



STATE OF MARYLAND

Office of Health Services
Medical Care Programs

PT 36-06

DHMH

Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Robert L. Ehrlich, Jr., Governor - Michael S. Steele, Lt. Governor - S. Anthony McCann, Secretary

MARYLAND MEDICAL ASSISTANCE PROGRAM

Nursing Home Transmittal No. 203

June 26, 2006

TO: Nursing Home Administrators

FROM: Mark A. Leeds, Director 
Long Term Care and Community Support Services

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

RE: **Fiscal Year 2007 Interim Rates**

Enclosed are Fiscal Year 2007 interim rates for your facility which will become effective with payments for services provided on July 1, 2006.

The rates are based on Regulation .07 Payment Procedures - Maryland Facilities under COMAR 10.09.10 Nursing Facility Services, in accordance with amendments proposed to become effective July 1, 2006. These amendments impose a cost containment reduction equal to 1.4 percent of the interim and final per diem payments in the Administrative and Routine, Other Patient Care and Capital cost centers. They also add reimbursement to the Administrative and Routine and Other Patient Care cost centers for those providers that maintain kosher kitchens.

Please check the provider number at the top of the enclosed rate letter to ensure that you have received the correct data. 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 2005 (i.e., fiscal year end dates January 2005 - December 2005). All cost reports have been indexed forward to December 2006 for interim rate calculations.

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I. New Contractual Auditor, Effective July 1, 2006

Capital reimbursement is based also on the debt and lease information that was 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 the Program's new contractual auditor, Myers and Stauffer LC, immediately. Myers and Stauffer will be moving to 400 Redland Court, Suite 207 in Owings Mills, MD 21117. Until they are present at that location they can be reached by phone at (717) 541-1203.

II. Increase in Patient Personal Needs Allowance

Effective July 1, 2006, the personal needs allowance for Medicaid nursing home recipients will increase to \$64 per month for individuals and \$128 per month for couples.

III. 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 2007 (COMAR 10.09.10.13N), the payment rate is \$193.21.

IV. 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 2005 cost report data, adjusted to omit providers with occupancy waivers during their 2005 fiscal year, indicates a statewide occupancy level of 89.4 percent. Therefore, the occupancy standard that will be applied to the Administrative and Routine, Other Patient Care and Capital cost centers during Fiscal Year 2007 is 90.9 percent.

V. Nursing Service Cost Center

A. Adoption of the Results from the 2005 Work Measurement Study and Recalibration of Nursing Hours

For Fiscal Year 2007, the results of the 2005 work measurement study have replaced the prior times and personnel weights used to calculate nursing rates. Implementation of the new work measurement study has significantly impacted rates for several nursing services – some negatively and some positively. As prescribed by regulations, these nursing hours are recalibrated each fiscal year based on data from the fiscal year wage survey. Updated system-wide acuity data is used for this analysis. The recalibration process for Fiscal Year 2007 was based on the October 2005 wage survey as follows:

1. The adjustment to reimbursement calculations is the difference between the time measured by the October 2005 wage survey, 3.71 hours, and the time measured by the November 2004 wage survey, 3.76 hours. This differential, -0.05 hours, is a decrease of 1.3 percent in total hours. The net difference is the sum of +.0029 DON hours, +.0089 RN hours, +.0197 LPN hours, -.2070 NA hours and +.1242 CMA hours. This decrease in hours would have had a larger impact if it were not for the fact that

only nurse aide hours (the least expensive hours) decreased.

2. The time for each personnel category in each of the levels of care was adjusted by the percent time for that personnel category. This process adjusts time to the days of care in proportion to the time they require.
3. The final result of the recalibration process is as follows:

PROCEDURE	HOURS	DON %	RN %	LPN %	NA %	CMA %
LIGHT	2.6597	2.059	10.533	30.144	42.699	14.565
MODERATE	3.4383	1.643	10.231	22.636	53.284	12.206
HEAVY	3.6300	1.492	10.074	19.317	58.006	11.112
HEAVY SPEC	4.3613	1.221	11.583	26.443	51.481	9.273

It should be noted that, based on the results of the 2005 work measurement study, there is significantly more time associated with heavy special care than with heavy care.

B. Nursing Wages, Fringe Benefits, Indexes & Supplies

In addition to the recalibration of hours, Fiscal Year 2007 nursing rates are based on:

- Wages as reported during the October 2005 wage survey;
- Regional fringe benefit factors, calculated from providers' cost report data, as follows:

BALTIMORE	30.78%
WASHINGTON	30.18%
NON METRO	31.42%
CENTRAL	28.86%
WEST MD	38.36%

- The indexes based on changes in wages from the November 2003, November 2004 and October 2005 wage surveys, used to project 75th percentile regional wages from October 2005 to December 2006;
- An increase in the daily supply cost of \$.24 from \$3.28 to \$3.52;
- An increase in the supply costs for tube feeding from \$4.32 to \$4.38 per day; and
- An increase in supply costs for decubitus ulcer care from \$.79 to \$.80 per day.

C. Nursing Rates

Fiscal Year 2007 regional nursing rates have increased slightly in all regions with a more significant increase in the Non-Metro region. The percent change from Fiscal Year 2006 to Fiscal Year 2007 is indicated by the following chart.

BALTIMORE	0.7%
WASHINGTON	2.6%
NON METRO	6.2%
CENTRAL	0.8%
WEST MD	2.9%

Fiscal Year 2007 Nursing Service Rates are attached to this transmittal. Providers receive reimbursement based upon their projected nursing service costs, not to exceed these rates. Providers with costs less than these rates are allowed profit in the amount of 60 percent of the difference between their costs and the rate. Profit may not exceed 3.15 percent of the provider's maximum allowable reimbursement based upon standard per diem rates.

