



STATE OF MARYLAND

DHMH

Office of Health Services **PT 38-04**
Medical Care Programs

Maryland Department of Health and Mental Hygiene
201 W. Preston Street • Baltimore, Maryland 21201

Robert L. Ehrlich, Jr., Governor – Michael S. Steele, Lt. Governor – Nelson J. Sabatini, Secretary

MARYLAND MEDICAL ASSISTANCE PROGRAM
Nursing Home Transmittal No. 186

June 18, 2004

TO: Nursing Home Administrators
FROM: Susan J. Tucker, Executive Director
Office of Health Services

NOTE: Please ensure that appropriate staff members in your organization are informed of the contents of this transmittal

RE: Fiscal Year 2005 Interim Rates

Enclosed are Fiscal Year 2005 interim rates for your facility. The rates are based on Regulation .07 Payment Procedures - Maryland Facilities under COMAR 10.09.10 Nursing Facility Services.

Please check the provider number at the top of the enclosed rate letter to ensure that you have received the correct data. These interim rates will become effective with payments for services provided on or after July 1, 2004. A copy of these rates should be furnished to your accountant or bookkeeper for setting up your accounts.

Interim rate calculations are based on the cost report data you submitted for the fiscal year ending any month in 2003 (i.e., fiscal year end dates January 2003 - December 2003). All cost reports have been indexed forward to December 2004 for interim rate calculations. Capital reimbursement is based also on the debt and lease information furnished to Clifton Gunderson LLP. Any significant changes in the provider's capital status (e.g., exercise of lease option to purchase) should be reported to Clifton Gunderson LLP immediately.



I. Change in the Start Date Under HIPAA Billing Requirements

To comply with the Health Insurance Portability and Accountability Act, (HIPAA), nursing home procedure codes will be replaced by revenue codes, **effective for dates of service beginning October 1, 2004**. Please note this change in the effective date.

Prior to October 17, 2004, providers must bill as they do now, using procedure codes and the DHMH 263 form. This timing allows providers until October 17, 2004 to bill September, 2004 dates of service using the older format.

Effective October 17, 2004, providers must use revenue codes and the UB92/837I format for all billings, regardless of dates of service. For dates of service prior to October 1, 2004, **billed on or after October 17th**, the revenue code and procedure code must be billed. The attached rate letter gives the translation of procedure codes to revenue codes.

II. Providers Electing Statewide Average Payment

For those providers with less than 1,000 days of care to Maryland Medicaid recipients, that elected not to submit a cost report and accept as payment the statewide average Medicaid nursing home payment for each day of care during Fiscal Year 2005 (COMAR 10.09.10.13N), the payment rate is **\$175.80**.

III. Occupancy Standard

Regulations define the applicable fiscal year occupancy standard as the statewide average occupancy, based on providers' cost report data, plus 1.5 percent. An analysis of providers' Fiscal Year 2003 cost report data, adjusted to omit providers with occupancy waivers during their 2003 fiscal year, indicates a statewide occupancy level of 88.9 percent. Therefore, the occupancy standard that will be applied to the Administrative/Routine, Other Patient Care and Capital cost centers during Fiscal Year 2005 is 90.4 percent.

IV. Nursing Service Cost Center

A. Recalibration of Nursing Hours

As prescribed by regulations, nursing hours are recalibrated each fiscal year based on the results of a new work measurement study or data from the fiscal year wage survey. Updated system-wide acuity data is used for this analysis. The recalibration process for Fiscal Year 2005 was based on the November 2003 wage survey as follows:

- 1 The time added to reimbursement calculations is the difference between the time measured by the November 2003 wage survey, **3.7096 hours**, and the time measured by the January 2003 wage survey, **3.6175 hours**. **This differential, .0921 hours, is an increase of 2.5 percent in total hours.** The

added time is a sum of - .0017 DON hours, .0051 RN hours, .0552 LPN hours, - .0677 NA hours and .1013 CMA hours.

