

# Overview of Long Term Care Facility Medicaid Reimbursement

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## *General*

- Medicaid certified facilities (NFs and ICFs-MR)
- History of reimbursement (retrospective 1980-91, semi-prospective 1991-93, prospective 1993-current)
- Prospective reimbursement system (calendar year preceding the fiscal year)
- Cost centers (Direct, Other Protected, Indirect, Capital)
- Annual calendar year cost report (establishes state fiscal year rates)
- Not fee-for-service, costs are reported and reimbursed prospectively

## *Cost Report*

- Calendar year cost report filed by providers within ninety days
  - expenses
  - days
  - revenues
  - balance sheets (assets and liabilities)
- Expenses reported for entire calendar year for the Medicaid-certified facility
- Inpatient days reported for entire calendar year (Medicaid, Medicare, Veterans/Other, Private Pay)
- Imputed occupancy requirements (indirect care and capital costs)

## *Cost Centers*

- Direct care - wages, benefits, training for RNs, LPNs, nurse aides
- Other Protected - medical supplies, real estate taxes, utilities
- Indirect care - administrative and general costs (includes incontinence supplies and dietary costs)
- Capital - depreciation, interest, and lease on buildings and assets

**[ Note: The Active Treatment Add-On Expense was added to the Direct Care Cost Center for CY 2006. ]**

# Cost Center Components Included In Costs

Direct Care	Other Protected	Indirect Care	Capital
<p> <b>Direct Care Staff</b>  <b>Administrative Nursing Staff</b>  <b>Direct Care Consulting</b>  <b>Direct Care Management Fees</b>  <b>Direct Care Home Office Exp.</b>  <b>Medical Directors</b>  <b>Social Services Staff</b>  <b>Activities Staff</b>  <b>Psychologists</b>  <b>Psychology Assistants</b>  <b>Social Workers</b>  <b>Counselors</b>  <b>Habilitation Staff</b>  <b>Program Directors</b>  <b>Respiratory Therapists</b>  <b>Habilitation Supervisors</b>  <b>Physical Therapy</b>  <b>Occupational Therapy</b>  <b>Speech Therapy</b>  <b>Audiology</b>  <b>Active Treatment Add-On</b> </p> <p> <b>With the exceptions of other persons holding degrees to qualify them to provide therapy</b> </p>	<p> <b>Medical Supplies</b>  <b>Real Estate Taxes</b>  <b>Franchise Permit Fees</b>  <b>Property Taxes</b>  <b>Utilities</b>  <ul style="list-style-type: none"> <li>- Natural Gas</li> <li>- Fuel Oil</li> <li>- Water</li> <li>- Electricity</li> <li>- Sewage and Refuse</li> </ul> <b>Allocated Other Protected</b>  <b>Home Office Costs</b> </p>	<p> <b>Includes costs for all reasonable costs other than direct care costs, other protected costs or capital.</b> </p> <ul style="list-style-type: none"> <li>- habilitation supplies</li> <li>- pharmacy consultants</li> <li>- medical and habilitation records</li> <li>- program supplies</li> <li>- incontinence supplies</li> <li>- food</li> <li>- enterals</li> <li>- dietary personnel and supplies</li> <li>- laundry</li> <li>- housekeeping</li> <li>- security</li> <li>- administration</li> <li>- liability insurance</li> <li>- bookkeeping</li> <li>- purchasing department</li> <li>- human resources</li> <li>- communications</li> <li>- travel</li> <li>- dues</li> <li>- license fees</li> <li>- subscriptions</li> <li>- home office cost not otherwise allocated</li> <li>- legal and accounting fees</li> <li>- minor equipment</li> <li>- maintenance and repairs</li> <li>- advertising (help-wanted &amp; informational)</li> <li>- start-up costs</li> <li>- organizational cost</li> <li>- other interest</li> <li>- property insurance</li> <li>- employee training</li> <li>- staff development</li> <li>- benefits</li> <li>- payroll taxes</li> <li>- workers compensation premiums</li> </ul>	<p> <b>Cost of Ownership</b> </p> <ul style="list-style-type: none"> <li>- depreciation and interest on any capital asset that costs five hundred dollars or more per item</li> <li>- amortization and interest on land improvements and leasehold improvements</li> <li>- amortization of financing costs</li> <li>- lease and rent of land, building and equipment</li> </ul> <p> <b>Nonextensive Renovations</b> </p> <p> <b>Return on Net Equity</b> </p> <ul style="list-style-type: none"> <li>- ceiling of \$1 per resident per day</li> <li>- proprietary facilities only</li> </ul>
<p><b>Excluding (directly billed)</b></p>			

- ▶ CAGR = Compound Annual Growth Rate, which is a statistical calculation used to average out ( smooth out) the growth over time; a method of expressing a rate of growth over a number of years (10 years vs. 5 years) .
- ▶ Protected Expense: Government Fee Expense = just the \$1.00 portion of the overall Franchise Fee.
- ▶ Number of Facilities in Report: varies from year to year, depends on how many received from MIS and how many are cleared.
- ▶ Bed Days Available: Is the total number of beds times 365 days in a year ( or 366 for 1996 & 2000).  
( i.e., 100 bed facility X 365 days in a year = 36,500 Bed Days Available)
- ▶ Vacant Bed Days Available: Bed Days Available minus Inpatient Days.
- ▶ Estimated Vacant Beds: Vacant Bed Days Available divided by 365 days ( 366 for 1996, 2000, 2004, 2008, etc.).
- ▶ Inpatient Days: Sum of Medicaid Days, Private Days, Medicare Days, and Veteran's/Other Days.
- ▶ Medicaid Utilization: Medicaid Days divided by Inpatient Days.
- ▶ Occupancy: Inpatient Days divided by Bed Days Available.
- ▶ **[ NOTE: The Active Treatment Add-On Expense was added to the Direct Care Cost Center in 2006. ]**

# **ICF-MR**

# **Cost Report Trends**

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**Calendar Years 1997-2006**

# Table of Contents

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- < **Assumptions**
- < **Expense Trends**
- < **Per Diem Trends**
- < **Facility Information**
- < **Utilization Trends**

# Assumptions

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- < **Expenses are as filed by the providers on the cost report**
- < **Population includes all cost reports cleared at a point in time**
  - ↑ **Sample size varies from year to year**
- < **Per diems are calculated by dividing expenses by inpatient days**

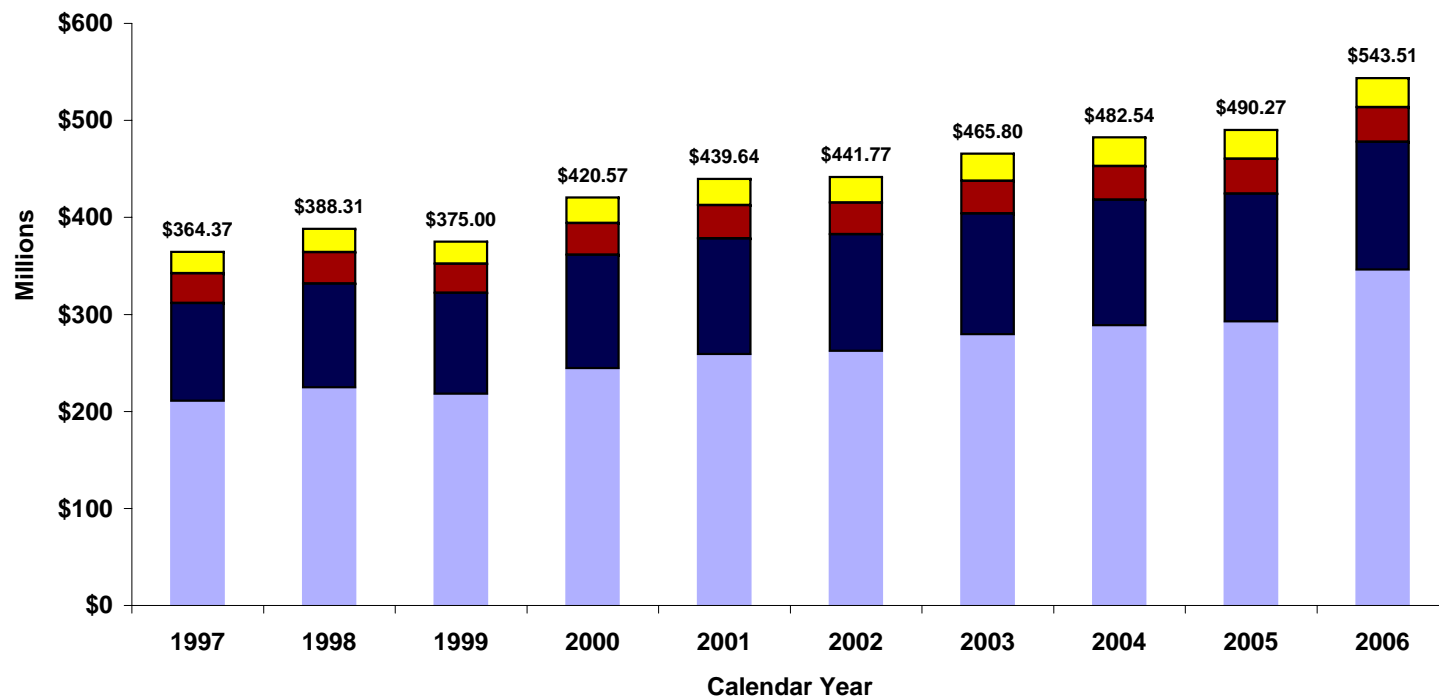
# Expense Trends

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- < **Total expenses**
- < **Direct Care Cost Center**
- < **Indirect Care Cost Center**
- < **Capital Cost Center**
- < **Protected Cost Center**

## ICF-MR Facilities

Total Expense  
(1997 - 2006)



