final2.pdf).

<sup>3</sup> An Unofficial copy of this rule is on the TennCare website at:

<https://www.tn.gov/content/dam/tn/tenncare/documents/NFReimbursementRule.pdf>.

<sup>4</sup> Results available at:

<https://www.tn.gov/content/dam/tn/tenncare/documents/QuILTSSResidentAndStakeholderRulesSurvey.pdf>.

In addition to continuing our longstanding commitment to focus on “person-centered” aspects of care—things that most impact the day-to-day quality of life for people receiving services, the approach reflected in the Rule is intended to:

- Build provider capacity for success—the ability to demonstrate person-centered outcomes that translate to better quality of life for people and higher payments for providers;
- Work toward outcome-based measures and performance benchmarks across all domains;
- Ensure transparency in measures, methods, and benchmarks;
- Set reasonable (achievable) benchmarks and raise expectations (and quality performance) over time;
- Reward *improvement* as well as performance;
- Provide for consistency across a 3-year rating period (so providers understand performance expectations); and
- Minimize administrative burden as much as possible (for providers and the state).

### **New Reimbursement System with Quality Components**

Effective July 1, 2018 (or later date of which you will be notified), Medicaid participating NFs will be reimbursed using a case mix reimbursement system with quality informed rate components, and a stand-alone quality-based component. The details of the system are set forth in TennCare Rule; this memo provides an overview of quality-related components.

Both the case mix adjusted (RN/LPN/CNA staffing) and non-case mix adjusted (e.g., DON, ADON, raw food, recreation and social services) components of the reimbursement system are *quality informed*. This means that the amount of each facility’s rate attributed to each of these components is impacted by the facility’s quality incentive score. Quality incentive scores will be classified within one of three ranges of points or “quality tiers.” For the July 1, 2018 rate setting, the tiers are as follows:

Quality Tier	Cut Point Range
Quality Tier 1	75 - 110
Quality Tier 2	50 – 74.99
Quality Tier 3	0 – 49.99

The statewide direct care non-case mix adjusted price will be multiplied by each NF’s direct care non-case-mix adjusted quality incentive multiplier to establish the NF’s direct care non-case mix adjusted cost component. The quality incentive multiplier is based on the NF’s Quality Tier, with higher performing NFs earning a higher percentage of costs in this rate component (up to 105% for the highest Quality Tier). Each NF’s direct care spending floor percentage is also determined by the NF’s Quality Tier, with spending floor percentages increasing over time to reflect higher quality performance expectations as quality improvement processes continue.

There are two aspects of the capital cost component of the reimbursement rate that are quality-informed. The \$75,000 per licensed bed threshold may be increased by up to \$3,000 per bed for the highest performing facilities based on the NF’s specific Medicaid private room resident day percentage. The intent of this incentive is to encourage NFs to make private rooms available to Medicaid residents. In addition, the total facility value will be multiplied by a rental factor that will vary depending on the NF’s Quality Tier.

Quality informed components of the rate structure will be explained in further detail during trainings scheduled for May 21<sup>st</sup> and following (additional detail forthcoming in a separate communication).

In addition to quality-informed components of the new reimbursement system, a specified amount of funding will be set aside during each fiscal year for purposes of calculating a quality-based component of each NF's prospective per diem rate (a quality incentive component). As you know, we have been making retrospective quality-based adjustments to Medicaid NF per diem rates since the QuILTSS program was implemented. Beginning with implementation of the new acuity and quality adjusted rate system, facilities will no longer receive quarterly rate adjustments. Quality (and acuity) adjustments will be a component of each facility's prospective per diem rate.

At implementation, the annual quality incentive pool will be valued at no less than the greater of \$40 million or 4% of the total projected FY expenditures for NF services. This quality incentive pool component will increase at two times (2x) the rate of inflation in the index factor adjustment until the quality-based component is 10% of the total projected NF expenditures and will remain at 10% thereafter.

We believe that the combined impact of quality-informed and quality-incentive components of the new reimbursement system makes a powerful statement about the value of quality in the delivery of NF services as it impacts the day-to-day quality of life of NF residents. We are excited to see the impact that the new reimbursement system will have on NFs and the residents and families they serve!

### **Changes in the QuILTSS Initiative**

A number of changes are being made in the QuILTSS process based on feedback from THCA and directly from NFs, and in order to accommodate the implementation of the new prospective payment system. These include:

- Aligning the QuILTSS scoring process with the prospective rate setting timetable;
- A new weighting methodology that better aligns value-based payments with the goal of continuous improvement; and
- The implementation of standardized instruments and data collection methods that will continue the shift from quality improvement *activities* (i.e., process measures) to quality *outcome* scores and benchmarks.

