



STATE OF MARYLAND

DHMH

PT 26-01

Office of Health Services
Medical Care Programs

Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Parris N. Glendening, Governor - Georges C. Benjamin, M.D., Secretary

**MARYLAND MEDICAL ASSISTANCE PROGRAM
Nursing Home Transmittal No. 171**

June 22, 2001

TO Nursing Home Administrators
Susan J. Tucker
FROM: Susan J. Tucker, Acting 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 2002 Interim Rates

Enclosed are Fiscal Year 2002 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, 2001 through June 30, 2002. A copy of these rates should be furnished to your accountant or bookkeeper for setting up your accounts.

All interim rate calculations are based on the cost report data submitted by you for the fiscal year ending any month in 2000 (i.e., fiscal year end dates January 2000 - December 2000). All cost reports have been indexed forward to December 2001 for interim rate calculations. Capital reimbursement is based also on the debt and lease information furnished to Clifton Gunderson L.L.C. Any significant changes in the provider's capital status (e.g., exercise of lease option to purchase) should be reported to Clifton Gunderson L.L.C. immediately.

Rates reflect the content of proposed amendments that augment reimbursement in the Nursing cost center during Fiscal Years 2002 and 2003. In Fiscal Year 2002, these amendments increase reimbursement \$20 million (\$10 million in State funds and \$10 million in federal funds). The average per diem additional funding of \$3.44 is intended to increase the amount of direct patient care rendered by nursing staff and allow higher compensation to nursing staff. The amendments address the concerns of the Task Force on Quality of Care in Nursing Homes, the intent of Senate Bill 794 passed by the General Assembly in 2000, and the recommendations of the Nursing Home Reimbursement Study Group.

I. 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 2002 (COMAR 10.09.10.13N.), the payment rate is \$ 151.45.

II. Occupancy Standard

Regulations define the applicable fiscal year occupancy standard as the statewide average occupancy, based on providers' cost report data, plus one-half of a percent. An analysis of providers' Fiscal Year 2000 cost report data, adjusted to omit providers with occupancy waivers during their 2000 fiscal year, indicates a statewide occupancy level of 88.4 percent. Therefore, the occupancy standard that will be applied to the Administrative/Routine, Other Patient Care and Capital cost centers during Fiscal Year 2002 is 88.9 percent.

III. Nursing Service Cost Center

A. Recalibration of Nursing Hours

(1) Annual Recalibration

As prescribed by regulation, the nursing times and staff weights factored into the per diem levels of care have been updated based on an analysis of the hours of care provided during the September 2000 wage survey period. The following 2 charts summarize the impact of this recalibration.

STATEWIDE AVERAGE PER DIEM HOURS OF CARE				
STAFF LEVEL	PRIOR TO RECALIBRATION	HOURS ADDED	AFTER RECALIBRATION	PERCENT INCREASE
DON	0.0840	0.0000	0.0840	0.0%
R N	0.4432	0.0238	0.4670	5.4%
LPN	0.6263	0.0407	0.6670	6.5%
NA	2.0988	0.0402	2.1390	1.9%
CMA	0.1795	0.0295	0.2090	16.4%
TOTAL	3.4318	0.1342	3.5660	3.9%

PERCENT OF .1342 HOURS ADDED		
DON	0.0%	48%
R N	17.7%	
LPN	30.3%	
NA	30.0%	52%
CMA	22.0%	
TOTAL	100%	100%

As indicated by these tables, 0.1342 hours (8 minutes) have been added to each day of care. The added hours increase the average per diem hours of care by 3.9 percent. It is significant to note that although DON/RN/LPN time account for 34 percent of **total time**, these staff levels account for 48 percent of the **added time**. Hence, the additional hours are proportionately more costly hours. Therefore, although the hours have increased by 3.9 percent, the cost of these hours has increased by a larger percent.

(2) Additional Recalibration to Incorporate Senate Bill 794 Funds

A further recalibration has been made to factor in the additional \$20 million in funding in accordance with the intent of Senate Bill 794. This was accomplished by adding nurse aide hours to each per diem level of care in proportion to their occurrence in each level of care. The result of this process is as follows:

LEVEL OF CARE	PERCENT OF NA HOURS FACTORED INTO ADLs	ADDED NURSE AIDE HRS
LIGHT	8.3 %	0.1044
LIGHT – BEH MGMT	11.3 %	0.1420
MODERATE	17.6 %	0.2210
MODERATE – BEH MGMT	18.9 %	0.2390
HEAVY	22.0 %	0.2770
HEAVY SPECIAL	22.0 %	0.2770

This methodology is not intended to be prescriptive. Although a provider may choose to do so, it is not required that all additional funding be used by all providers to increase nurse aide hours of care. Rather, this methodology was chosen because it makes the additional funding available to providers based on acuity; those providers serving a heavier patient mix will receive proportionally more additional funding. The intent is to allow providers to choose how to use the additional funds to increase nurse staffing and compensation.