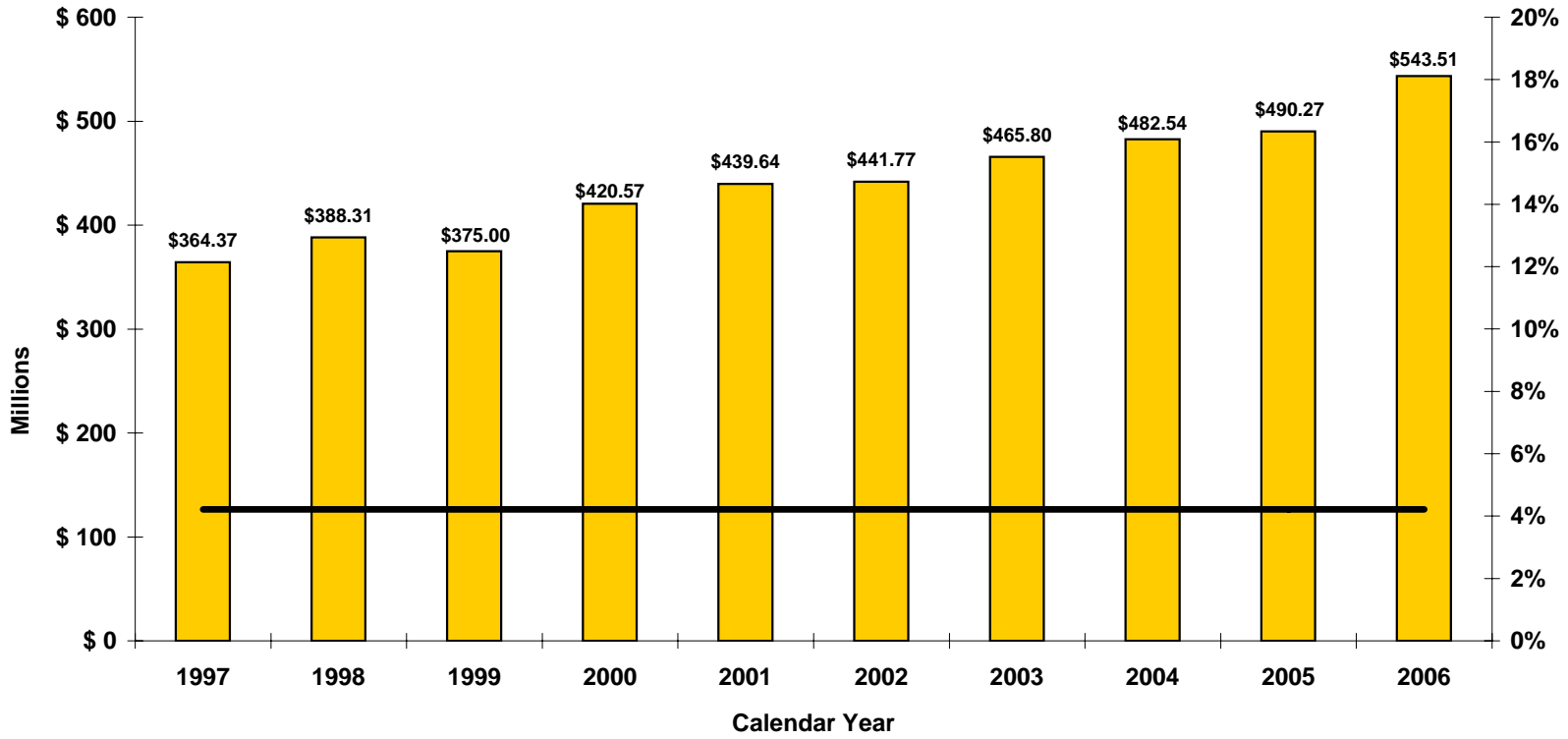
Direct

Indirect

Protected

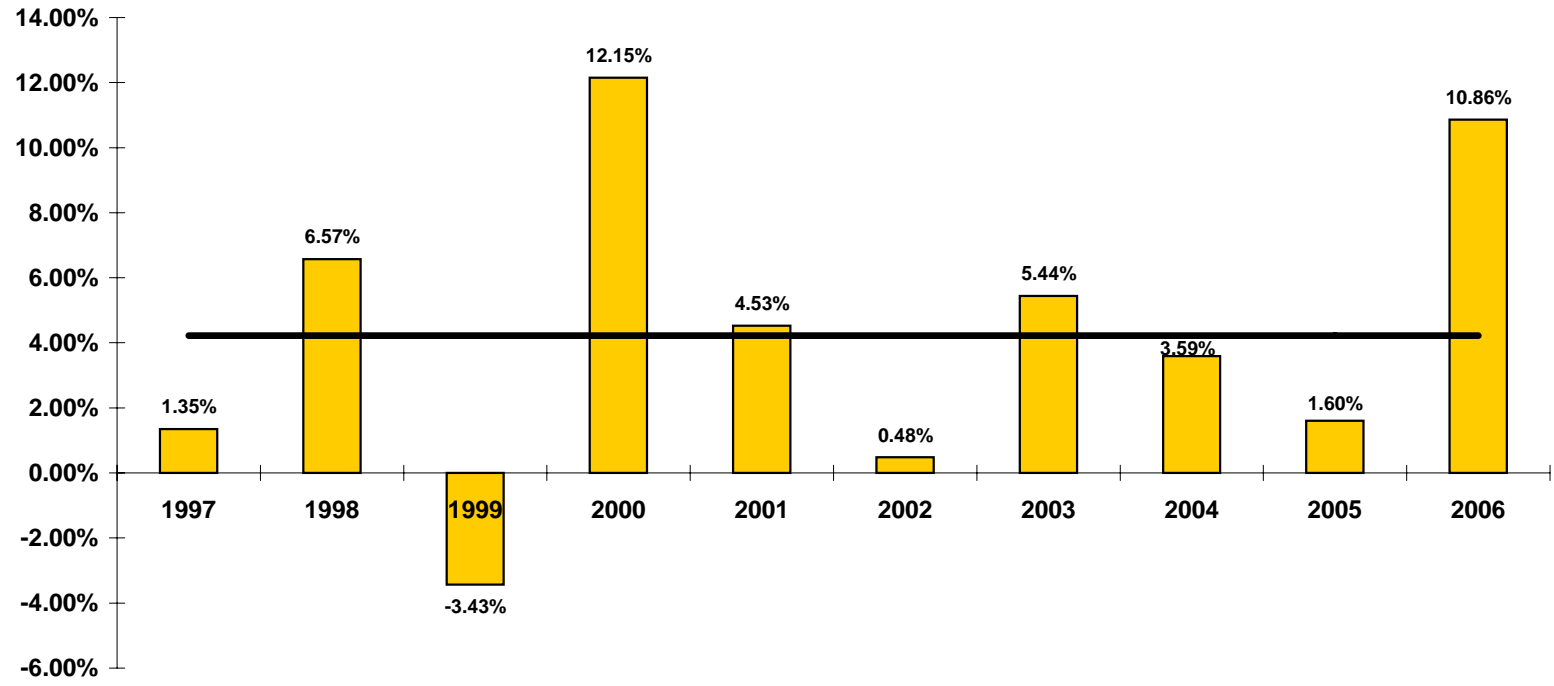
Capital

### ICF-MR Facilities Total Expense (1997- 2006)



■ Total Expense      — CAGR=4.22%

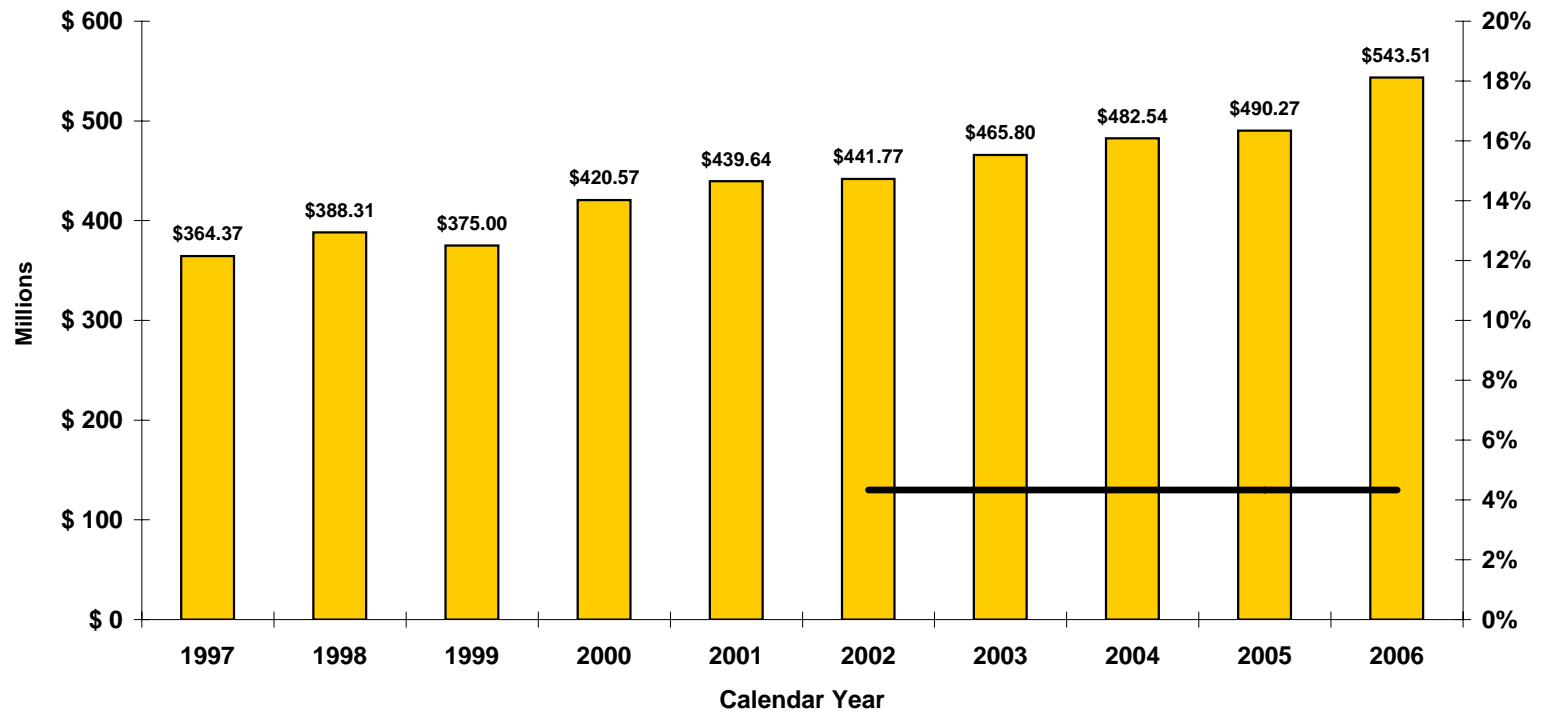
### ICF-MR Facilities Total Expense (1997- 2006)



Calendar Year

■ Percent Change: Expense    — CAGR=4.22%

### ICF-MR Facilities Total Expense (1997- 2006)

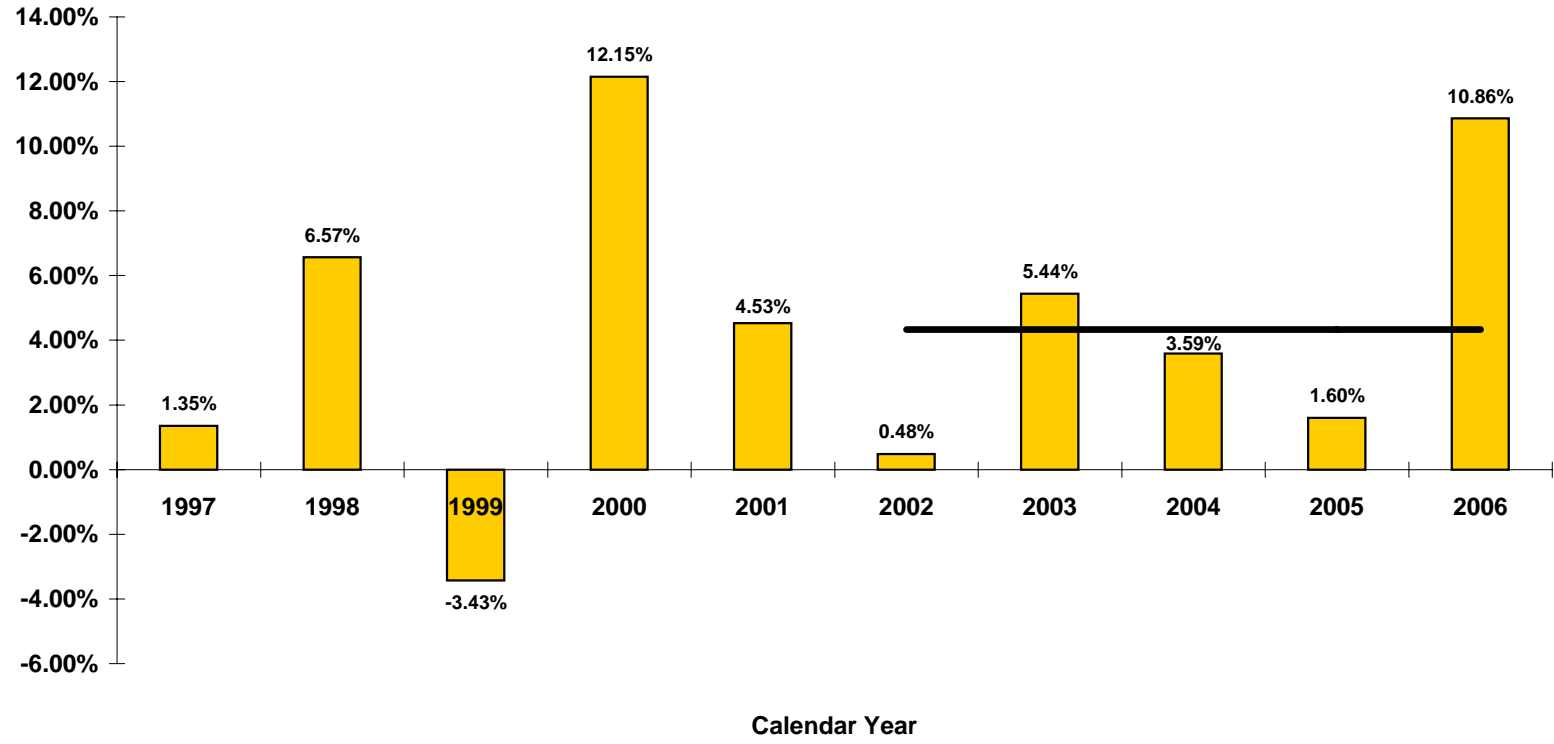


■ Total Expense      — CAGR=4.33%

### ICF-MR Facilities

#### Total Expense

(1997- 2006)



■ Percent Change: Expense    — CAGR=4.33%

# Direct Care Cost Center

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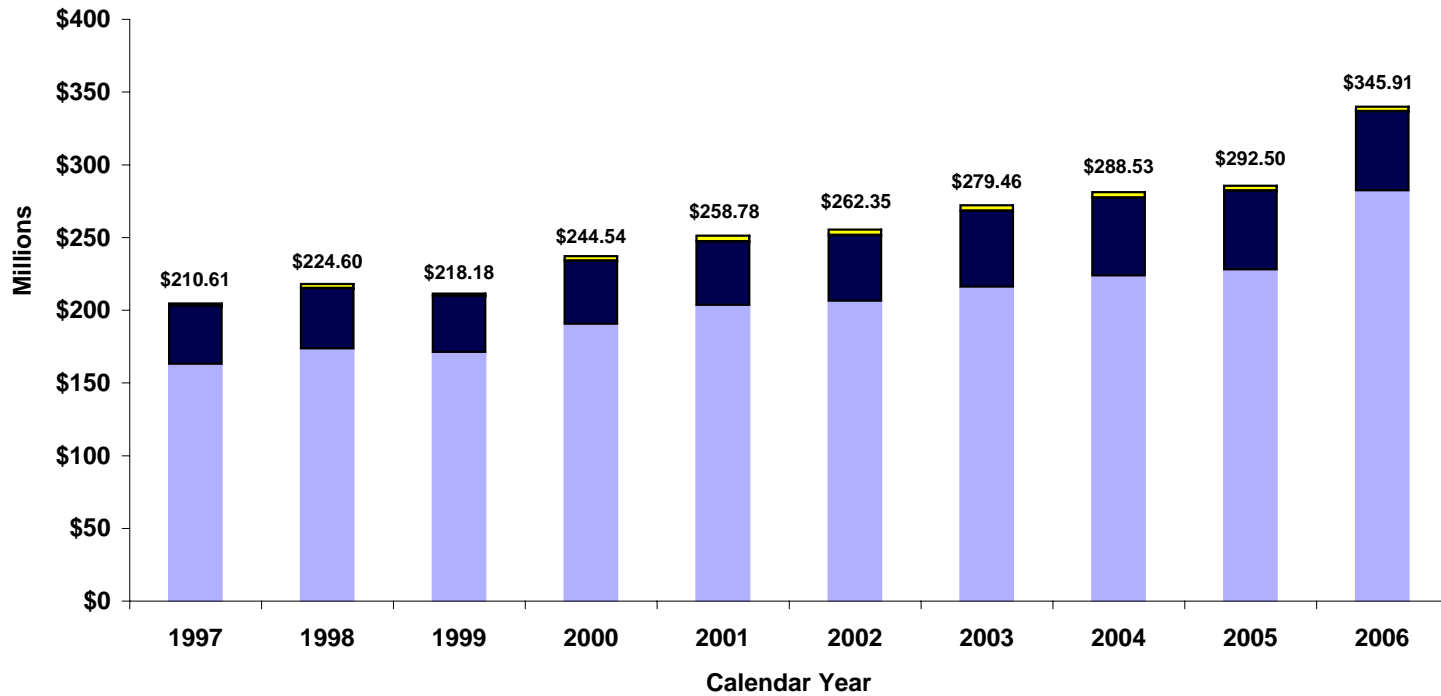
- < **Nursing & Habilitation \***
- < **Direct Care Payroll Taxes**
- < **Purchased Nursing**
- < **Nurse Aide Training**

\* As of CY 2006, the Active Treatment Add-On Expense is now part of this Sub-Account

## ICF-MR Facilities

### Direct Filed Expense

(1997- 2006)