#### **1. Align the QuILTSS scoring process with the prospective rate setting timetable**

Under the new reimbursement system, prospective acuity and quality adjusted rates will be established for July 1 of each year. The rates will be provided to MCOs in time for them to be loaded by July 1 so that retroactive rate adjustments are not needed (except in rare instances).

Quality-based components of the rates that will be effective upon implementation of the new reimbursement system (targeted for July 1, 2018) will be based on the QuILTSS #9 (August 2016 – February 2017) and QuILTSS #10 (March 2017 – August 2017) measurement periods. (A second measurement period was not conducted during 2017-2018 in order to ease administrative burden and finalize the measurement approach going forward.)

Quality-based components of the rates that will be effective July 1, 2019 will be based on the QuILTSS #10 (March 2017 – August 2017) and QuILTSS #11 (July 2018 – December 2018) measurement periods.

Quality-based components of the rates that will be effective July 1, 2020 and each year thereafter will be based on quality performance during the previous calendar year. For example, the July 1, 2020 rate set will be comprised of scores from January – December 2019.

## 2. A new weighting methodology that better aligns value-based payments with the goal of continuous improvement

The measurement intervals for different quality measures vary. For example, beginning in calendar year 2019 (for rates effective July 1, 2020), there will be only a single annual QuILTSS quality submission process. However, for rates effective in 2018 and 2019, there will be two six-month QuILTSS submissions used to calculate each NF's quality score (as detailed above). Further, the two clinical measures taken from the CMS Five Star Nursing Home Quality Rating System are reported on a quarterly basis.

In order to reward facilities for improvement that may occur over the course of measurement intervals, a weighting system will be implemented, as follows:

- **Quarterly Data:**
  - 50% weight for the fourth quarter of the calendar year
  - 25% weight for the third quarter of the calendar year
  - 15% weight for the second quarter of the calendar year
  - 10% weight for the first quarter of the calendar year
- **Semi-Annual Data:**
  - 2/3rds weight for the most recent six-month period
  - 1/3rds weight for the first six-month period
- **Annual Data will not be weighted.**
- **Special Consideration:** In any instance, regardless of the collection interval, in which the final period is not the highest scoring period, the NF provider's quality incentive program scoring metrics will use the metric weighting method below that results in the **greatest overall incentive quality score**, either:
  - The weighting system described above; OR
  - A quality incentive program scoring method that equally weights all data collection periods, regardless of measurement interval.

Quality-based components of rates effective upon implementation of the new reimbursement system (targeted for July 1, 2018) will be calculated as follows:

**Semi-Annual measures (including, as it relates to QuILTSS #9 and #10, Resident/Family/Staff Satisfaction, Culture Change/Quality of Life, RN/CNA Hours per Resident Day, Staff Retention, Staff Training, Consistent Staff Assignment, and Bonus Points:** Shall be a composite score with QuILTSS #10 weighted as 2/3rds and QuILTSS #9 weighted as 1/3<sup>rd</sup> *unless* QuILTSS #9 was the higher score. In this case, the NF's score shall also be calculated with QuILTSS #9 and QuILTSS #10 weighted equally, and the **greatest incentive quality score** created using these two methods shall be used.

**Quarterly measures (including Antipsychotic/UTI):** Shall be collected from the last four quarters available in Nursing Home Compare as of January 2<sup>nd</sup>, 2018. The scores shall be weighted as described for quarterly measures above *unless* the most recent quarter is not the highest score. In this case, the NF's score shall also be calculated with each quarter weighted equally, and the **greatest incentive quality score** created using these two methods shall be used.

### **3. The implementation of standardized instruments and data collection methods that will continue the shift from quality improvement *activities* (i.e., process measures) to quality *outcome* scores and benchmarks**

Consistent with feedback received from NFs and other stakeholders, QuILTSS #11 will mark the implementation of standardized measurement approaches across as many quality domains as possible, and set the stage for transition to quality outcome measures and benchmarks in future rate setting periods. TennCare will provide or arrange for training on standardized measures, survey instrument(s) and methodologies, and the methodology for calculating scores.

TennCare will cover any development cost related to standardized instruments and processes, conduct (in consultation with THCA) a procurement process to negotiate a statewide best price for NFs to participate in the survey, and submit a request for CMP funding to help cover (or at least offset) facilities' costs of survey participation.

