



STATE OF MARYLAND
DHMH

Office of Health Services
Medical Care Programs PT 21- 02

Maryland Department of Health and Mental Hygiene
201 W. Preston Street • Baltimore, Maryland 21201
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MARYLAND MEDICAL ASSISTANCE PROGRAM
Nursing Home Transmittal No. 175

June 28, 2002

TO: Nursing Home Administrators
Susan J. Tucker
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 2003 Interim Rates

Enclosed are Fiscal Year 2003 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, 2002 through June 30, 2003. 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 2001 (i.e., fiscal year end dates January 2001 - December 2001). All cost reports have been indexed forward to December 2002 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 2003. Specifically:

- The occupancy standard has been increased from average statewide occupancy plus ½ percent to average statewide occupancy plus 1½ percent.
- Nursing wages have been indexed by trending these wages over 5 years instead of 3 years.
- Nursing reimbursement has been reduced by 95% of anticipated recovery for those

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providers projected to spend less than full reimbursement in the Nursing Service cost center.

Nursing rates include an average of \$6.74 per day in additional funding intended to increase the amount of direct patient care rendered by nursing staff and allow higher compensation to nursing staff. This additional reimbursement addresses the concerns of the Task Force on Quality of Care in Nursing Homes and the intent of Senate Bill 794 passed by the General Assembly in 2000.

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 2003 (COMAR 10.09.10.13N), the payment rate is \$162.49.

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 2001 cost report data, adjusted to omit providers with occupancy waivers during their 2001 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 2003 is 90.4 percent.

III. Nursing Service Cost Center

A. Recalibration of Nursing Hours

(1) Annual Recalibration

As prescribed by amendments to regulations in effect only for Fiscal Year 2003, the annual recalibration of nursing times and staff weights was not performed for Fiscal Year 2003

(2) Recalibration to Incorporate Senate Bill 794 Funds

A recalibration has been made to factor in the additional \$20 million in funding for Fiscal Year 2003 in accordance with the intent of Senate Bill 794. In order to allocate the additional \$20 million accurately, based on projected Medicaid days, the following methodology was used:

Remove the \$20 million worth of nurse aide hours added to the hours and personnel mix in order to satisfy the requirements of Senate Bill 794 funding for the Fiscal Year 2002 nursing rates. This left the baseline nursing hours as recalibrated from the wage survey used to set Fiscal Year 2002 rates.

- Add \$40 million worth of nurse aide hours to the baseline Fiscal Year 2002 nursing hours. As in Fiscal Year 2002, 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 %	0.1945
LIGHT – BEH MGMT	11.3 %	0.2648
MODERATE	17.6 %	0.4125
MODERATE – BEH MGMT	18.9 %	0.4446
HEAVY	22.0 %	0.5160
HEAVY SPECIAL	22.0 %	0.5160

This methodology is not intended to be prescriptive. Although a provider may choose to do so, it is not required that all additional funding is used by all providers to increase nurse aide hours of care. Rather, this methodology has been 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 Wages & Fringe Benefits

For Fiscal Year 2003, the annual wage survey was not used to recalculate regional wages for the five personnel categories. In addition, nursing fringe benefits were not calculated from cost report data.

Instead, as prescribed by amendments to regulations in effect only for Fiscal Year 2003, nursing wages have been inflated by the average percent change in raw wages, with fringe benefits added, for the past five years.

C. Nursing Supplies

The Fiscal Year 2003 per diem supply allowance is \$3.00 based on indexed cost report data, a decrease of \$.07 from Fiscal Year 2002. The supply costs associated with tube feeding have increased from \$3.92 to \$4.03 per day and decubitus ulcer care supplies have increased from \$.69 to \$.76 per day.

D. Nursing Rates

(1) Full Rates

Based on A-C above, Fiscal Year 2003 regional and statewide nursing reimbursement has increased as follows:

REGION	PERCENT INCREASE
BALTIMORE	8.0%
WASHINGTON	7.1%
NON-METRO	8.8%
CENTRAL	9.1%
WESTERN MD	8.3%
STATEWIDE	8.0%

A list of the revised regional standard nursing service rates is attached.