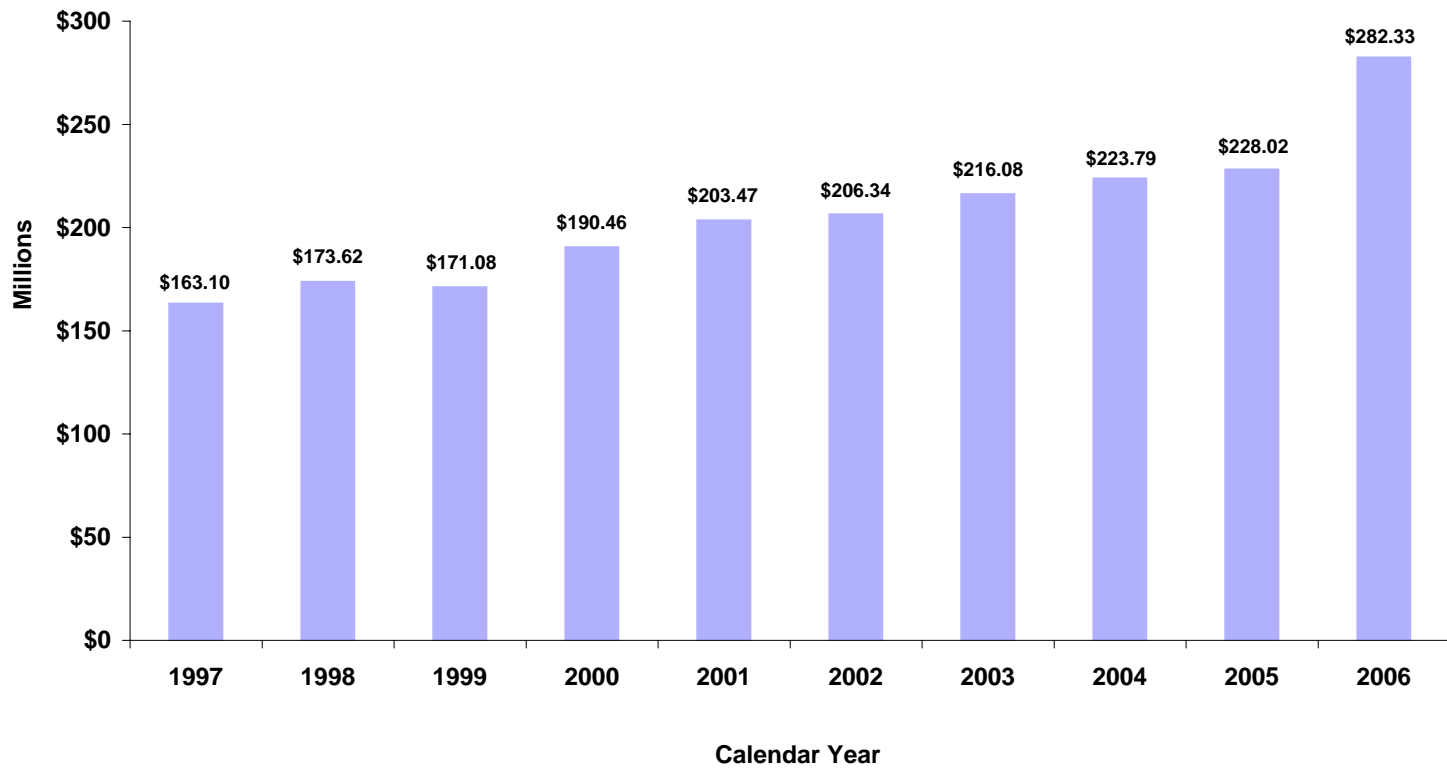
■ Nursing & Habilitation

■ Purchased Nursing

■ Direct Payroll Tax

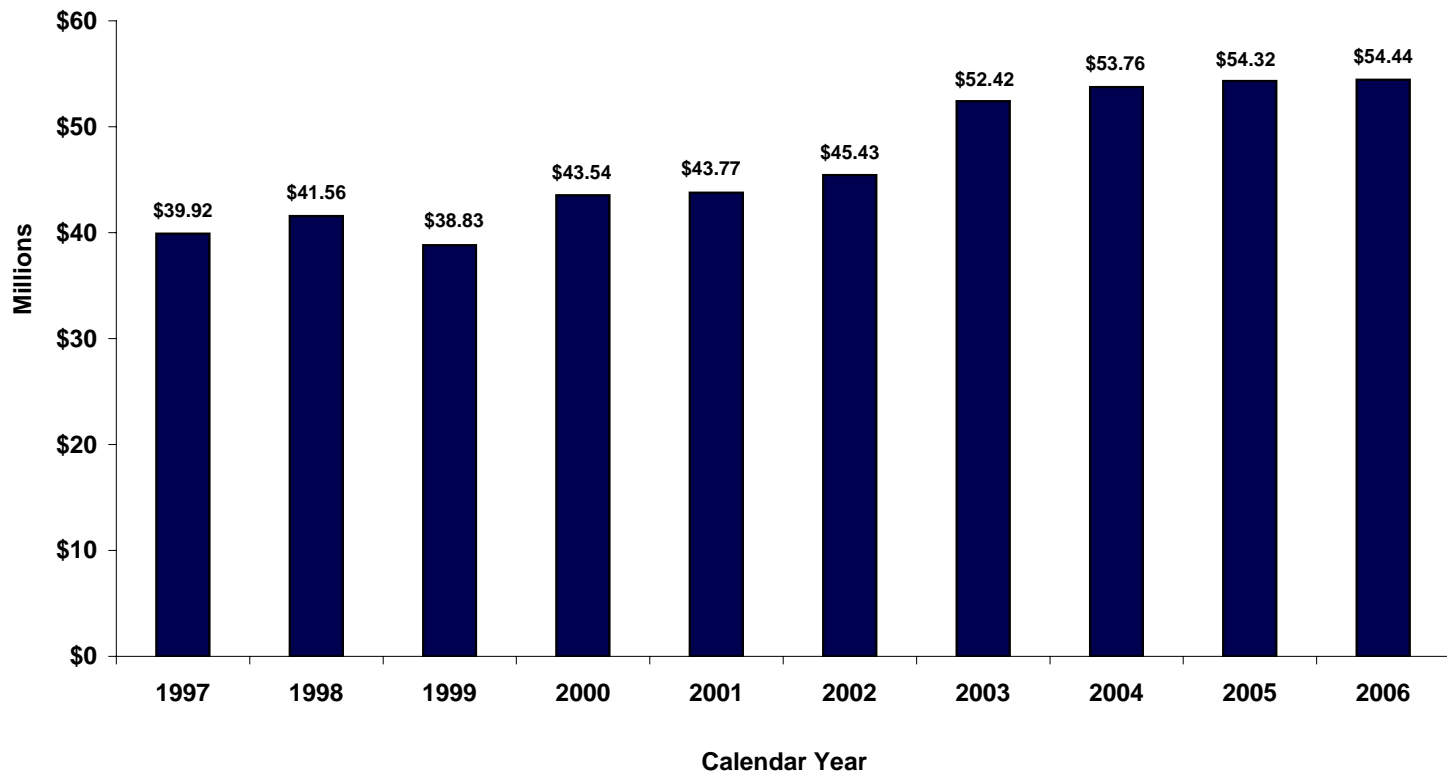
■ Nurse Aide Training

**ICF-MR Facilities**  
**Nursing & Habilitation Expense**  
(1997- 2006)

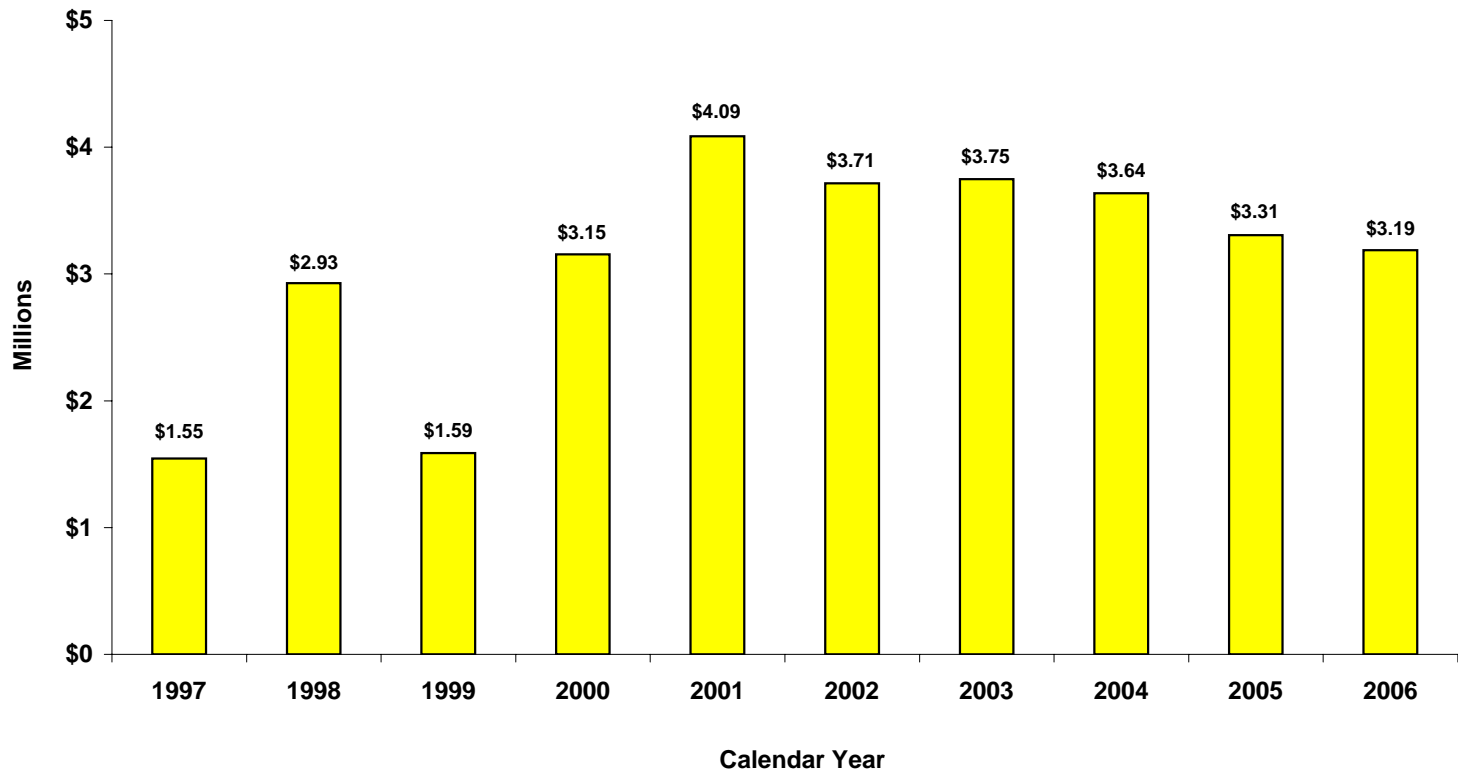


## ICF-MR Facilities

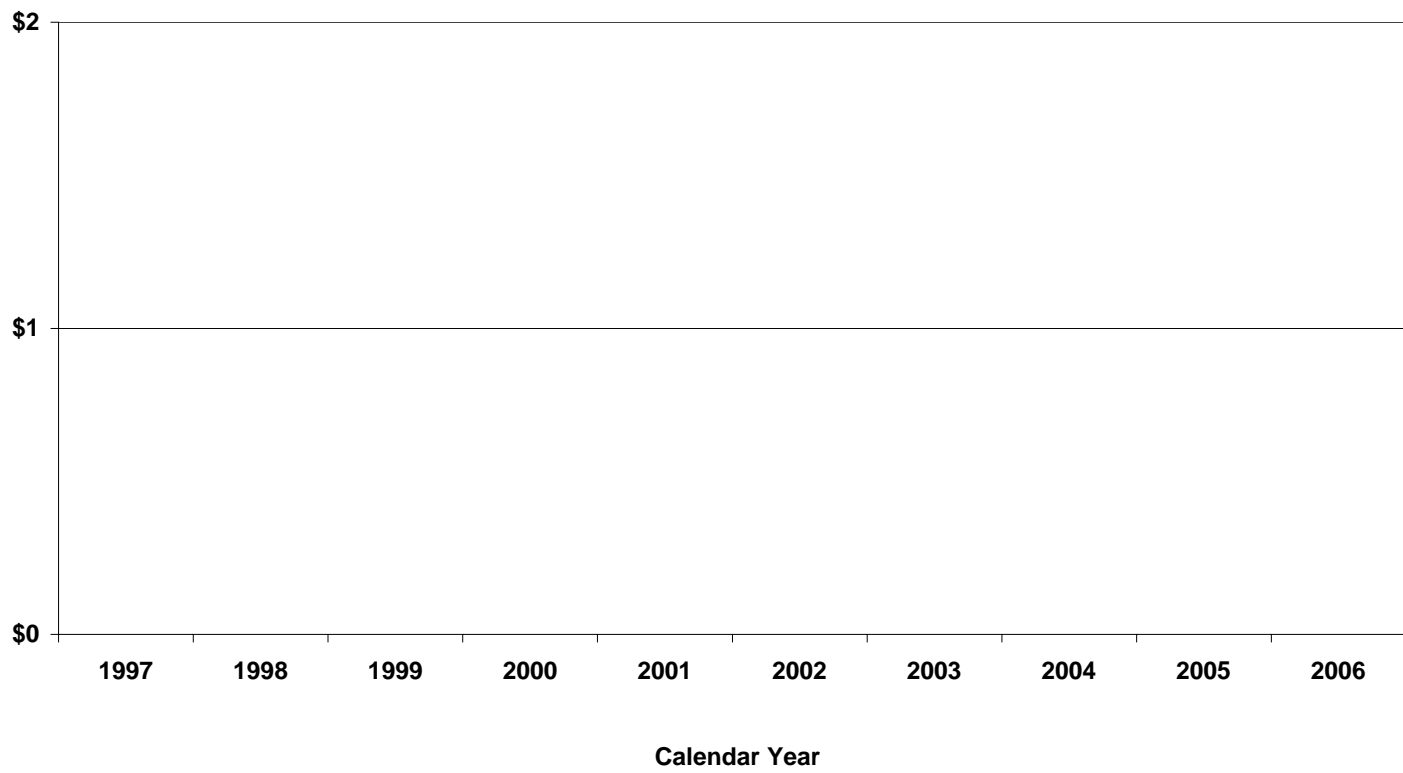
### Direct Payroll Tax Expense (1997- 2006)



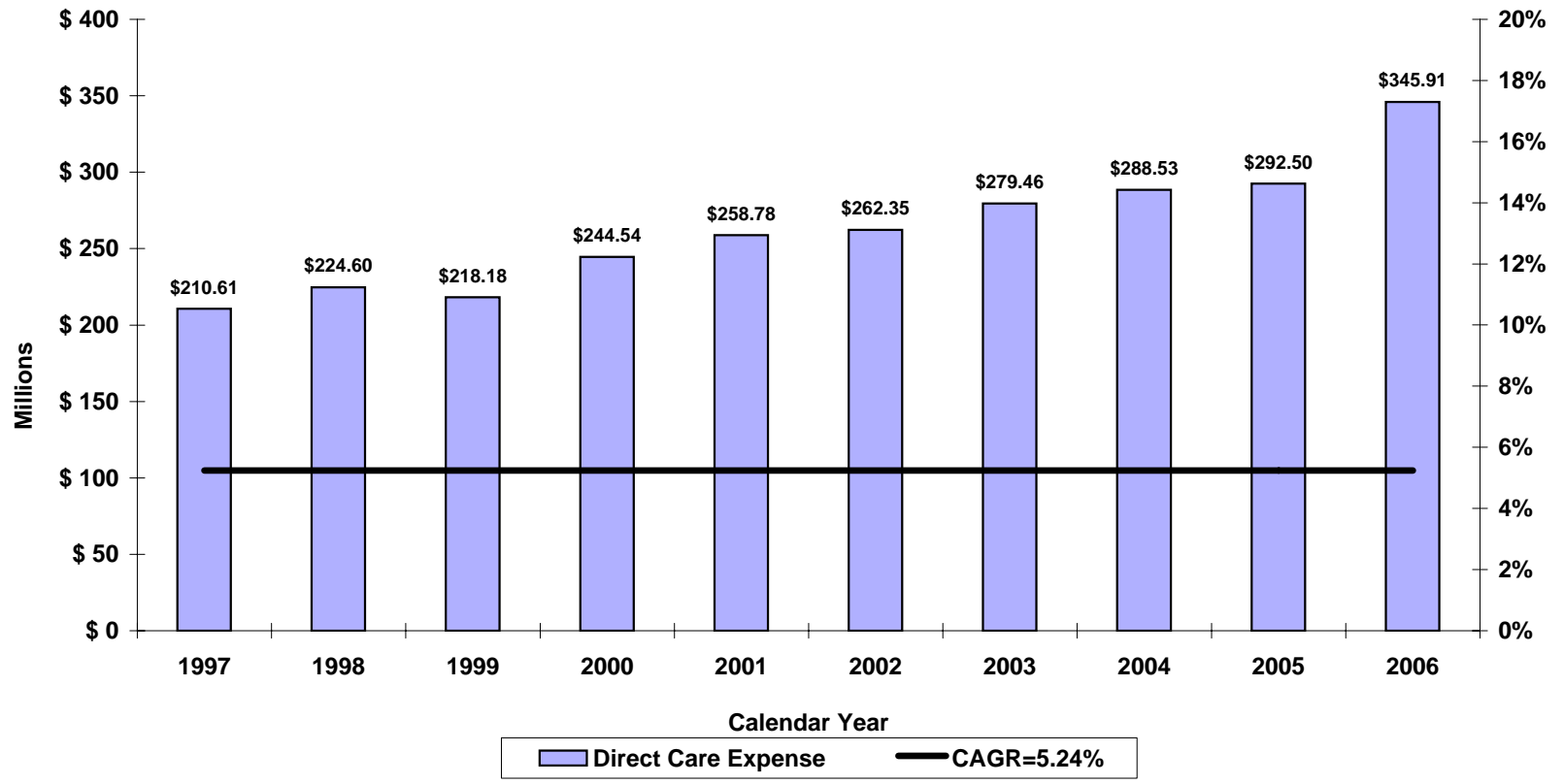
**ICF-MR Facilities**  
**Purchased Nursing Expense**  
**(1997- 2006)**