Specifically, as it relates to the three **Satisfaction** measures (resident, family and staff) and the four **Culture Change/Quality of Life** measures, we will be implementing standardized measures and/or instrument(s) that provide for anonymous submission to a neutral party across and direct submission of data to TennCare for purposes of calculating quality incentive scores. If possible, the survey processes will be combined to ease survey fatigue, but will employ distinct measure sets for each quality domain and measure. The measures and/or instrument(s) will be selected or designed with input from NF stakeholders and subject to mutual agreement between TennCare and THCA. NFs will be notified at least two months prior to implementation.

We hope to begin implementation of these standardized measures and/or survey instrument(s) and methodologies during the last quarter of 2018 (as part of QuILTSS #11), and to award points based only their adoption and implementation by each facility. Data collected during the baseline year will be used, in consultation with THCA and other NF stakeholders, to establish a quality outcome benchmark for each measure in the second measurement year (2019), which will be used to establish rates for July 1, 2020. A facility's quality incentive score will be based in part on whether the facility achieves the performance benchmark for each measure and for facilities that do not achieve the benchmark, a lesser score based on the percentage of improvement over the baseline year. The first two years of performance data will be used (in consultation with THCA and other NF stakeholders) to establish benchmarks for next 3-year rating period.

Survey results will also be provided directly to each NF for quality improvement purposes. Each NF will be able to use their survey results to determine the actions they will take in order to improve Satisfaction measures going forward. They will no longer need to provide evidence of these actions to TennCare, as their Satisfaction and Culture Change/Quality of Life outcomes will reflect the efficacy of their quality improvement efforts.

For all quality measures for which outcome-based measurement processes have already been established (i.e., RN/CNA Hours per Resident Day, Staff Retention, Consistent Staff Assignment, and Antipsychotic/UTI), performance benchmarks for each measurement period will be established in consultation with THCA and other NF stakeholders and made available at least two months prior to implementation (by May 1<sup>st</sup> of each year).

## QUILTSS #11 (July –December 2018) Quality Measurement Period

The measurement period for QUILTSS #11 is **July 1, 2018 through December 31, 2018.**

(No measurement will occur for January 1, 2018 through June 30, 2018.)

### Threshold Measures

Threshold measures have not changed for QUILTSS #11.

1. The facility must be current on payment of the NF Assessment Fee.<sup>5</sup> The facility must not be 30 or more days late in paying the fee. Failure to meet this threshold will result in the facility's quality payments being suspended until such time as they are current on their assessment fee.
2. The facility must not have been found to have knowingly provided false information on a previous QUILTSS submission. A NF shall not be entitled to a quality-based component of the per diem payment for any NF services provided if the facility has not complied with quality performance reporting requirements, or if the facility knowingly submits, or causes or allows to be submitted any such data used for purposes of setting quality-based rate components that is determined (including upon post-payment audit or review) to be inaccurate or incomplete.

### Quality Measures

<b>A. Satisfaction</b>	<b>35 Points</b>
1. Resident	15 Points
2. Family	10 Points
3. Staff	10 Points

Points will be awarded based on each facility's adoption and implementation of standardized measures and/or survey instrument(s) and methodologies for each measure during the last quarter of 2018. Notification and training will be provided as described above.

<b>B. Culture Change/Quality of Life</b>	<b>30 Points</b>
1. Respectful Treatment	10 Points
2. Resident Choice	10 Points
3. Member/Resident and Family Input	5 Points
4. Meaningful Activities	5 Points

Points will be awarded based on each facility's adoption and implementation of standardized measures and/or survey instrument(s) and methodologies for each measure during the last quarter of 2018. Notification and training will be provided as described above.

<b>C. Staffing/Staff Competency</b>	<b>25 Points</b>
1. CNA hours per day	5 Points
2. RN hours per day	5 Points
3. Consistent Staff Assignment	5 Points
4. Staff Retention	5 Points
5. Staff Training	5 Points

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<sup>5</sup> Note that pursuant to TennCare Policy PRO 16-002, available at: <https://www.tn.gov/content/dam/tn/tenncare/documents2/pro16002.pdf>, a facility *may* continue to be eligible for quality-related per diem rate adjustments if it has an approved payment plan and is timely on its installments.

1. **CNA hours per resident per day**

CNA hours shall be collected from the data available in Nursing Home Compare as of January 2, 2018.

