



Client Alert



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GAO Recommends Timelines to Ensure Meeting of Goals for Nursing Home Rating System

The United States Government Accountability Office (GAO) released a report to Congress on March 23, 2012, outlining findings and recommendations from its recent study of the Centers for Medicare & Medicaid Services (CMS) Five-Star Quality Rating System. The study, which GAO conducted pursuant to a requirement under the Patient Protection and Affordable Care Act to review the Five-Star System, focused on three areas:

1. how CMS developed the system, including key methodological decisions made during the development process;
2. the circumstances under which CMS considers modifying the system; and
3. the extent to which CMS has established plans to ensure the goals for the system are achieved.

In conducting the study, GAO reviewed CMS documents on the Five-Star System, interviewed CMS officials and members of the technical expert panel that assisted in developing the ratings, and assessed strategic planning practices.

The final report to Congress concludes that, although CMS has identified planned efforts to improve the program, it has not established how such efforts will help achieve the goals of informing consumers and improving provider quality. Accordingly, GAO recommends that CMS use strategic planning to establish how its planned efforts will help meet the Five-Star System goals, and develop milestones and timelines for each planned improvement effort. CMS agreed to adopt the recommendations.

GAO's Findings

I. System Development and Key Methodological Decisions

The GAO report explains that CMS implemented the Five-Star System in 2008 to provide information to consumers about nursing homes and encourage improved provider quality. The system was developed with input from long-term care stakeholders, and a nine-member technical expert panel, composed of individuals with expertise in long-term care research. Under the current system, nursing homes receive an overall rating and three component ratings (health inspections, staffing, and quality measures).

GAO found that CMS made three key methodological decisions in developing the Five-Star System. The first key methodological decision was how to combine the component ratings to create an overall rating. The other two decisions pertained to how to create ratings that account for variation in the type of care provided among nursing homes. Specifically, the second key methodological decision was whether to exclude hospital-based nursing homes or set up separate ratings for hospital-based and free-standing nursing homes. The third key decision was whether the staffing rating should be based on nursing staffing levels that are adjusted to reflect varying levels of resident acuity.

- **Methodological Decision 1—How to combine the component ratings to create an overall rating**
CMS decided to assign more weight to the health inspection and staffing components and less weight to the quality measure component. To calculate the overall rating, CMS begins with health inspection rating and then adds or subtracts stars if the staffing or quality rating was particularly high or low.
- **Methodological Decision 2—Whether to exclude hospital-based nursing homes from the system or set up separate ratings for such homes**
Although CMS considered creating separate ratings for hospital-based and freestanding nursing homes, CMS ultimately decided not create a separate scale, and hospital-based homes are currently included in the Five-Star system with freestanding homes. One consideration underlying this decision was that the two nursing home types provide care to similar types of residents.
- **Methodological Decision 3—Whether staffing ratings should be based on nursing staffing levels that are adjusted to reflect resident acuity**
CMS acknowledged while developing the rating system that appropriate nursing home staffing levels vary depending on the care needs of each particular home's resident population. Based on this information, CMS decided to adjust its staffing level standards based on differences in the expected amount of time required to care for residents. The technical expert panel assisted with the selection of an adjustment method.

II. Circumstances Under Which CMS Considers Modifying the Five-Star System

GAO found that CMS generally considers modifying the Five-Star System in response to methodological issues raised by stakeholders, routine monitoring of the system, and availability of new data sources. CMS has responded to stakeholder methodological concerns by reviewing the system for potential changes, and although not every issue raised results in a change, CMS has made some minor modifications in response to methodological concerns. For example, in 2009, long-term care stakeholders raised concerns about the process for updating nursing home health inspection ratings. Because this rating is relative to the ratings of all homes in the same state, a home's rating could change based on new survey data for other homes, even if that particular home had not received a new survey. CMS responded to this issue by changing the methodology so that health inspection ratings are no longer updated unless new survey data for that home becomes available. CMS is currently working with the technical expert panel to determine how to modify the staffing and quality measure ratings based on new data available from updated resident assessment tools. The agency plans to complete modifications to the staffing component in April 2012 and anticipates that the quality measure component will be modified by the end of calendar year 2012. CMS is also considering

changing its process for collecting nursing home staffing data by collecting electronic payroll information, once these data become more widely available in the next three to five years.

III. Planned Modifications and the Extent to Which CMS Has Established Plans to Ensure it Achieves its Goals for the System

The GAO report notes that CMS has several plans intended to improve the Five-Star System, including evaluating usability, adding nursing home capability information, revising the staffing component, and developing additional quality measures. Beginning this year, CMS will conduct a multi-phase evaluation of the Nursing Home Compare website, where the rating system resides, including testing the website with consumers and surveying stakeholders. CMS is also redesigning the website to make it more similar to other “compare” websites, such as Hospital Compare and Home Health Compare.

Regarding nursing home capability information, CMS is going to work this year with a contractor to develop options for specific information that might be collected about specific home capabilities, such as whether the homes provides rehabilitative short stays or long-stay care. CMS is also considering whether such data should simply be posted as additional information or if separate ratings should be assigned to short-stay and long-stay homes.

By January 2013, CMS would like to start including some non-nurse staff in the data used to assign the staffing rating. Data on non-nurse staff, such as therapy staff, is already collected but is currently not used to calculate the staffing rating. Finally, CMS is in the initial stages of identifying additional nursing home quality measures for use in the Five-Star System, and is currently soliciting feedback from the technical expert panel. GAO concludes that CMS lacks certain strategic planning practices, such as milestones and timelines, to ensure that the planned modifications are implemented in a way that achieves that underlying goals of the rating system. While CMS has identified estimated completion dates for certain modifications, the agency has not defined any specific milestones or timelines, which GAO believes are essential for prioritizing improvements. CMS has agreed to GAO’s recommendation that it implement such planning measures, and GAO will provide updated information to the public when it is able to confirm what specific actions CMS has taken.

Conclusion

The GAO report provides a glimpse of some potential near term changes to the Five-Star System. Although the proposed modifications are incremental in nature, they reflect the current direction of the system and, to the extent possible, long-term care stakeholders should continue to provide feedback on these changes and how they can best help CMS achieve its informational goals. When further information becomes available about specific implementation timelines, providers will have an opportunity to plan ahead for any changes that might have an effect on operations.

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