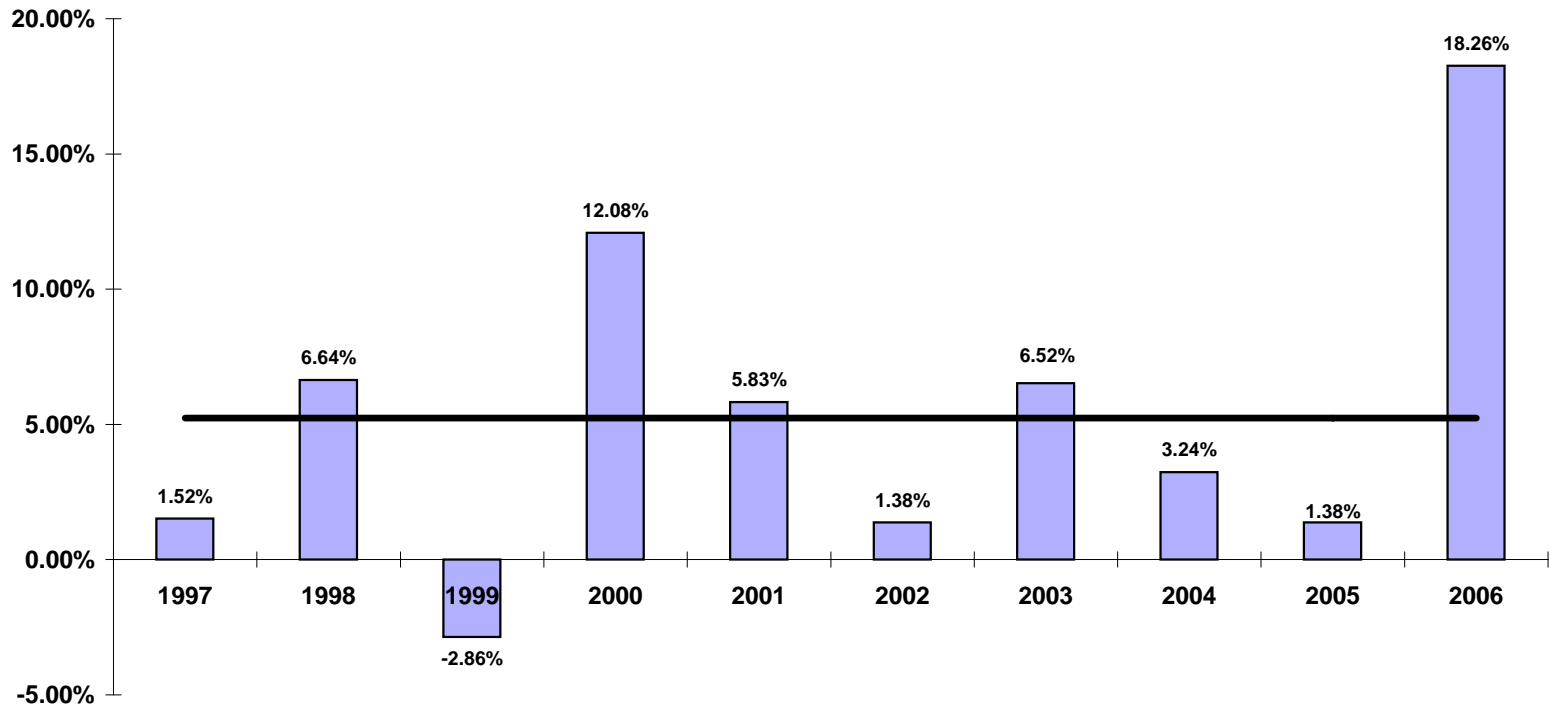
**ICF-MR Facilities**  
**Nurse Aide Training Expense**  
**(1997- 2006)**



### ICF-MR Facilities Direct Care Expense (1997-2006)



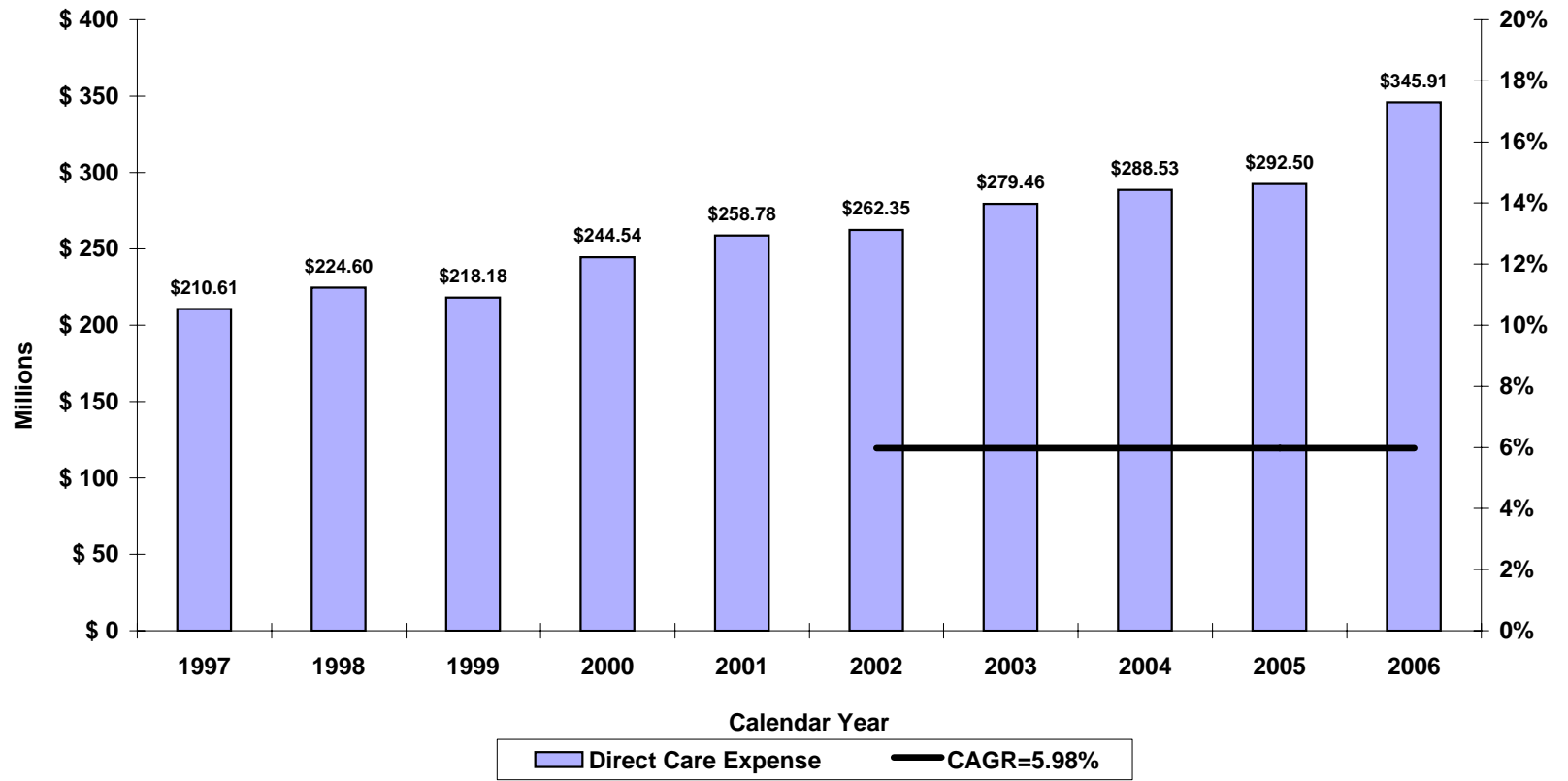
**ICF-MR Facilities**  
**Direct Care Expense**  
(1997- 2006)



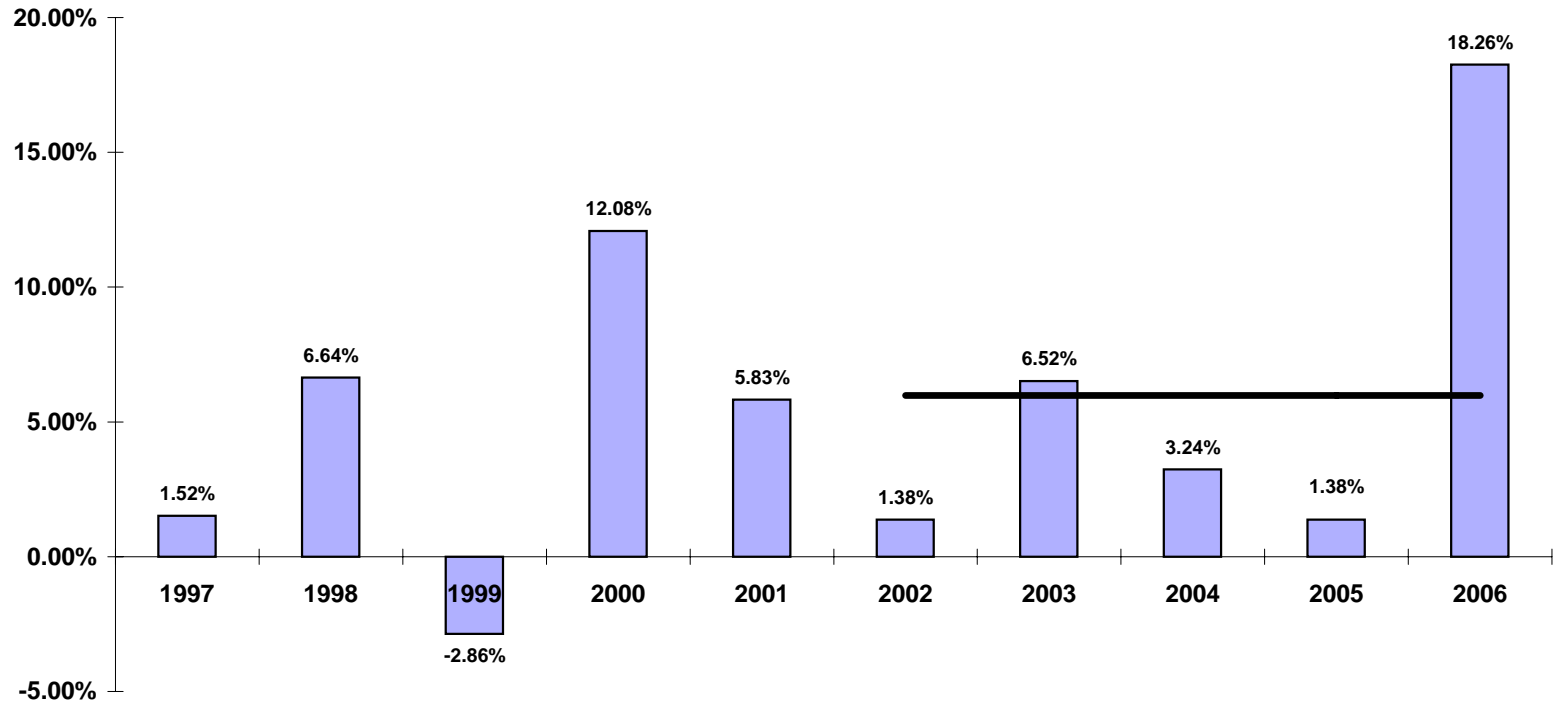
Calendar Year

■ Percent Change: Direct Expense — CAGR=5.24%

**ICF-MR Facilities**  
**Direct Care Expense**  
(1997- 2006)



**ICF-MR Facilities**  
**Direct Care Expense**  
(1997- 2006)



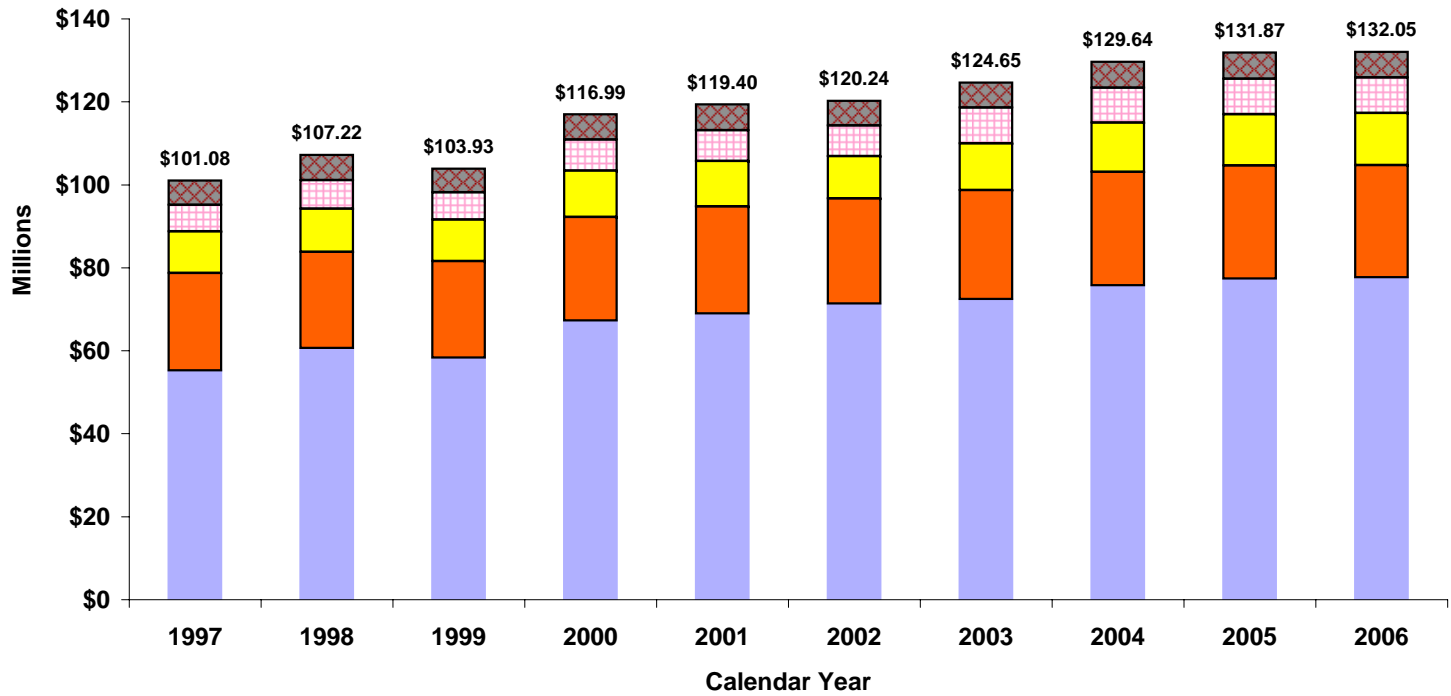
Calendar Year  
■ Percent Change: Direct Expense — CAGR=5.98%