In keeping with the approach described in this memo, we will no longer award points only to facilities above the national average. We will continue to acknowledge the highest performing facilities by awarding the maximum of five (5) points only to those facilities who meet the longstanding performance benchmark for this measure. However, because the percentage of facilities achieving this benchmark has remained relatively low, with QuILTSS #11, we will also begin to reward performance of facilities approaching this benchmark as follows: three (3) points will be awarded to facilities that are above 90% but less than or equal to 100% of the national average; and one (1) point will be awarded to facilities that are above 80% but less than or equal to 90% of the national average.

2. **RN hours per resident per day (Semi-Annual)**

RN hours shall be collected from the data available in Nursing Home Compare as of January 2, 2018.

Similar to the approach noted above, the maximum of five (5) points will be awarded to facilities above the national average. Three (3) points will be awarded to facilities that are above 90% but less than or equal to 100% of the national average; and one (1) point will be awarded to facilities that are above 80% but less than or equal to 90% of the national average.

3. **Consistent Staff Assignment**

To be eligible for Consistent Staff Assignment points, NFs must track performance using the tools and process established as part of the National Nursing Home Quality Improvement Campaign (NNHQIC, formerly known as Advancing Excellence).

The tracking tool required for measuring consistent staff assignment may be downloaded from the NNHQIC website. It is the spreadsheet titled "Consistent Assignment Tracking Tool." From the link below, the spreadsheet can be found under the "Identify Baseline" option. The NNHQIC website provides detailed instructions on how to complete the spreadsheet.

For the QuILTSS #11 measurement period, NFs must enter consistent staff assignment data at least **one month each quarter—a total of two months during the measurement period** (either July, August or September **and** either October, November, or December). We encourage facilities to participate *every* month, as the number of months of required reporting will continue to increase over time. Further, consistent staff assignment has significant potential to impact performance in multiple other domains, including all Satisfaction measures, Culture Change/Quality of Life measures, and Staff Retention. Finally, note that *full active participation* in NNHQIC is one of the quality improvement processes for which Bonus Points may be awarded.

For QuILTSS #11, facilities may earn points for Consistent Staff Assignment based on participation **and** on the facility's percent of long stay residents with a maximum of 12 caregivers over each measured period. In order to be eligible for these points, a facility

must: (1) **track performance** for the specified number of months using the Campaign Tracking Tool; (2) **submit** data to the Campaign through their website; and (3) **provide permission** for the Campaign to share the performance data with TennCare.

To submit data through NNHQIC's website, facilities will need to be registered with NNHQIC and signed into their account (register or sign in at <https://nhqualitycampaign.org/login.aspx>). Facilities must indicate that the Campaign is permitted to share the facility's data with TennCare, by **checking the appropriate box in the facility's Campaign account profile**. Performance will be tracked using your CMS provider number; be sure you provide the accurate number to the Campaign in your account profile. Facilities are advised to enter data each month rather than holding data for several months.

Please note that NNHQIC has provided the following technical assistance on "caregivers" for the purposes of their tool:

*"..You should include as caregivers all staff that provides direct, CNA-type care to residents. These are the people with the most intimate contact who generally form close relationships with residents and spend the most time with them. These are also the staff most likely to notice early changes in condition – changes that are most likely to be noticed by a caregiver, who knows what is typical for the resident, and missed or misinterpreted by those who do not.*

*When tracking direct caregivers with the Consistent Assignment Tracking Tool, licensed staff are not included as caregivers unless they are working in the capacity of a CNA. For example, if a nurse is in a resident's room administering medications or performing other skilled tasks and stops to take the resident to the bathroom, that nurse is not counted. However, if a nurse (or other staff) is working as a CNA because the home is short staffed or because in your community nurses (or other staff) routinely provide direct care to residents, that person would be included in the caregiver count. "*

**Points will be awarded as follows:**

- Facilities with **90%** or more of their residents with a max of 12 caregivers will be awarded **5 points**;
- Facilities with **at least 80% but less than 90%** of their residents with a max of 12 caregivers will be awarded **4 points**;
- Facilities with **at least 70% but less than 80%** of their residents with a max of 12 caregivers will be awarded **3 points**;
- Facilities with **at least 60% but less than 70%** of their residents with a max of 12 caregivers will be awarded **2 points**;
- Facilities with **less than 60%** of their residents with a max of 12 caregivers who submit the required data will be awarded **1 point for participation**.

As previously advised, resources to assist facilities are available on the NNHQIC website at <https://www.nhqualitycampaign.org/goalDetail.aspx?g=CA#tab1>.