B. Nursing Rates

A list of the revised regional standard nursing service rates is attached. These rates are based on the following:

1. Revising hours and staff mix based on the September 2000 wage survey
2. Incorporating revised wages based on the September wage survey
3. Indexing these wages 15 months to December 31, 2001, the mid-point of the FY2002 rate year
4. Adding fringe benefits to the hourly wages, based on indexed cost report data.
5. Recalibrating the hours to factor in the additional \$20 million in funding
6. Factoring in a \$3.07 per diem supply allowance, based on indexed cost report data

The fringe benefit factors used in setting the revised regional nursing rates are as follows:

Baltimore Metropolitan	26.64 %
Washington Metropolitan	24.24 %

Non-Metropolitan	25.02 %
Central	28.50 %
Western Maryland	31.99 %

(1) **Rate Calculation without the Addition of Senate Bill 794 Funding**

Nursing rates increased significantly in all regions even before the addition of the \$20 million in funding due to Senate Bill 794. This increase is due to a combination of:

1. Significantly higher wages,
2. Larger indexes (due to the trending of higher wages), and
3. Additional, and relatively more costly, hours of care.

The increase in reimbursement without the added funding is as follows:

WITHOUT ADDITIONAL FUNDS	
REGION	PERCENT INCREASE
BALTIMORE	19.4%
WASHINGTON	9.0%
NON-METRO	13.1%
CENTRAL	23.7%
WESTERN MD	19.6%

(2) **Rate Calculation Incorporating the \$20 Million in Senate Bill 794 Funding**

Although the average amount of Senate Bill 794 additional reimbursement is \$3.44 per day (\$20 million divided by the projected number of Medicaid days), the specific amount of additional funding for a day of care is dependent on the provider's nursing region and the patient's level of care.

The chart below summarizes the amount of average per diem additional reimbursement based on the provider's nursing region. This amount is correlated directly to the region's nurse aide wage after indexing and adding fringe benefits.

AVERAGE ADDITIONAL FUNDS PER DAY	
REGION	AMOUNT
BALTIMORE	\$ 3.31
WASHINGTON	3.51
NON-METRO	3.44
CENTRAL	3.62
WESTERN MD	3.64

The following chart factors in the second variable referenced above, the patient's level of care. As intended, funding increases with acuity.

AVERAGE ADDITIONAL FUNDS PER DAY					
LEVEL OF CARE	BALTO	WASH	NONM	CENTRAL	WEST MD
LIGHT	\$1.47	\$1.57	\$1.54	\$1.61	\$1.61
LIGHT BEH MGMT	2.02	2.14	2.10	2.20	2.20
MODERATE	3.19	3.38	3.32	3.49	3.50
MOD BEH MGMT	3.44	3.64	3.58	3.76	3.77
HEAVY	4.04	4.28	4.19	4.41	4.43
HEAVY SPECIAL	4.07	4.32	4.24	4.46	4.47

(3) Combined Impact of (1) and (2) on Fiscal Year 2002 Nursing Rates

Factoring in the combined impact of (1) and (2) above, results in the following average regional increases in nursing reimbursement for Fiscal Year 2002:

REGION	PERCENT INCREASE
BALTIMORE	24.3%
WASHINGTON	13.9%
NON-METRO	18.2%
CENTRAL	29.2%
WESTERN MD	25.4%

C. Calculation of Profit

Providers that have nursing service expenditures less than reimbursement may earn profit subject to an indexed cap of the amount of per diem profit earned by the provider during a base period in State Fiscal Year 2001. The base period, at the provider's option, is either the first 6 months of Fiscal Year 2001, July 1, 2000 - December 31, 2000, or the entire 12 months of Fiscal Year 2001, July 1, 2000 - June 30, 2001. Regarding nursing homes that change ownership, the new provider will have the same profit cap as the former provider. Providers that spend less than the unadjusted rates (the rates that do not include the additional funding) may retain up to 5 percent of the unadjusted rates. **For the calculation of allowable profit and cost settlement purposes, the entire 24 months of additional funding based on Senate Bill 794, July 1, 2001 - June 30, 2003, will be considered as one reporting period.**

IV. Administrative/Routine Cost Ce

Fiscal Year 2002 ceilings are set at 114 percent of the median day cost. The ceilings have increased as follows:

REGION	FISCAL YEAR 2001 REVISED CEILING	FISCAL YEAR 2002 CEILING	PERCENT INCREASE
BALTIMORE	\$50.36	\$54.64	8.5 %
WASHINGTON	58.29	62.56	7.3 %
NON-METRO	43.21	48.10	11.3 %
SMALL FACILITY	46.98	49.67	5.7 %

The efficiency allowance in this cost center is 50 percent of the difference between the provider's cost and the ceiling, with a maximum efficiency payment of 10 percent of the ceiling.