# Indirect Care Cost Center

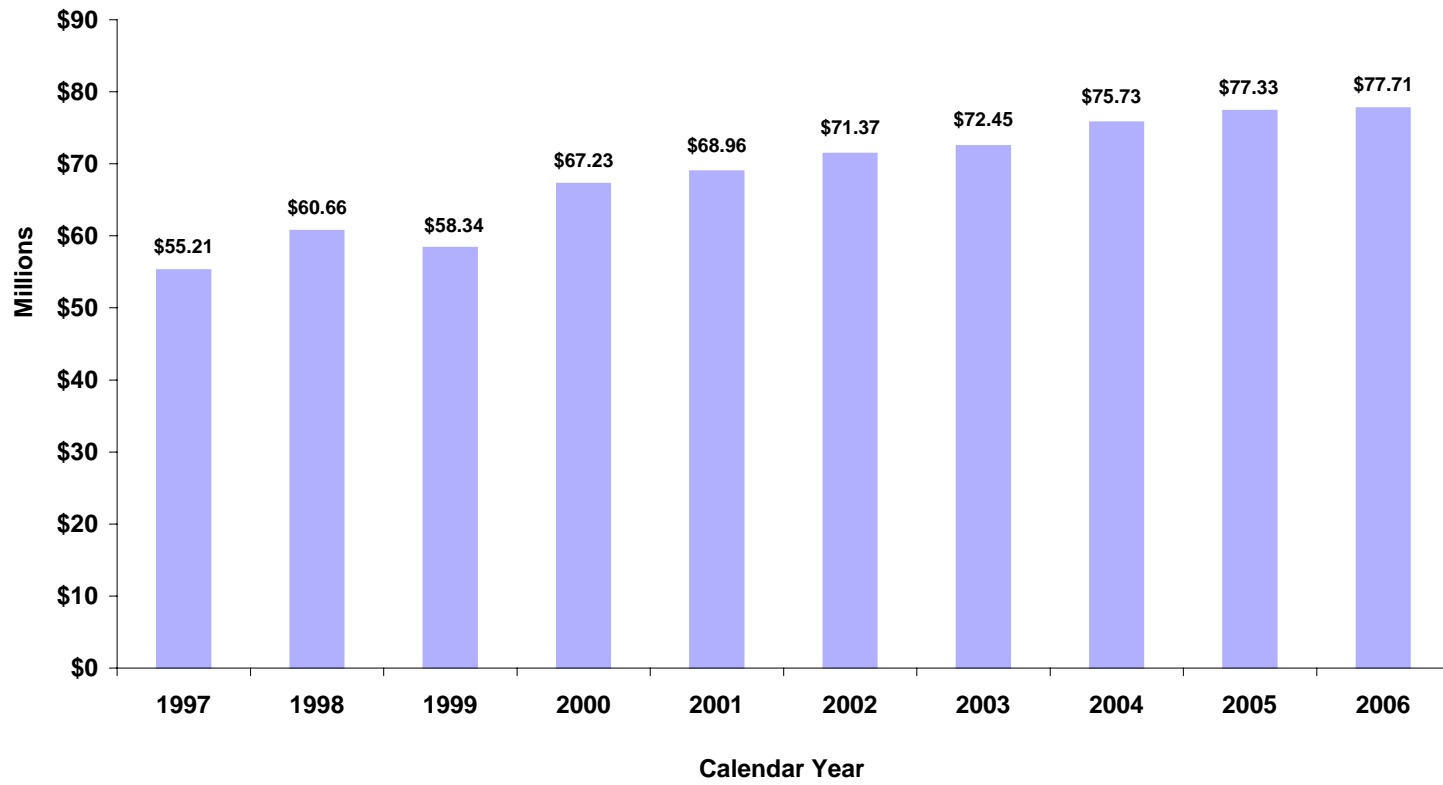
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- < **Administrative and General**
- < **Dietary**
- < **Maintenance and Repair**
- < **Indirect Care Payroll Taxes**
- < **Incontinence and Other Program Supplies**

### ICF-MR Facilities Indirect Filed Expense (1997- 2006)



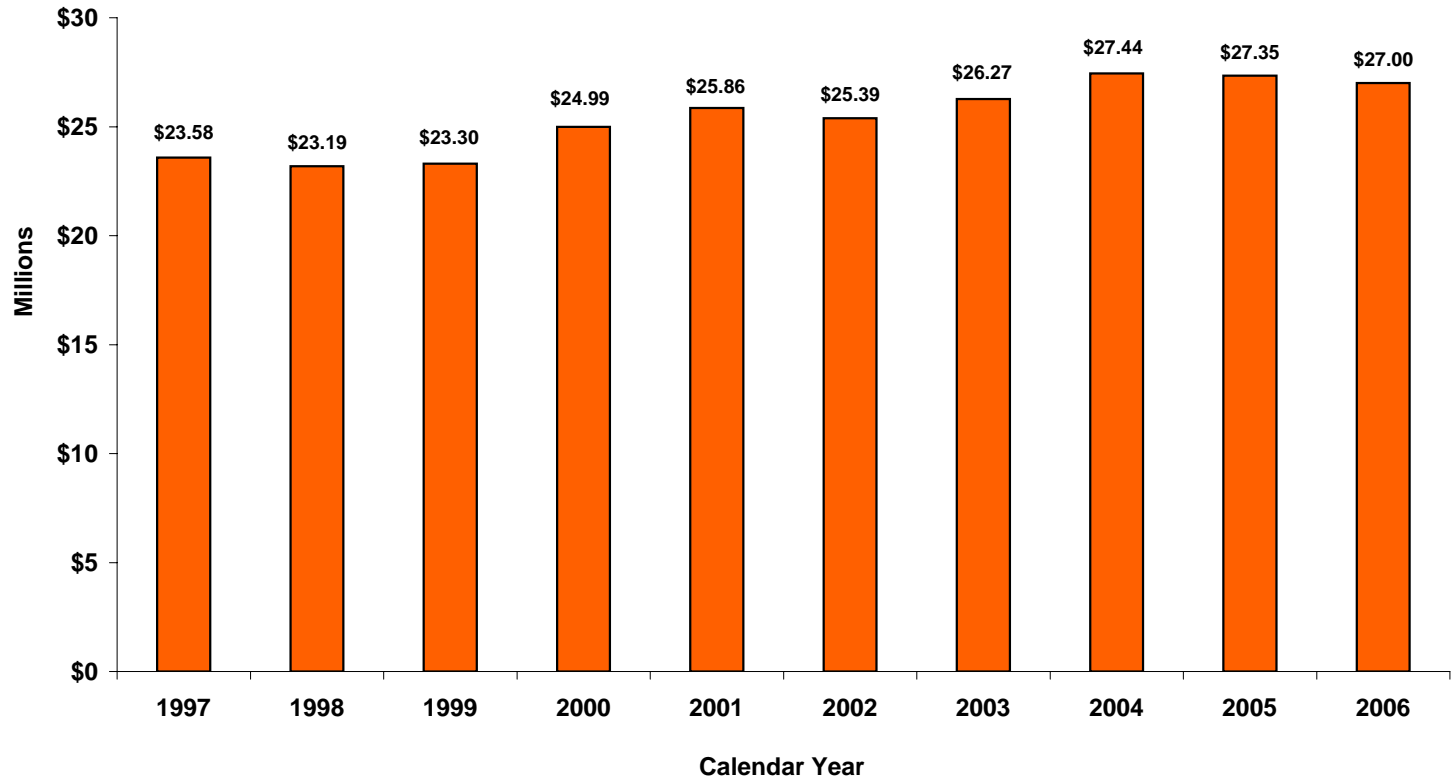
**ICF-MR Facilities**  
**Administrative & General Expense**  
**(1997- 2006)**



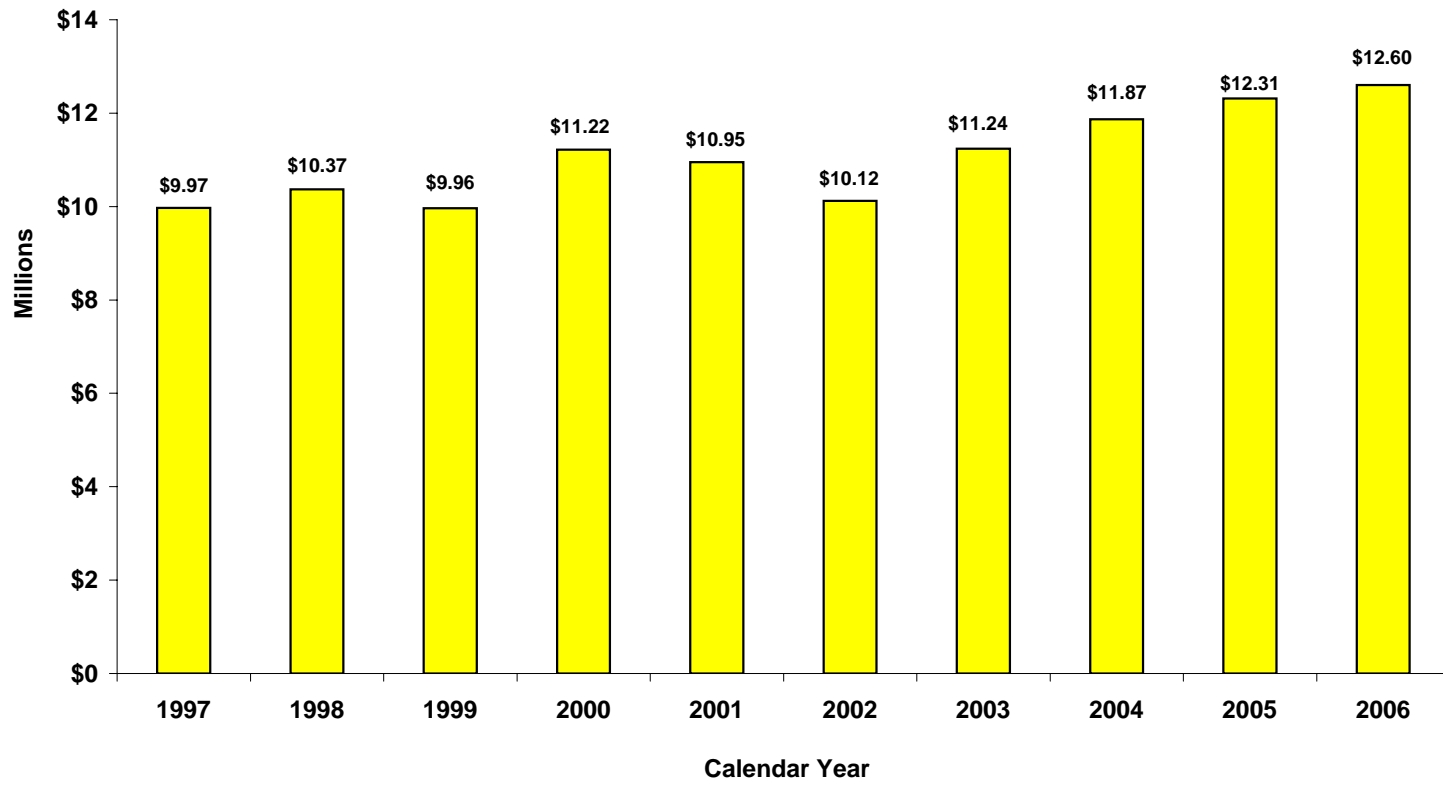
## ICF-MR Facilities

### Dietary Expense

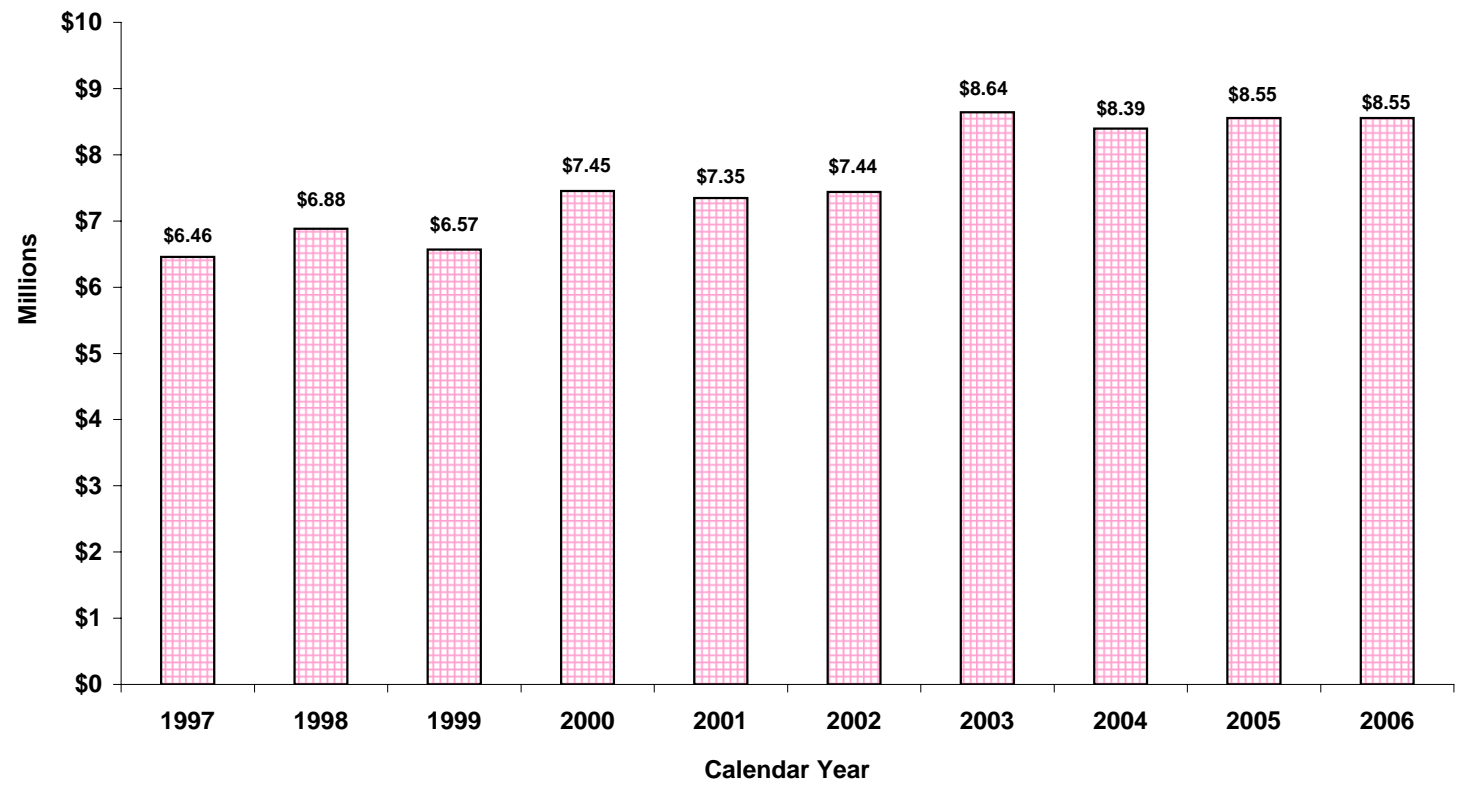
(1997- 2006)



