



STATE OF MARYLAND

DHMH

Office of Health Services
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. 181

June 20, 2003

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

Fiscal Year 2004 Interim Rates

Enclosed are Fiscal Year 2004 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, 2003 through June 30, 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 submitted by you for the fiscal year ending any month in 2002 (i.e., fiscal year end dates January 2002 - December 2002). All cost reports have been indexed forward to December 2003 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.

Rates reflect the content of amendments to reimbursement regulations that are effective during Fiscal Year 2004. Specifically, these amendments:

Eliminate the small facility region in the administrative and routine cost center.

Remove the two nursing facilities that are owned and operated by the State from the nursing home reimbursement system and base reimbursement for these facilities on Medicare principles of reasonable cost.

Clarify that a fringe benefit factor is added only to nursing home employee wages when processing nursing salary and hours of work data.

Eliminate behavior management, ostomy care, and injections as separate nursing procedures. The nursing time associated with these procedures is merged into the per diem payments for each of the four levels of care.

Other amendments will impact FY 2004 rates and are scheduled to sunset on June 30, 2004. These time-limited proposed regulations will:

Maintain the occupancy standard used to determine providers' allowable costs at the statewide average plus 1.5%.

Reduce the net capital value rental rate from 8.9 percent to 8.37 percent.

Reduce the ceilings in the administrative and routine cost center from 114 percent of median cost to 113 percent of median cost.

Reduce the efficiency payments in the administrative and routine cost center from 50 percent to 45 percent of the difference between a provider's cost and the ceiling for those providers with costs below the ceiling.

Reduce the ceilings in the other patient care cost center from 120 percent of median cost to 119 percent of median cost.

Reduce profit in the nursing cost center from 5 percent to 4.5 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.

Employ the CPI-U index for Nursing Home and Adult Daycare as the index used to project nursing wages.

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 2004 (COMAR 10.09.10.13N), the payment rate is \$ 170.06.

II. Occupancy Standard

Regulations define the applicable fiscal year occupancy standard as the statewide average occupancy, based on providers' cost report data, plus one and one-half percent. An analysis of providers' Fiscal Year 2002 cost report data, adjusted to omit providers with occupancy waivers during their 2002 fiscal year, indicates a statewide occupancy level of 89.0 percent. Therefore, the occupancy standard that will be applied to the Administrative/Routine, Other Patient Care and Capital cost centers during Fiscal Year 2004 is 90.5 percent.

III. Nursing Service Cost Center

A. Elimination of Specific Nursing Procedures

The two behavior management levels of care, ostomy care, single injections and multiple injections have been eliminated as distinct nursing procedures. The time associated with light care behavior management and moderate care behavior management has been factored into the light care and moderate care rates, respectively. The time associated with ostomy care, single injections and multiple injections has been factored into the remaining four levels of care.

B. 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 2004 reflects the elimination of certain nursing procedures as described above. The process was as follows:

- 1 The time added to reimbursement calculations was the differential between the time measured by the January 2003 wage survey, **3.6175 hours**, and the time factored into the rates using the nursing hours and personnel category percents as measured by the work measurement study that was implemented in October 1999, **3.1418 hours**. The differential added was **.4757 hours**, nearly a half hour of care per patient day. The added time was a sum of: -.0569 DON hours, .1679 RN hours, .1653 LPN hours, .1112 NA hours and .0882 CMA hours.
- 2 Contrary to past years, these additional hours of time were not added evenly to each of the levels of care. Instead, 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 refined process added time to the days of care in proportion to the time they require, e.g., more time was added to a heavy care day than a light care day.
3. The recalibration process also merged the time associated with behavior management for light and moderate care patients into the time for light and

moderate care. This process was eased by the fact that the work measurement study had provided the hours and personnel category percents for light care and moderate care that included the time associated with behavior management. This data was used in step 2 above.

4. A more complicated task was to merge the time involved with ostomy care, single injections and multiple injections into the levels of care based on personnel category as well as the proportion of time they occur at each level of care. An analysis of recent payment data facilitated this process. This process was modified only to the extent that the total amount of time added to heavy and heavy special care was apportioned equally to both levels.
5. The final result of the recalibration process is as follows:

LEVEL OF CARE	LIGHT	MODERATE	HEAVY	HEAVY SPEC
TOTAL HOURS	2.1018	3.3148	4.0116	4.0116
DON %	0.0231	0.0169	0.0138	0.0138
RN %	0.1348	0.1217	0.1134	0.1134
LPN %	0.2522	0.1807	0.2008	0.2008
NA %	0.4582	0.6063	0.6165	0.6165
CMA %	0.1318	0.0745	0.0555	0.0555

C. Nursing Wages, Fringe Benefits, Indexes & Supplies

In addition to the recalibration of hours, Fiscal Year 2004 nursing rates are based on:

Wages as reported during the January 2003 wage survey;

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

BALTIMORE	29.44 %
WASHINGTON	29.12%
NON METRO	29.72%
CENTRAL	26.90%
WEST MD	36.38%

The 11-month CPI-U index for Nursing Home and Adult Daycare used to project 75th percentile regional wages with fringes from January 2003 to December 2003. The 11-month index was 1.0385;