D. Nursing Recovery

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

VI. Administrative and Routine Cost Center

Fiscal Year 2007 ceilings are set at 112.25 percent of the median per diem cost. The ceilings as calculated are shown below. Due to the fact that payment in this cost center is reduced by 1.4 percent, providers at or above the ceiling will receive the maximum payment as noted (the ceiling less 1.4 percent.)

The ceiling remains applicable for the calculation of rates for providers with costs below the ceiling. After the rate is calculated as in the past, with an added efficiency payment, the total amount is subjected to the 1.4 percent reduction.

REGION	FISCAL YEAR 2006 CEILING SEPTEMBER - JUNE	FISCAL YEAR 2007 CEILING	FISCAL YEAR 2007 MAXIMUM PAYMENT	PERCENT CHANGE IN MAXIMUM PAYMENT
BALTIMORE	\$66.15	\$69.43	\$68.46	3.49%
WASHINGTON	71.13	75.99	74.93	5.34%
NON-METRO	59.68	65.68	64.76	8.51%

The ceilings reflect the combined impact of providers' Fiscal Year 2005 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.

VII. Other Patient Care Cost Center

Fiscal Year 2007 ceilings are set at 118 percent of the median per diem cost. The ceilings as calculated are shown below. Due to the fact that payment in this cost center is also reduced by 1.4 percent, providers at or above the ceiling will receive the maximum payment as noted (the ceiling less 1.4 percent.)

The ceiling remains applicable for the calculation of rates for providers with costs below the ceiling. After the rate is calculated as in the past, with an added efficiency payment, the total amount is subjected to the 1.4 percent reduction.

REGION	FISCAL YEAR 2006 CEILING	FISCAL YEAR 2007 CEILING	FISCAL YEAR 2007 MAXIMUM PAYMENT	PERCENT CHANGE IN MAXIMUM PAYMENT
BALTIMORE	\$14.63	\$14.98	\$14.77	0.96%
WASHINGTON	15.48	15.95	15.73	1.61%
NON-METRO	14.27	14.92	14.71	3.08%

These ceilings reflect the combined impact of providers' Fiscal Year 2005 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.

VIII. Therapy Services Cost Center

Physical, occupational and speech therapy rates have increased by approximately 3.4 percent. A list of regional therapy rates is attached.

IX. Capital Cost Center

For Fiscal Year 2007 rate setting, facility appraisals have been indexed as follows:

	MAR 2003	MAR 2004	MAR 2005	MAR 2006
LAND	1.1257	1.0909	1.0570	1.0240
BUILD	1.2998	1.2120	1.1010	1.0493
EQUIP	1.1956	1.1738	1.0865	1.0414

The Fiscal Year 2007 appraisal limit is \$63,402.73/bed, an increase of 3.1 percent. The Fiscal Year 2007 equipment allowance is \$5,647.05/bed, an increase of 4.0 percent.

The Fiscal Year 2007 Capital Rental Rate is 8.22 percent.

Payment in the Capital cost center is also reduced by 1.4 percent.

X. Cost Containment Amount

The attached rate letter indicates the amounts of the 1.4 percent cost containment rate reductions in each of three cost centers: Administrative and Routine, Other Patient Care and Capital. It also indicates amounts added to the Administrative and Routine and Other Patient Care cost centers for those facilities that maintain a kosher kitchen. These amounts are reflected in the payments for each of the four levels of care.

* * *

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) 767-1736.

MAL/seh
Enclosures

cc: Nursing Home Liaison Committee

FISCAL YEAR 2007 NURSING SERVICE RATES

Effective July 1, 2006

PATIENT CLASSIFICATION OR NURSING PROCEDURE	BALTO	WASH	NON METRO	CENT	WEST MD
Light Care	76.58	77.35	76.20	77.28	71.63
Moderate Care	94.15	95.83	93.62	95.52	89.43
Heavy Care	97.46	99.58	96.88	99.14	93.28
Heavy Special Care	124.56	126.02	123.64	125.76	116.77
Decubitus Care - Medicare	14.47	14.12	14.08	14.06	12.21
Decubitus Care - Medicaid	15.27	14.92	14.88	14.86	13.01
Turning & Positioning	8.32	8.73	8.35	8.72	8.60
Tube Feeding - Medicare	33.61	32.81	32.70	32.66	28.36
Tube Feeding - Medicaid	37.99	37.19	37.08	37.04	32.74
Communicable Disease Care	100.17	101.73	98.98	101.00	93.44
Central Intravenous Line	50.31	50.17	47.88	48.75	42.59
Peripheral Intravenous Care	18.00	17.69	17.38	17.47	15.20
Aerosol Oxygen Therapy	3.76	3.69	3.63	3.65	3.17
Suctioning	41.39	40.97	39.69	40.14	35.00
Class A Support Surface	23.13	23.13	23.13	23.13	23.13
Class B Support Surface	92.14	92.14	92.14	92.14	92.14
Ventilator Care	440.82	437.43	430.08	432.55	398.10

FISCAL YEAR 2007 THERAPY SERVICE RATES

Effective July 1, 2006

THERAPY RATES ARE PER 15 MINUTE UNITS

REGION	PHYSICAL	OCCUPATIONAL	SPEECH
BALTO	18.98	18.03	17.36
WASH	19.93	18.96	18.27
NON METRO	18.07	17.16	16.51