**ICF-MR Facilities**  
**Maintenance & Repair Expense**  
**(1997- 2006)**



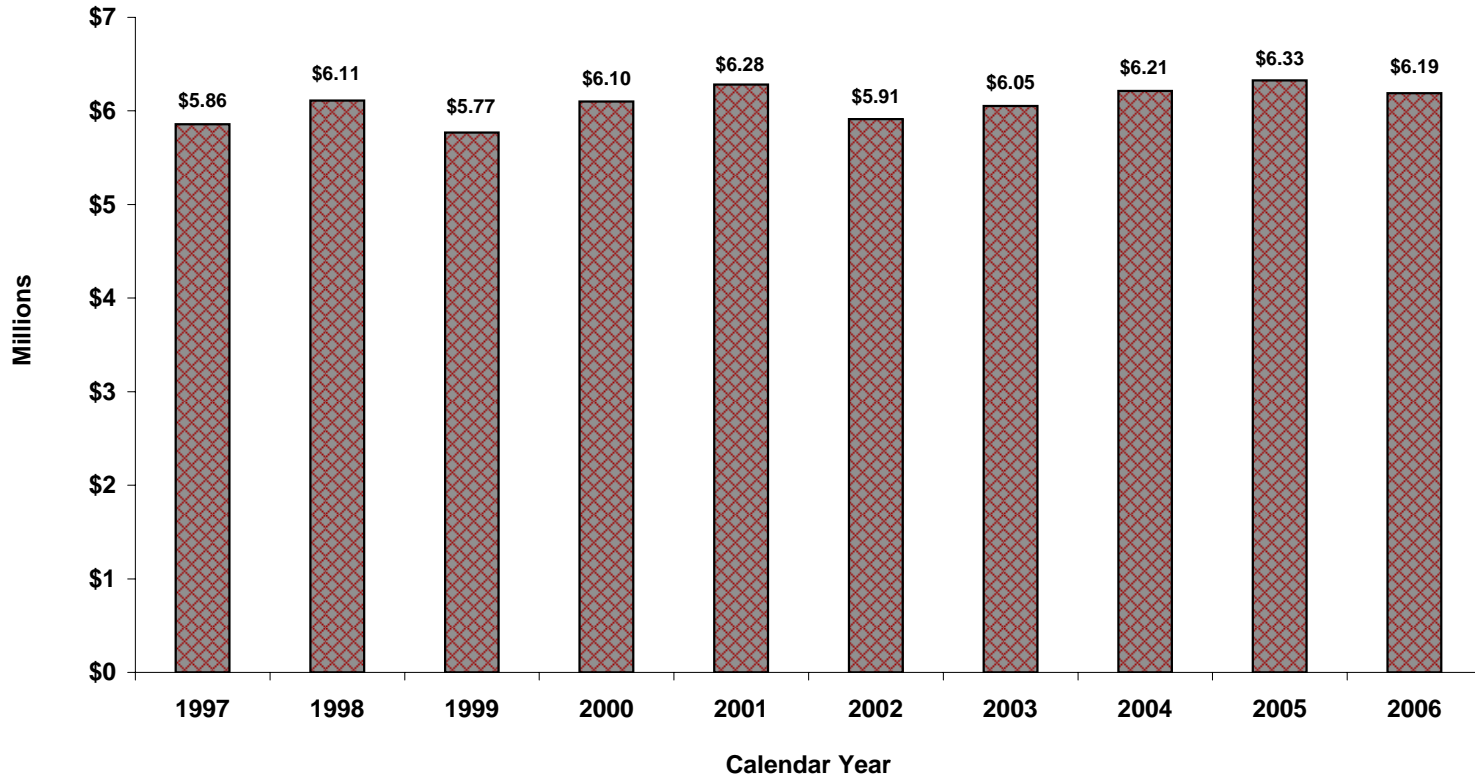
**ICF-MR Facilities**  
**Indirect Payroll Tax Expense**  
**(1997- 2006)**



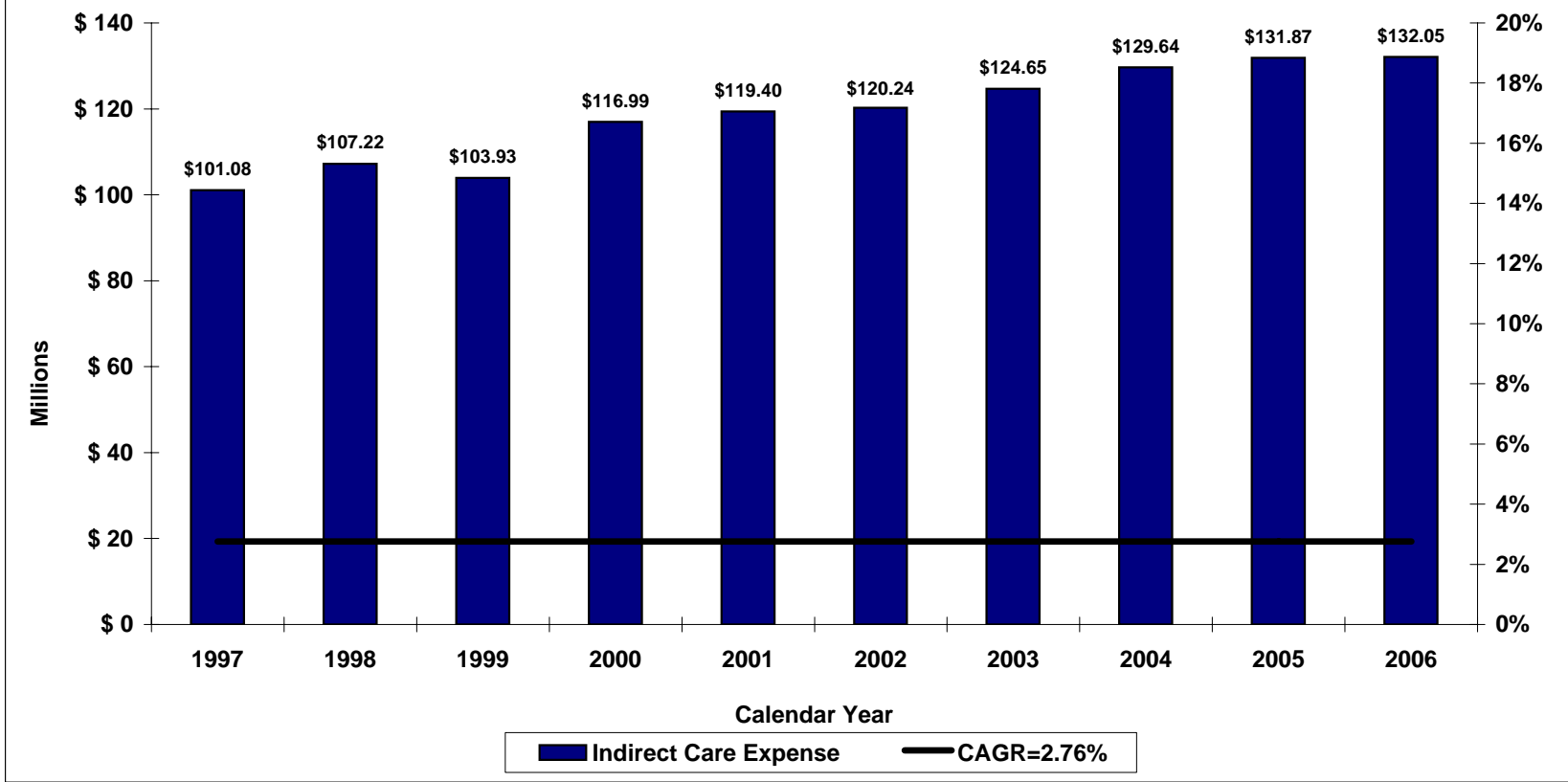
## ICF-MR Facilities

### Incontinence & Other Supplies Expense

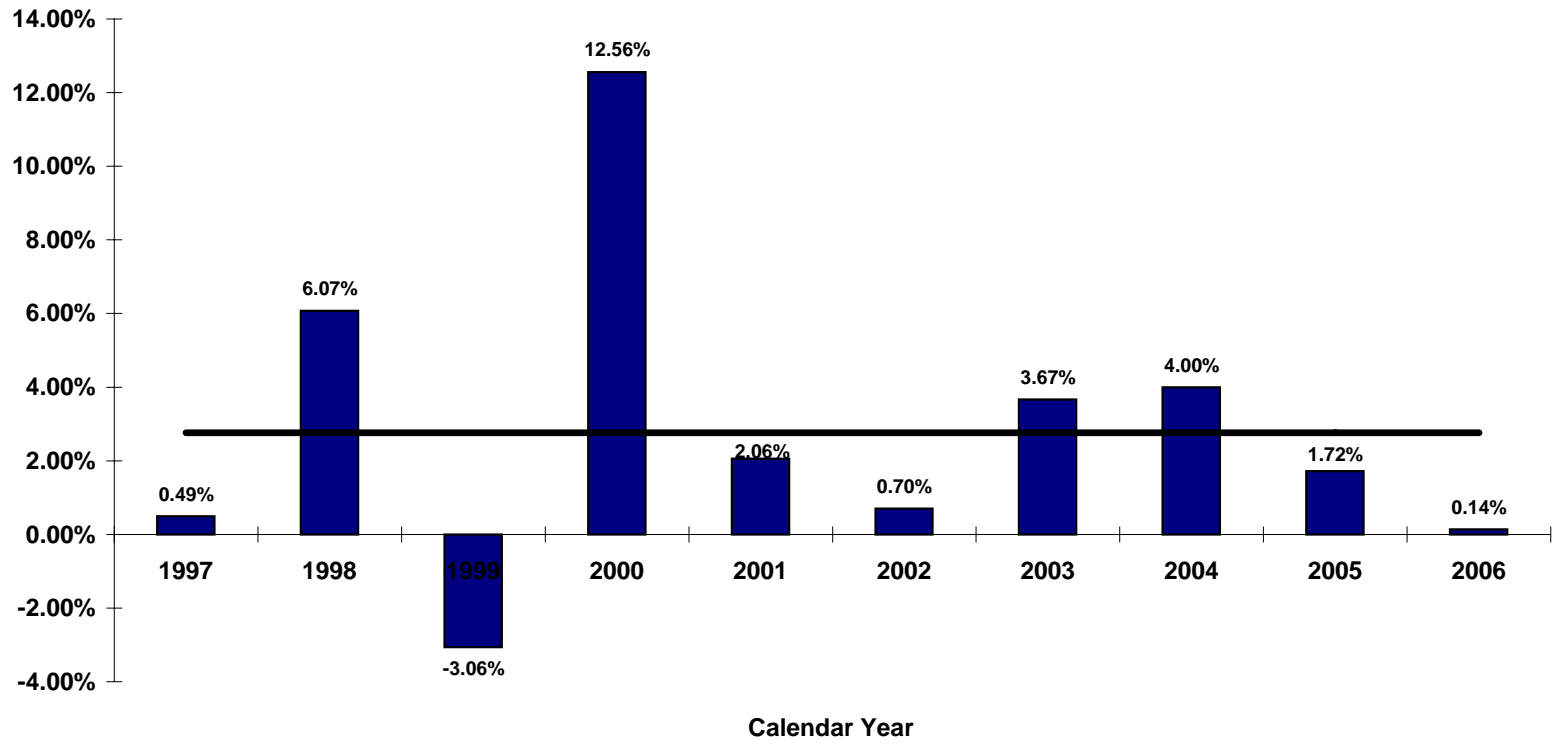
(1997- 2006)