V. Other Patient Care Cost Center

Fiscal Year 2002 ceilings are set at 120 percent of the median day cost and have changed as follows:

REGION	FISCAL YEAR 2001 REVISED CEILING	FISCAL YEAR 2002 CEILING	PERCENT INCREASE
BALTIMORE	\$11.75	\$12.68	7.9 %
WASHINGTON	11.46	12.90	12.6 %
NON-METRO	11.26	11.82	5.0 %

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.

VI. Therapy Services Cost Center

Physical, occupational and speech therapy rates have increased by 6.2 percent. A list of regional therapy rates is attached.

VII. Capital Cost Center

For Fiscal Year 2002 rate setting, facility appraisals have been indexed as follows:

APPRAISAL DATE	LAND	BUILDING	EQUIPMENT
March 2001	1.0192	1.0276	1.0107
March 2000	1.0438	1.0512	1.0317
March 1999	1.0740	1.1020	1.0506
March 1998	1.1013	1.1275	1.0521
March 1997	1.1310	1.1550	1.0630

The Fiscal Year 2002 appraisal limit has increased to \$48,468.39/bed.

The Fiscal Year 2002 equipment allowance has been increased to \$4,672.93/bed.

The Capital Rental Rate is 8.9%

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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 2002 NURSING SERVICE RATES

PATIENT CLASSIFICATION OR NURSING PROCEDURE	BALTO	WASH	NON METRO	CENTRAL	WEST MD
LIGHT CARE	51.52	49.93	48.99	52.19	47.34
LIGHT CARE BEHAVIOR MANAGEMENT	58.21	56.70	55.70	59.27	54.06
MODERATE CARE	74.24	72.92	71.52	76.21	70.04
MODERATE CARE BEHAVIOR MANAGEMENT	75.72	74.93	73.49	78.08	72.54
HEAVY CARE	88.04	86.64	85.12	90.58	83.50
HEAVY SPECIAL CARE	88.86	87.45	85.92	91.43	84.28
DECUBITUS CARE	9.15	8.25	8.25	8.84	7.32
CLASS A SUPPORT SURFACE	22.46	22.46	22.46	22.46	22.46
CLASS B SUPPORT SURFACE	87.88	87.88	87.88	87.88	87.88
COMMUNICABLE DISEASE CARE – LEVEL I	107.16	103.23	101.62	108.53	98.62
COMMUNICABLE DISEASE CARE – LEVEL II	181.57	174.91	172.19	183.89	167.10
CENTRAL INTRAVENOUS LINE	22.58	20.00	19.21	21.80	17.52
PERIPHERAL INTRAVENOUS CARE	45.33	40.40	39.80	43.73	35.41
TUBE FEEDING – MEDICARE	16.77	15.01	15.02	16.17	13.16
TUBE FEEDING – MEDICAID	20.69	18.93	18.94	20.09	17.08
VENTILATOR CARE	349.34	324.70	321.58	341.33	299.80
TURNING & POSITIONING	6.51	6.82	6.69	7.06	6.99
OSTOMY CARE	4.91	5.01	4.96	5.19	5.03
AEROSOL OXYGEN THERAPY	4.89	4.38	4.39	4.71	3.84
SUCTIONING	11.19	10.02	10.06	10.78	8.79
INJECTION – SINGLE	2.79	2.50	2.49	2.69	2.19
INJECTIONS – MULTIPLE	5.91	5.29	5.29	5.69	4.64

FISCAL YEAR 2002 THERAPY SERVICE RATES

EFFECTIVE JULY 1, 2001

		PHYSICAL	OCCUPATIONAL	SPEECH
BALTO	1 hour	63.96	60.75	58.48
	3/4 hour	47.97	45.56	43.86
	1/2 hour	31.98	30.38	29.24
	1/4 hour	15.99	15.19	14.62

WASH	1 hour	67.17	63.88	61.57
	3/4 hour	50.38	47.91	46.18
	1/2 hour	33.59	31.94	30.79
	1/4 hour	16.79	15.97	15.39

NON METRO	1 hour	60.90	57.82	55.63
	3/4 hour	45.68	43.37	41.72
	1/2 hour	30.45	28.91	27.82
	1/4 hour	15.23	14.46	13.91