(2) Accelerated Recovery

Providers that are projected, based on Fiscal Year 2001 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 (see F. below) and is based on reimbursement that does not include SB 794 funding, leaving this amount available for expenditure. The attached rate letter will indicate the amount of the reduction. As in the last half of Fiscal Year 2002, providers can request a rate change if documentation of nursing costs will increase their reimbursement in the Nursing Service cost center by 2 percent or more.

E. Further Analysis of Senate Bill 794 Additional Reimbursement

Although the average amount of Senate Bill 794 additional reimbursement is \$6.74 per day, 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.

AVERAGE ADDITIONAL FUNDS PER DAY	
REGION	AMOUNT
BALTIMORE	\$ 6.47
WASHINGTON	6.79
NON-METRO	6.79
CENTRAL	7.15
WESTERN MD	7.10

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	\$2.88	\$3.03	\$3.02	\$3.18	\$3.16
LIGHT BEH MGMT	3.92	4.12	4.12	4.33	4.30
MODERATE	6.24	6.54	6.55	6.88	6.83
MOD BEH MGMT	6.72	7.06	7.05	7.42	7.37
HEAVY	7.87	8.26	8.26	8.70	8.63
HEAVY SPECIAL	7.94	8.34	8.34	8.77	8.71

F. Calculation of Profit

Nursing profit is the amount of Medicaid interim nursing payments that providers are allowed to keep above actual allowable costs. In the past, providers have been allowed to keep the difference between the interim payment and costs, subject to a cap of 5% of the payment rate. In State Fiscal Years 2002 and 2003 this calculation is different because the addition of funds pursuant to SB 794 may not result in increased profit. An explanation of the calculation for FY 2003, based on two different scenarios, is below.

Scenario #1: Providers with nursing costs less than the total interim nursing payment but greater than the baseline rate (total interim rate minus the amount attributable to SB 794).

- 1 Determine the amount by which the provider's costs were less than the interim nursing payment during the provider-selected base period (i.e., July 1, 2000 through December 31, 2000 or July 1, 2000 through June 30, 2001).
- 2 Cap this amount at 5% of the interim nursing payment during the provider-selected base period.
- 3 Index the amount by 19.9 percent, the percent increase in the baseline nursing rate over the last two years.

Note: Providers whose nursing costs exceeded interim payments during the base period cannot retain any amount above costs during FY 2003 unless their costs are below the baseline rate that excludes the SB 794 funds. See Scenario #2 below.

Scenario #2: Providers with nursing costs less than the baseline interim nursing payment rate (i.e., the rate after subtracting the amount attributable to SB 794). This methodology is only used if the result is greater than the methodology above.

- 1 Determine the amount by which the provider's costs are less than the baseline interim nursing payment in FY 2003.
- 2 Cap this amount at 5% of the baseline interim nursing payment.

G. Cost Settlement of Fiscal Year 2002 and Fiscal Year 2003 Nursing Costs

For cost settlement purposes, the entire 24 months of additional SB 794 funding, July 1, 2001 through June 30, 2003, will be considered as one reporting period. All providers are required to report nursing costs incurred during this period to Clifton Gunderson by September 30, 2003.

IV. Administrative/Routine Cost Center

Fiscal Year 2003 ceilings are set at 114 percent of the median day cost. The ceilings have changed as follows:

REGION	FISCAL YEAR 2002 REVISED CEILING EFFEC. 12/1/01 – 6/30/02	FISCAL YEAR 2003 CEILING	PERCENT CHANGE
BALTIMORE	\$54.16	\$56.36	4.1 %
WASHINGTON	62.01	60.12	-3.0 %
NON-METRO	47.67	49.58	4.0 %
SMALL FACILITY	49.23	51.78	5.2 %

These changes reflect the combined impact of providers' Fiscal Year 2001 costs, inflation indices, the increase in the ceiling from 113 percent to 114 percent of the median day cost and raising the occupancy standard. 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 2003 ceilings are set at 120 percent of the median day cost and have changed as follows:

REGION	FISCAL YEAR 2002 REVISED CEILING EFFEC. 12/1/01 – 6/30/02	FISCAL YEAR 2003 CEILING	PERCENT CHANGE
BALTIMORE	\$12.38	\$12.89	4.1 %
WASHINGTON	12.79	12.88	0.7 %
NON-METRO	11.72	12.52	6.8 %

These changes reflect the combined impact of providers' Fiscal Year 2001 costs, inflation indices, the increase in the ceiling from 119 percent to 120 percent of the median day cost and raising the occupancy standard. 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 approximately 3 percent. A list of regional therapy rates is attached.