**ICF-MR Facilities**  
**Indirect Care Expense**  
**(1997- 2006)**

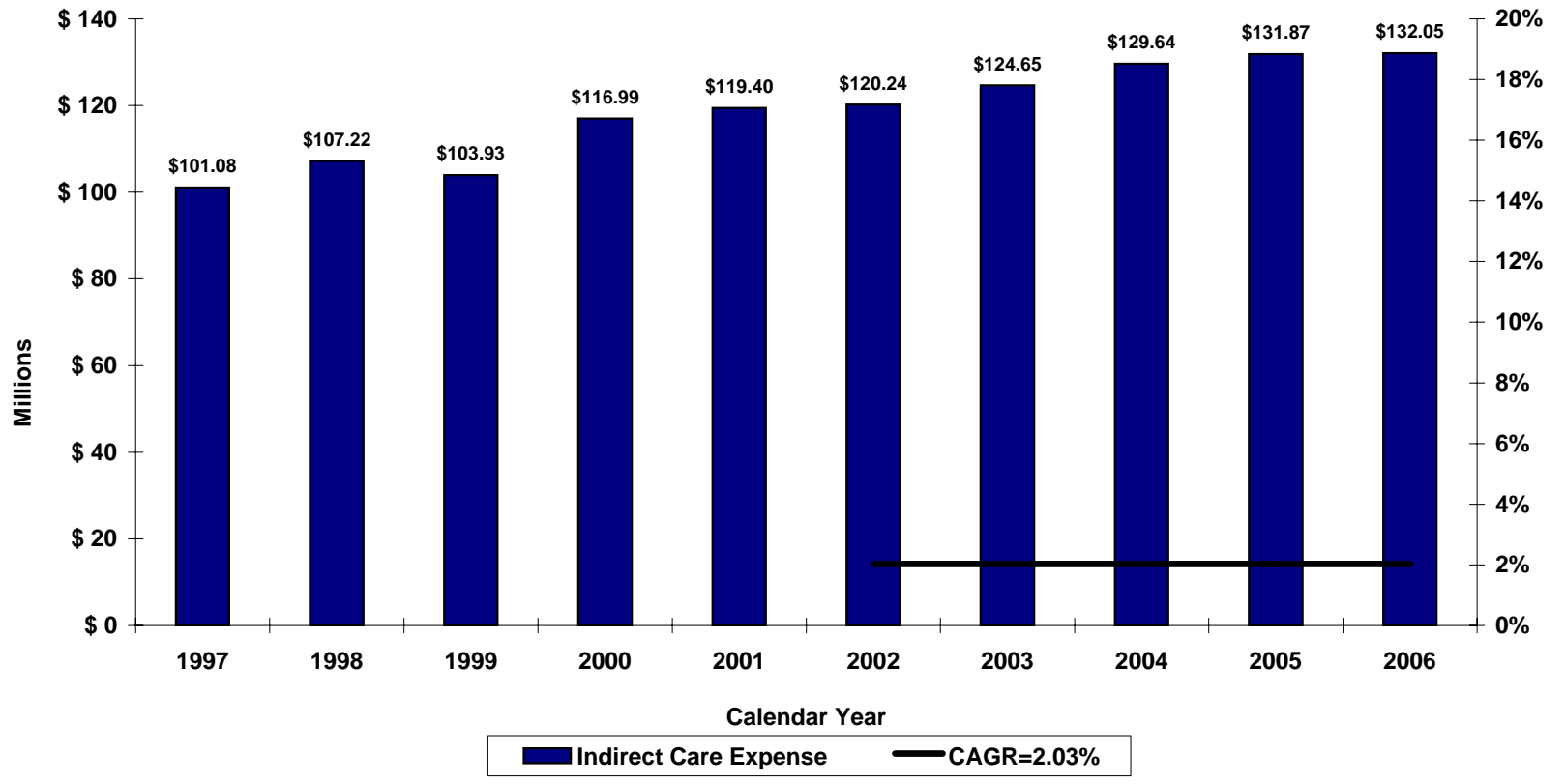


**ICF-MR Facilities**  
**Indirect Care Expense**  
**(1997- 2006)**

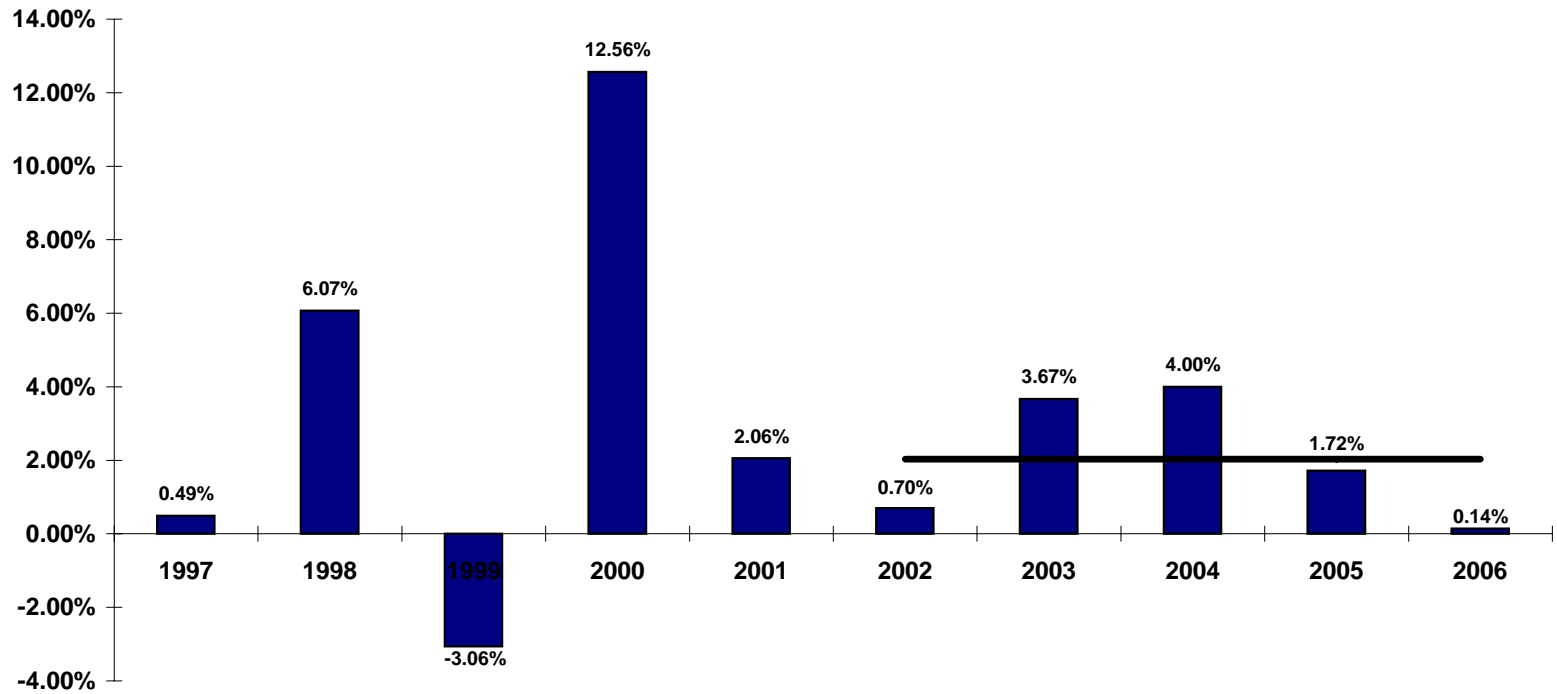


■ Percent Change: Indirect Expense — CAGR=2.76%

**ICF-MR Facilities**  
**Indirect Care Expense**  
**(1997- 2006)**



**ICF-MR Facilities**  
**Indirect Care Expense**  
**(1997- 2006)**



Calendar Year

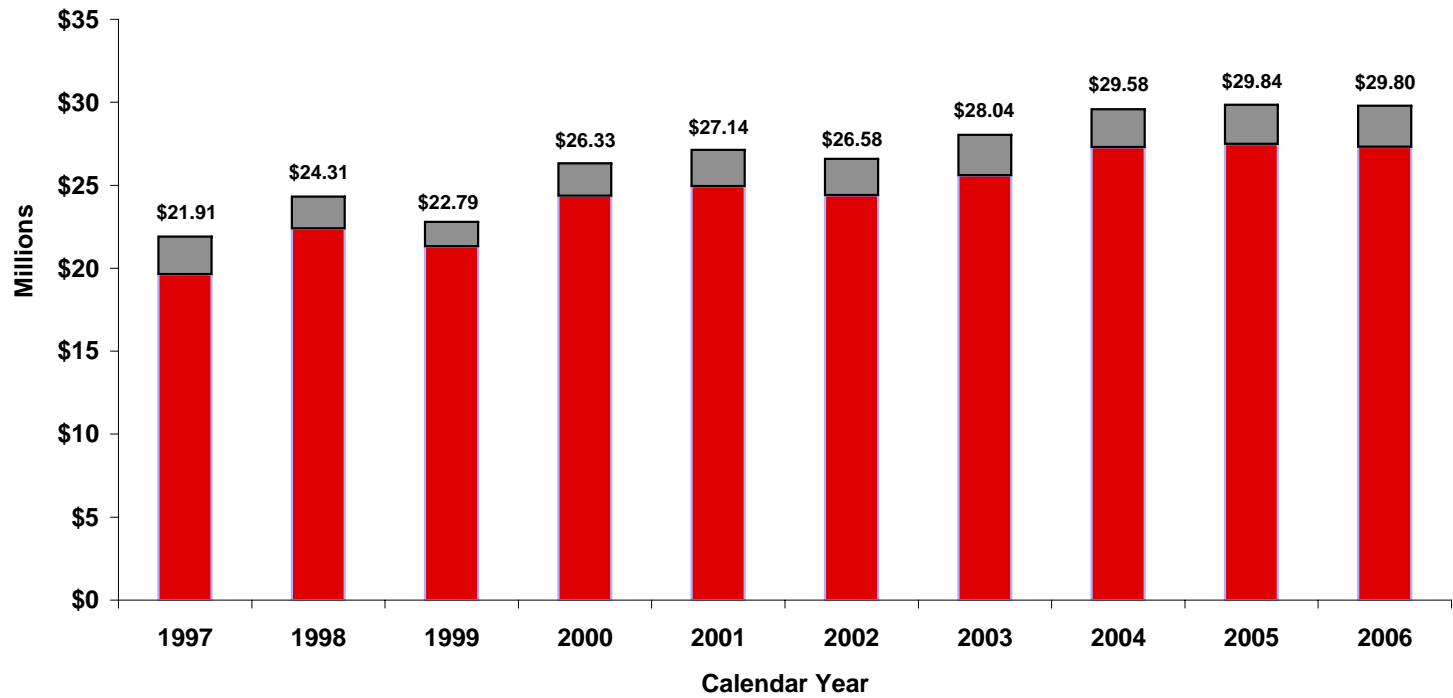
■ Percent Change: Indirect Expense — CAGR=2.03%

# Capital Cost Center

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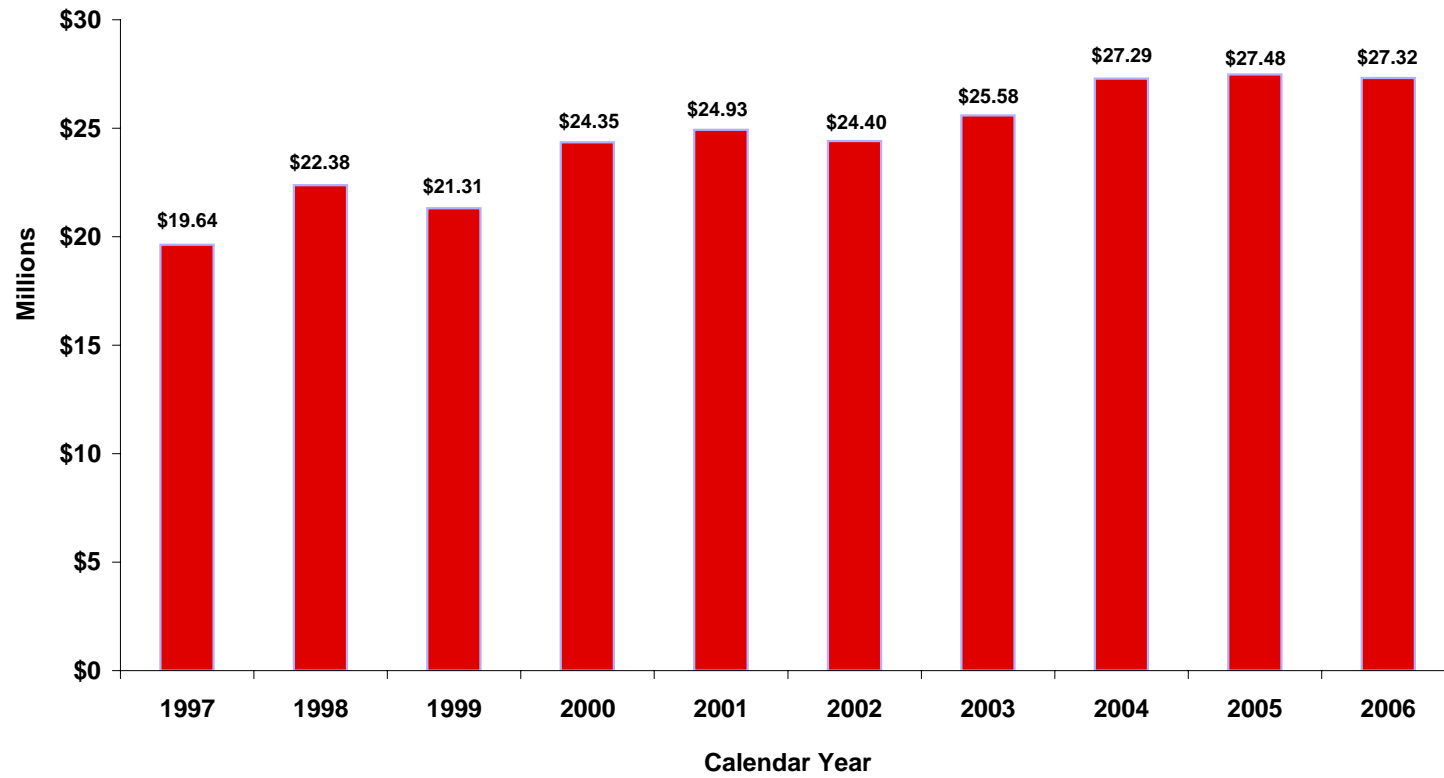
- < **Cost of Ownership**
- < **Renovation**

### ICF-MR Facilities Capital Filed Expense (1997- 2006)

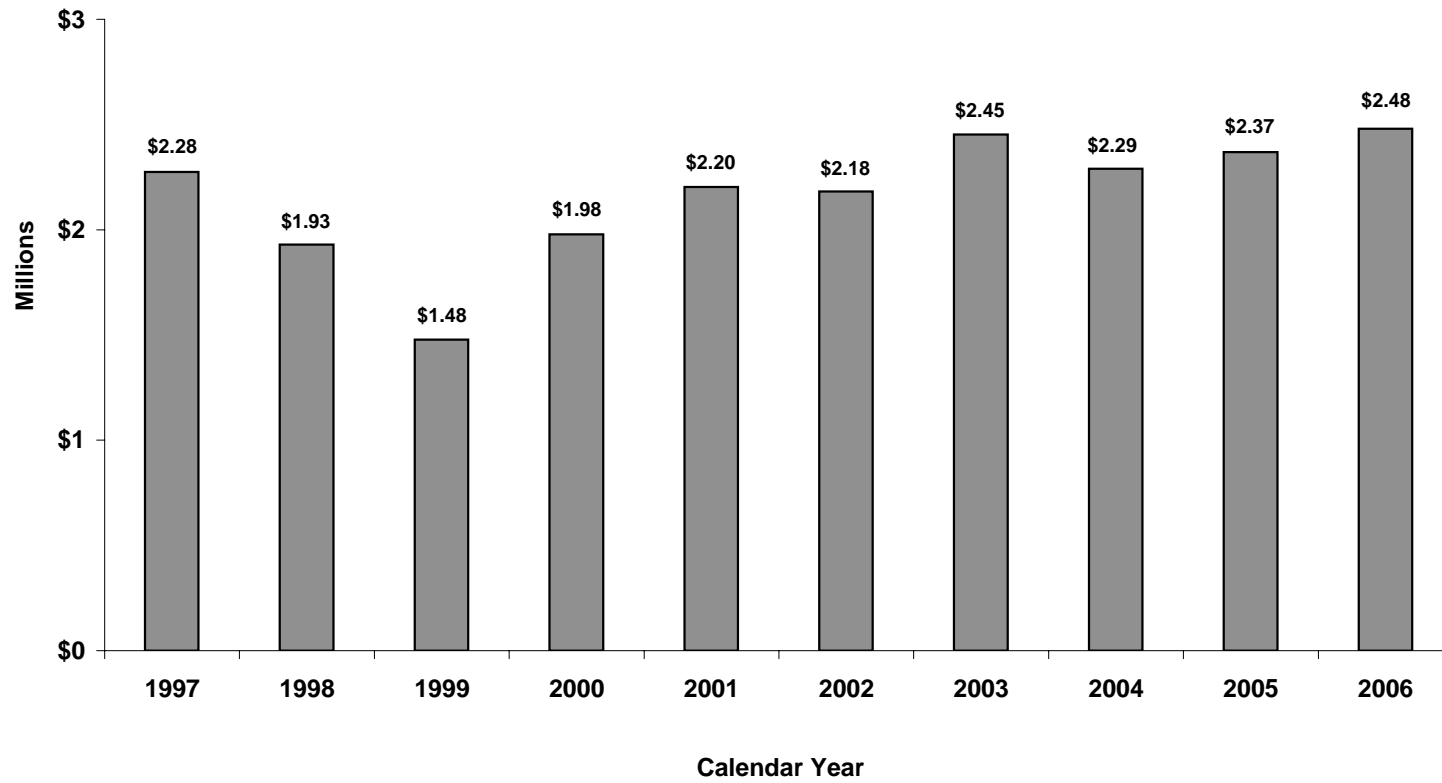


■ Cost of Ownership      ■ Renovations

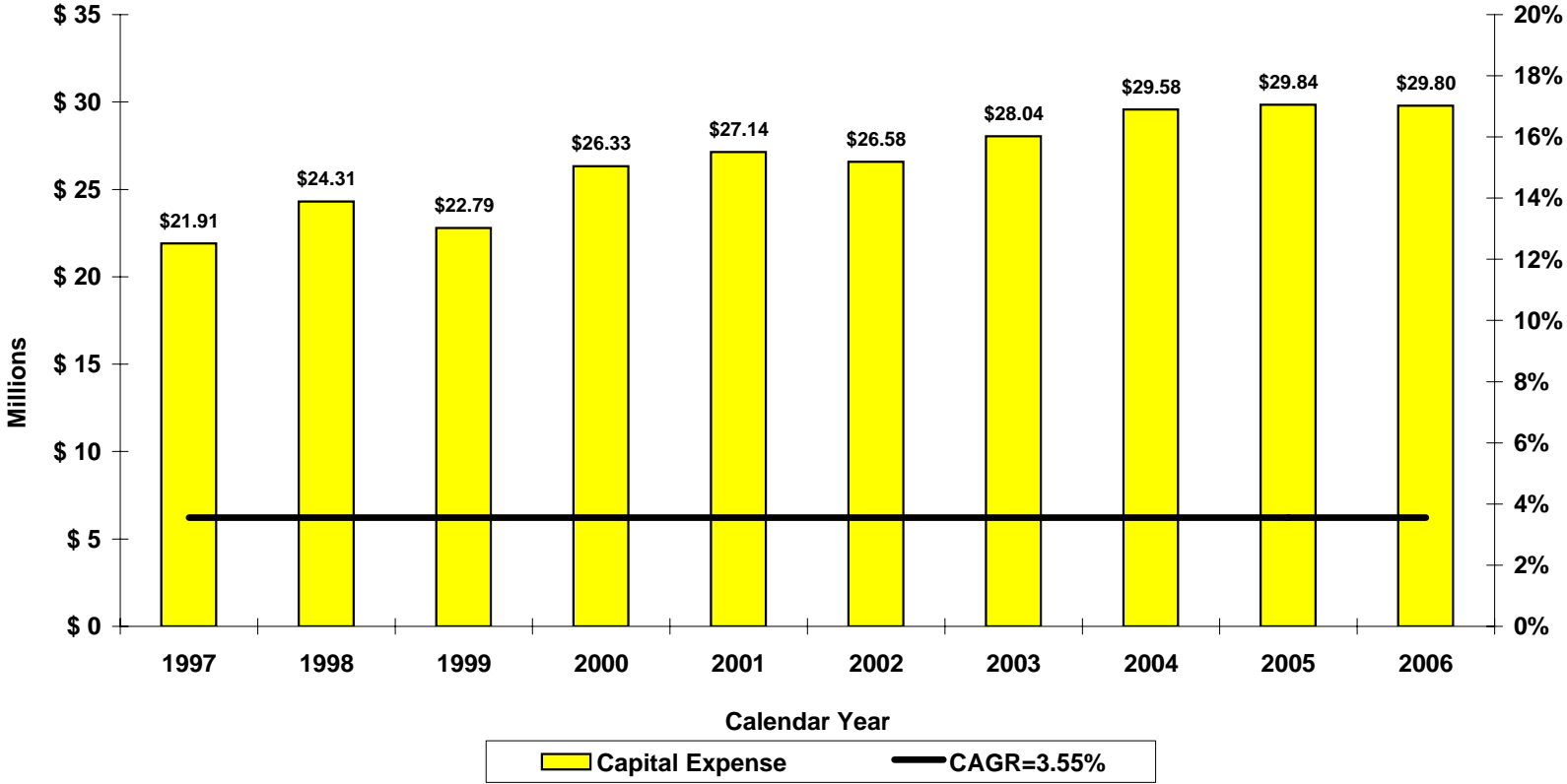
**ICF-MR Facilities  
Ownership Expense  
(1997- 2006)**