2. The time for each personnel category in each of the levels of care was inflated by the percent change in time for that personnel category. This process adds time to the days of care in proportion to the time they require, e.g., more time is added to a heavy care day than a light care day.
3. The final result of the recalibration process is as follows:

PROCEDURE	TOTHR	DON %	RN %	LPN %	NA %	CMA %
LIGHT	2.23160	0.02110	0.12854	0.25697	0.41720	0.17619
MODERATE	3.40421	0.01596	0.11998	0.19036	0.57074	0.10297
HEAVY	4.09264	0.01312	0.11254	0.21293	0.58420	0.07722
HEAVY SPEC	4.09264	0.01312	0.11254	0.21293	0.58420	0.07722

B. Nursing Wages, Fringe Benefits, Indexes & Supplies

In addition to the recalibration of hours, Fiscal Year 2005 nursing rates are based on

- Wages as reported during the November 2003 wage survey;

Regional fringe benefit factors, calculated from providers' cost report data, as follows:

BALTIMORE	30.60%
WASHINGTON	30.10%
NON METRO	31.56%
CENTRAL	29.90%
WEST MD	37.21%

The 13-month indexes, based on changes in wages from the January 2003 wage survey to the November 2003 wage survey, used to project 75th percentile regional wages with fringes from November 2003 to December 2004;

A daily supply cost of \$3.30, an increase of \$.33 per day, or 11.1 percent, from Fiscal Year 2004;

An increase in the supply costs for tube feeding from \$4.03 to \$4.23 per day; and

An increase in supply costs for decubitus ulcer care from \$.76 to \$.77 per day.

C. Nursing Rates

Based on the recalibration of hours, wages, fringe benefits, indexes, and

supplies, Fiscal Year 2005 regional nursing rates have changed by the following percent as compared to Fiscal Year 2004:

BALTIMORE	+ 5.59%
WASHINGTON	+ 4.03%
NON METRO	+ 6.13%
CENTRAL	+ 7.08%
WEST MD	+ 1.85%

A list of the regional standard nursing service rates is attached

D. Nursing Recovery

Providers that are projected, based on Fiscal Year 2003 cost report data, to spend less than full reimbursement in the Nursing Service cost center have had their interim nursing rates reduced by 95 percent of the per diem amount projected to be recovered. This calculation allows for nursing profit up to 4.0 percent of reimbursement based on standard nursing rates for those providers with nursing costs less than reimbursement. The sum of reimbursement and profit cannot exceed reimbursement based on standard per diem nursing rates.

The attached rate letter indicates the amount of nursing recovery deducted from interim nursing rates. Providers can request a rate change if documentation of increased nursing costs will increase their reimbursement in the Nursing Service cost center by 2 percent or more.

V. Administrative/Routine Cost Center

Fiscal Year 2005 ceilings are set at 112 percent of the median day cost. The ceilings have changed as follows:

REGION	JAN 2004 CEILING	FISCAL YEAR 2005 CEILING	PERCENT CHANGE
BALTIMORE	\$60.84	\$61.55	+1.2%
WASHINGTON	65.09	63.82	-2.0%
NON-METRO	55.07	54.37	-1.3%

These changes reflect the combined impact of providers' Fiscal Year 2003 costs and inflation indexes. The efficiency allowance in this cost center is 40 percent of the difference between the provider's cost and the ceiling, with a maximum efficiency payment of 10 percent of the ceiling.

VI. Other Patient Care Cost Center

Fiscal Year 2005 ceilings are set at 118 percent of the median day cost and have changed as follows:

REGION	JAN 2004 CEILING	FISCAL YEAR 2005 CEILING	PERCENT CHANGE
BALTIMORE	\$12.88	\$14.05	+9.1%
WASHINGTON	13.42	14.36	+7.0%
NON-METRO	12.97	13.90	+7.2%

These changes reflect the combined impact of providers' Fiscal Year 2003 costs and inflation indexes. The efficiency allowance in this cost center is 25 percent of the difference between the provider's cost and the ceiling, with a maximum efficiency payment of 5 percent of the ceiling.