#### 4. Staff Retention

As in previous submissions, facilities will submit the Excel spreadsheet, *Staff Roster*<sup>6</sup>, designed by TennCare. Staff Retention shall be defined as the percent of specified staff that have been employed (or contracted) by the NF for at least one (1) year. Specified staff shall include only RNs, LPNs, and NAs. RNs shall include registered nurses, RN directors of nursing, and nurses with administrative duties. LPNs shall include licensed practical/licensed vocational nurses. NAs shall include certified nurse aides, aides in training, and medication aides/technicians. Points will be awarded based on percentage of staff that were continuously employed or contracted for the previous 12 months.

**Points will be awarded as follows:**

- Facilities with 75% or more of staff retained for at least 1 year will be awarded **5 points**;
- Facilities with 70% or more, but less than 75% of staff retained for at least 1 year will be awarded **3 points**; and
- Facilities with 60% or more, but less than 70% of staff retained for at least 1 year will be awarded **1 point**.

As a reminder, TennCare intends to audit data submitted through the QuILTSS process because these values will be used to set the per diem payment for nursing facility services. Any quality-based rate components based on false information will be subject to recoupment and to potential penalties for violations of the False Claims Act, as well as ineligibility for quality payments for a specified period.

#### 5. Staff Training

This is the last QuILTSS submission for which we anticipate a “bridge-like” approach for the Staff Training measure. Beginning in 2019, Staff Training points shall be awarded upon completion of specified training modules in the competency-based Workforce Development training program that is being developed based on CMS-identified core competencies.

Until that program is available, for QuILTSS #11, our goal is to align our approach with other ongoing quality improvement initiatives that NFs are focused on—specifically, infection prevention and control. In light of new Requirements of Participation pertaining to infection prevention and control, including designating one or more Infection Preventionists who must have completed specialized training in infection prevention and control, we want to encourage facilities to seek out high quality training by awarding the full five (5) Staff Training points for QuILTSS #11 if the facility’s Infection Preventionist (IP) successfully completes the American Health Care Association’s *Infection Preventionist Specialized Training* program (available at <https://educate.ahcancal.org/p/ipco>). The IP must complete all training modules, successfully pass all quizzes and the final exam with a score of 80 or above, and receive a Certificate of Completion from the AHCA, which is valid for 3 years. We believe this robust training program will position facilities to develop high quality Infection Prevention and Control Programs. A copy of the Certificate of Completion is required for award of points. The training program can be completed prior to the QuILTSS #11 measurement period, so long as the Certificate remains valid.

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<sup>6</sup> Available at: <https://www.tn.gov/content/dam/tn/tenncare/documents/QuILTSS11StaffRoster.xlsx>.

<b>D. Clinical Performance</b>	<b>10 Points</b>
1. Antipsychotic Medication	5 Points
2. Urinary Tract Infection	5 Points

Antipsychotics/Urinary Tract Infection shall be collected from the last four quarters available in Nursing Home Compare as of January 2018. Each NF's performance for each quarter of the 2018 measurement period shall be compared to the national average for that period and a total of five (5) points shall be awarded to the facility if the facility's score is lower than the national average. Consistent with the commitment to rewarding quality improvement as well as performance, if a facility's score is not lower than the national average during any quarter, the facility will be awarded three (3) points for that quarter if the facility's rate of reduction during that quarter was greater than the national average rate of reduction for that same period.

<b>E. Bonus Points</b>	<b>10 Points</b>
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Based on feedback from THCA and NF providers, a NF may earn ten (10) bonus points for qualifying awards and/or accreditations that evidence the facility's commitment to quality improvement processes. Qualifying awards or accreditations must be current in the review period and are restricted to the following:

1. Full participation in the National Nursing Home Quality Improvement Campaign, which must be active during the period in which bonus points are sought
2. Membership in Eden Registry, which must be active during the period in which bonus points are sought
3. Achievement of the Malcolm Baldrige Quality Award. This includes AHCA Award (Bronze, Silver, or Gold) and the TN Center for Performance Excellence Award (Level 2, 3, or 4, which correspond with the Commitment Award, Achievement Award, and Excellence Award; the Level 1 Interest Award is specifically excluded from points). Any such award must have been achieved within the three (3) years prior to the end of the period in which bonus points are sought.
4. Accreditation by the Commission on Accreditation of Rehabilitation Facilities (CARF)
5. Accreditation by the Joint Commission

Questions regarding QuILTSS, including the *Quality Framework*, quality measures, point values, and performance benchmarks, submission process and schedule of QuILTSS submissions, should be directed [QuILTSS@tn.gov](mailto:QuILTSS@tn.gov).