VII. Capital Cost Center

For Fiscal Year 2003 rate setting, facility appraisals have been indexed as follows:

APPRAISAL DATE	LAND	BUILDING	EQUIPMENT
March 2002	1.0156	1.0187	1.0050
March 2001	1.0350	1.0409	1.0088
March 2000	1.0600	1.0736	1.0213
March 1999	1.0908	1.1254	1.0400
March 1998	1.1185	1.1516	1.0414

The Fiscal Year 2003 appraisal limit has increased to \$49,096.07/bed.

The Fiscal Year 2003 equipment allowance is \$4,664.23/bed, a decrease of \$8.70. The equipment ceiling decreased because the FY 2003 1-yr and 9-month indices combined are smaller than the FY 2002 9-month index.

The Capital Rental Rate is 8.9%

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 2003 NURSING SERVICE RATES

PATIENT CLASSIFICATION OR NURSING PROCEDURE	BALTO	WASH	NON METRO	CENTRAL	WEST MD
LIGHT CARE	55.04	52.84	52.60	56.25	50.65
LIGHT CARE BEHAVIOR MANAGEMENT	62.52	60.35	60.20	64.25	58.20
MODERATE CARE	80.41	78.30	78.01	83.37	76.07
MODERATE CARE BEHAVIOR MANAGEMENT	82.16	80.63	80.32	85.58	78.97
HEAVY CARE	95.61	93.28	93.14	99.36	90.96
HEAVY SPECIAL CARE	96.51	94.16	94.02	100.29	91.81
DECUBITUS CARE	9.62	8.55	8.69	9.33	7.65
CLASS A SUPPORT SURFACE	23.43	23.43	23.43	23.43	23.43
CLASS B SUPPORT SURFACE	91.68	91.68	91.68	91.68	91.68
COMMUNICABLE DISEASE CARE – LEVEL I	112.18	106.60	106.67	114.29	102.94
CENTRAL INTRAVENOUS LINE	23.68	20.65	20.07	23.08	18.20
PERIPHERAL INTRAVENOUS CARE	47.53	41.64	41.70	46.08	36.78
TUBE FEEDING – MEDICARE	17.58	15.45	15.76	16.99	13.67
TUBE FEEDING – MEDICAID	21.61	19.48	19.79	21.02	17.70
VENTILATOR CARE	365.96	336.55	336.71	358.78	312.29
TURNING & POSITIONING	6.82	7.07	7.07	7.46	7.32
OSTOMY CARE	5.14	5.19	5.22	5.47	5.27
AEROSOL OXYGEN THERAPY	5.13	4.51	4.60	4.95	3.99
SUCTIONING	11.72	10.31	10.57	11.32	9.12
INJECTION – SINGLE	2.92	2.57	2.62	2.83	2.27
INJECTIONS – MULTIPLE	6.19	5.44	5.56	5.98	4.81

FISCAL YEAR 2003 THERAPY SERVICE RATES

EFFECTIVE JULY 1, 2002

		PHYSICAL	OCCUPATIONAL	SPEECH
BALTO	1 hour	65.70	62.37	60.01
	3/4 hour	49.28	46.78	45.01
	1/2 hour	32.85	31.19	30.01
	1/4 hour	16.43	15.59	15.00

WASH	1 hour	69.02	65.62	63.21
	3/4 hour	51.77	49.22	47.41
	1/2 hour	34.51	32.81	31.61
	1/4 hour	17.26	16.41	15.80

NON METRO	1 hour	62.52	59.33	57.07
	3/4 hour	46.89	44.50	42.80
	1/2 hour	31.26	29.67	28.54
	1/4 hour	15.63	14.83	14.27