VII. Therapy Services Cost Center

Physical, occupational and speech therapy rates have increased by approximately 3.3 percent. A list of regional therapy rates is attached.

VIII. Capital Cost Center

For Fiscal Year 2005 rate setting, facility appraisals have been indexed as follows:

	MAR 2000	MAR 2001	MAR 2002	MAR 2003	MAR 2004
LAND	1.1334	1.1067	1.0859	1.0557	1.0230
BUILD	1.1881	1.1519	1.1274	1.1139	1.0387
EQUIP	1.0678	1.0549	1.0508	1.0326	1.0137

The Fiscal Year 2005 appraisal limit has increased to \$54,332.03/bed, an increase of 10.1 percent due to unusually high Marshall and Swift building indexes.

The Fiscal Year 2005 equipment allowance has increased to \$4,877.06/bed, an increase of 2.3 percent. The Fiscal Year 2005 Capital Rental Rate remains at 7.57 percent.

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Any questions regarding this transmittal or the rates on the enclosed listings should be directed to the Nursing Home Section of the Division of Long Term Care Services at (410) 767-1444.

SJT/seh
Enclosures

cc: Nursing Home Liaison Committee

FISCAL YEAR 2005 NURSING SERVICE RATES

Effective July 1, 2004

PATIENT CLASSIFICATION OR NURSING PROCEDURE	BALT	WASH	NON METRO	CENTRAL	WEST MD
LIGHT CARE	62.79	59.94	59.19	60.77	53.69
MODERATE CARE	89.69	86.83	84.50	87.21	77.68
HEAVY CARE	108.37	104.66	101.91	105.20	93.34
HEAVY SPECIAL CARE	109.39	105.65	102.87	106.19	94.22
DECUBITUS CARE	10.92	9.76	9.92	10.26	8.47
CLASS A SUPPORT SURFACE	23.55	23.55	23.55	23.55	23.55
CLASS B SUPPORT SURFACE	92.14	92.14	92.14	92.14	92.14
COMMUNICABLE DISEASE CARE – LEVEL I	129.86	122.92	120.99	125.22	109.67
CENTRAL INTRAVENOUS LINE	27.32	24.50	23.31	25.84	21.29
PERIPHERAL INTRAVENOUS CARE	54.59	48.55	48.23	51.24	41.81
TUBE FEEDING – MEDICARE	20.14	17.81	18.18	18.81	15.25
TUBE FEEDING – MEDICAID	24.37	22.04	22.41	23.04	19.48
VENTILATOR CARE	416.34	386.24	384.36	399.66	352.65
TURNING & POSITIONING	7.95	8.27	7.72	7.95	7.52
AEROSOL OXYGEN THERAPY	5.87	5.19	5.31	5.48	4.44
SUCTIONING	13.42	11.85	12.18	12.52	10.13

FISCAL YEAR 2005 THERAPY SERVICE RATES

EFFECTIVE JULY 1, 2004

		PHYSICAL	OCCUPATIONAL	SPEECH
BALTO	1 hour	70.91	67.35	64.84
	3/4 hour	53.19	50.51	48.63
	1/2 hour	35.46	33.68	32.42
	1/4 hour	17.73	16.84	16.21
WASH	1 hour	74.47	70.82	68.25
	3/4 hour	55.85	53.11	51.19
	1/2 hour	37.23	35.41	34.12
	1/4 hour	18.62	17.70	17.06
NON METRO	1 hour	67.51	64.09	61.67
	3/4 hour	50.63	48.07	46.26
	1/2 hour	33.76	32.04	30.84
	1/4 hour	16.88	16.02	15.42