A daily supply cost of \$2.97, a decrease of \$.03 per day from Fiscal Year 2003;

An increase in the supply costs for tube feeding from \$4.03 to \$4.24 per day; and

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

D. Nursing Rates

Based on the recalibration of hours, wages, fringe benefits, indexes, supplies, and acuity, Fiscal Year 2004 regional nursing rates have changed by the following percent as compared to Fiscal Year 2003:

BALTIMORE	+ 5.49 %
WASHINGTON	+ 6.28 %
NON METRO	+ 1.80 %
CENTRAL	- 2.43 %
WEST MD	- 0.20 %

A list of the regional standard nursing service rates is attached

E. Nursing Recovery

Providers that are projected, based on Fiscal Year 2002 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 set at 4.5 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. Any interim rate changes will become effective the first day of the month after the month during which the request is made.

IV Administrative/Routine Cost Center

Fiscal Year 2004 ceilings are set at 113 percent of the median day cost. The ceilings have changed as follows:

REGION	FISCAL YEAR 2003 CEILING	FISCAL YEAR 2004 CEILING	PERCENT CHANGE
BALTIMORE	\$56.36	\$61.38	8.91%
WASHINGTON	60.12	65.67	9.23%
NON-METRO	49.58	55.56	12.06%

These changes reflect the combined impact of providers' Fiscal Year 2002 costs, inflation indices, and the decrease in the ceiling from 114 percent to 113 percent of the median day cost. The efficiency allowance in this cost center decreased from 50 percent to 45 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 2004 ceilings are set at 119 percent of the median day cost and have changed as follows:

REGION	FISCAL YEAR 2003 CEILING	FISCAL YEAR 2004 CEILING	PERCENT CHANGE
BALTIMORE	\$12.89	\$12.99	0.78%
WASHINGTON	12.88	13.54	5.12%
NON-METRO	12.52	13.08	4.47%

These changes reflect the combined impact of providers' Fiscal Year 2002 costs, inflation indices and the decrease in the ceiling from 120 percent to 119 percent of the median day cost. 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.

Therapy Services Cost Center

Physical, occupational and speech therapy rates have increased by approximately 3.5 percent. A list of regional therapy rates is attached.

Capital Cost Center

For Fiscal Year 2004 rate setting, facility appraisals have been indexed as follows:

APPRAISAL DATE	LAND	BUILDING	EQUIPMENT
March 2003	1.0190	1.0115	1.0098
March 2002	1.0481	1.0237	1.0277
March 2001	1.0682	1.0461	1.0316
March 2000	1.0939	1.0790	1.0442
March 1999	1.1256	1.1310	1.0633
March 1998	1.1542	1.1573	1.0648

The Fiscal Year 2004 appraisal limit has increased to \$49,338.93/bed.

The Fiscal Year 2004 equipment allowance has increased to \$4,769.46/bed

The Fiscal Year 2004 Capital Rental Rate is 8.37%

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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 2004 NURSING SERVICE RATES

Effective July 1, 2003

PATIENT CLASSIFICATION OR NURSING PROCEDURE	BALTO	WASH	NON METRO	CENTRAL	WEST MD
LIGHT CARE	58.18	56.47	54.08	55.39	51.23
MODERATE CARE	84.71	83.26	79.50	81.23	76.10
HEAVY CARE	102.85	100.79	96.37	98.51	91.98
HEAVY SPECIAL CARE	103.82	101.74	97.28	99.44	92.84
DECUBITUS CARE	10.93	9.87	9.61	9.96	8.60
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	127.60	123.13	117.35	120.91	111.45
CENTRAL INTRAVENOUS LINE	26.72	24.43	22.69	23.68	21.31
PERIPHERAL INTRAVENOUS CARE	54.16	48.90	46.70	48.64	42.28
TUBE FEEDING – MEDICARE	20.16	18.06	17.56	18.26	15.53
TUBE FEEDING – MEDICAID	24.40	22.30	21.80	22.50	19.77
VENTILATOR CARE	404.55	378.37	367.25	376.92	345.40
TURNING & POSITIONING	7.63	8.01	7.61	7.68	7.63
AEROSOL OXYGEN THERAPY	5.88	5.26	5.12	5.33	4.53
SUCTIONING	13.46	12.03	11.75	12.22	10.33

FISCAL YEAR 2004 THERAPY SERVICE RATES

EFFECTIVE JULY 1, 2003

		PHYSICAL	OCCUPATIONAL	SPEECH
BALTO	1 hour	68.62	65.16	62.73
	3/4 hour	51.47	48.87	47.05
	1/2 hour	34.31	32.58	31.37
	1/4 hour	17.16	16.29	15.68

WASH	1 hour	72.05	68.53	66.04
	3/4 hour	54.04	51.40	49.53
	1/2 hour	36.03	34.27	33.02
	1/4 hour	18.01	17.13	16.51

NON METRO	1 hour	65.32	62.01	59.67
	3/4 hour	48.99	46.51	44.75
	1/2 hour	32.66	31.01	29.84
	1/4 hour	16.33	15.50	14.92