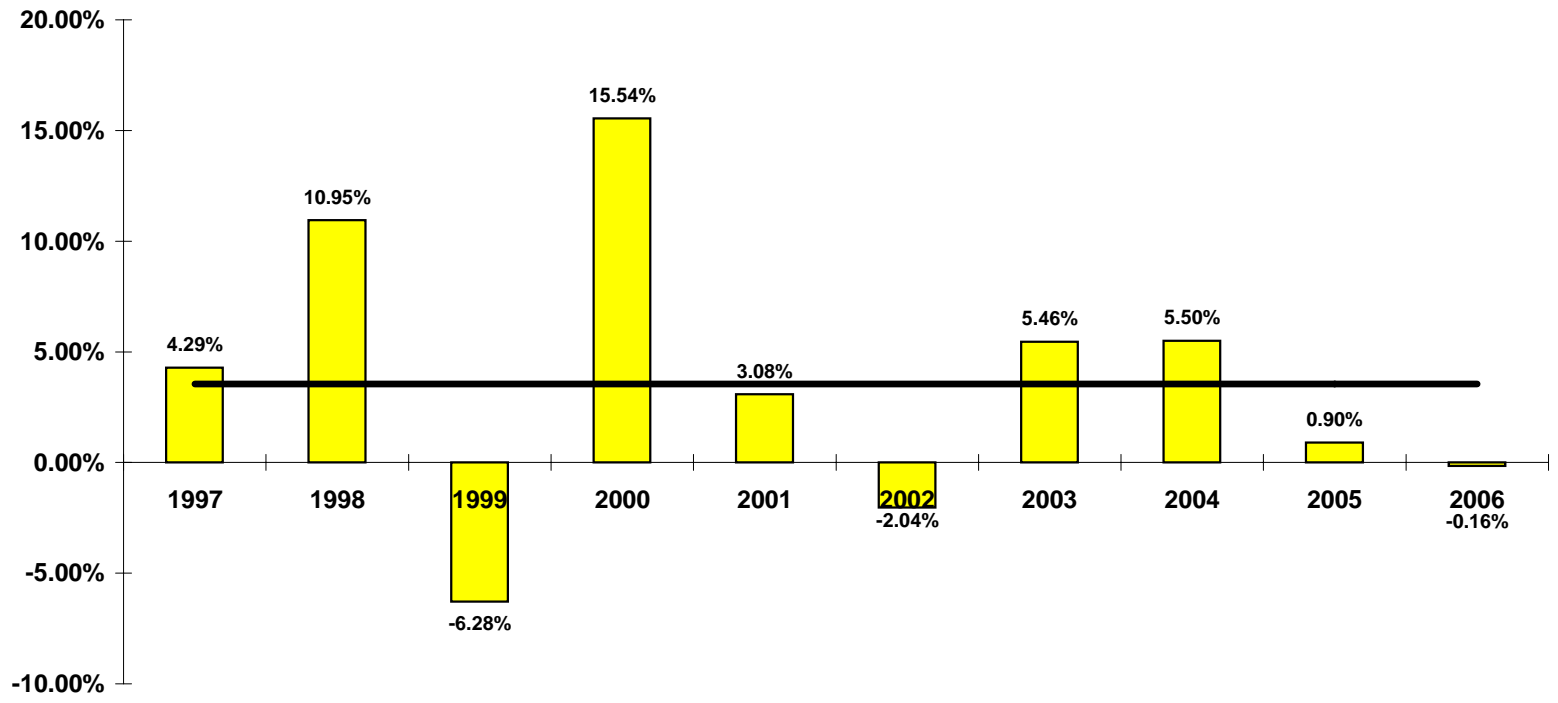
**ICF-MR Facilities  
Renovation Expense  
(1997- 2006)**



### ICF-MR Facilities Capital Expense (1997- 2006)

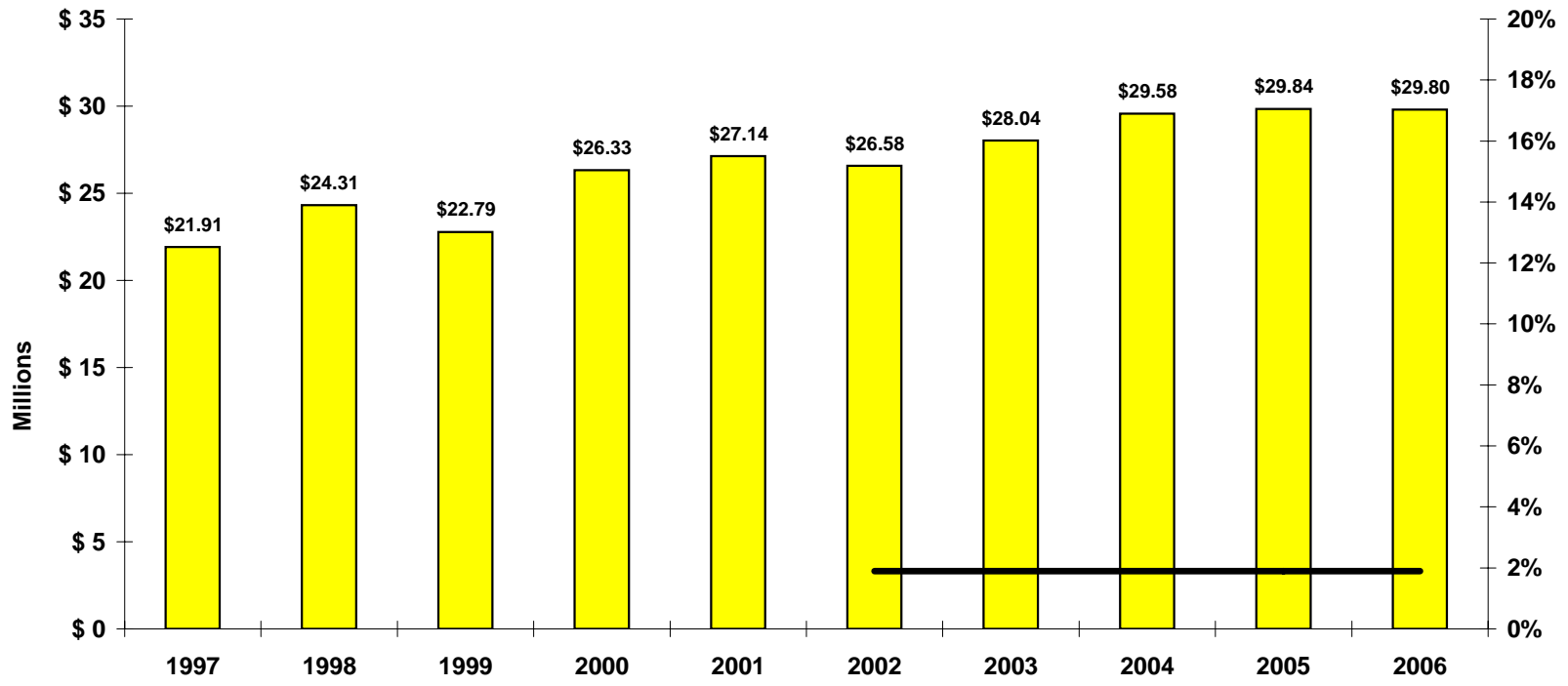


### ICF-MR Facilities Capital Expense (1997-2006)



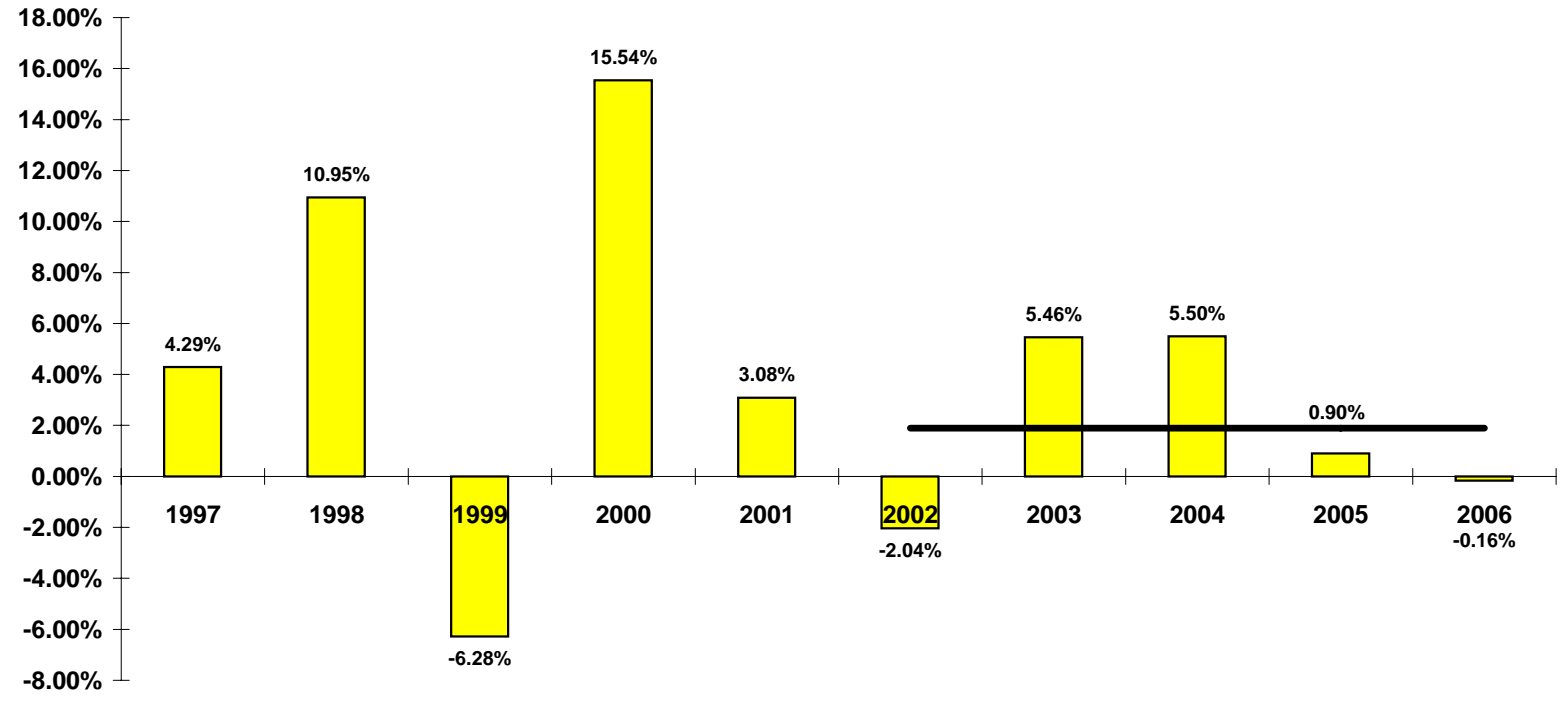
Calendar Year  
■ Percent Change: Capital Expense — CAGR=3.55%

### ICF-MR Facilities Capital Expense (1997- 2006)



Capital Expense      CAGR=1.89%

### ICF-MR Facilities Capital Expense (1997-2006)



Calendar Year

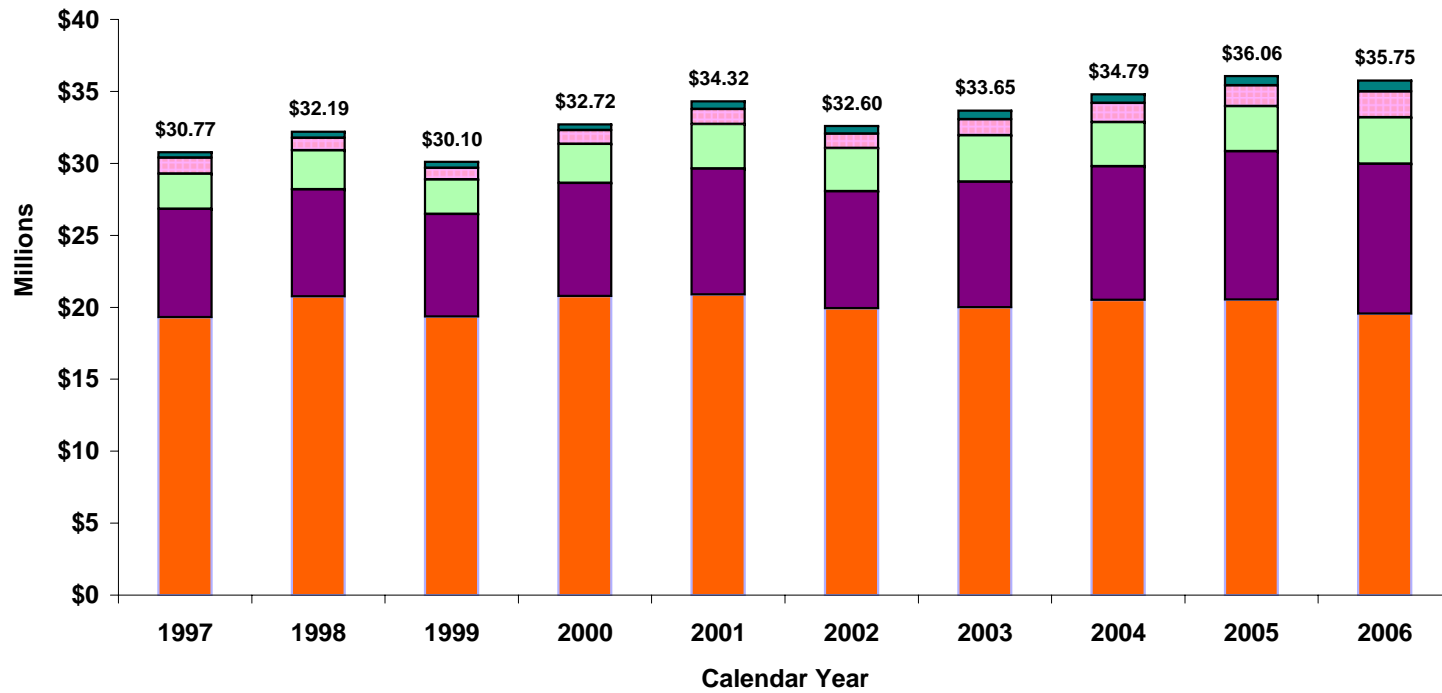
■ Percent Change: Capital Expense — CAGR=1.89%

# Protected Cost Center

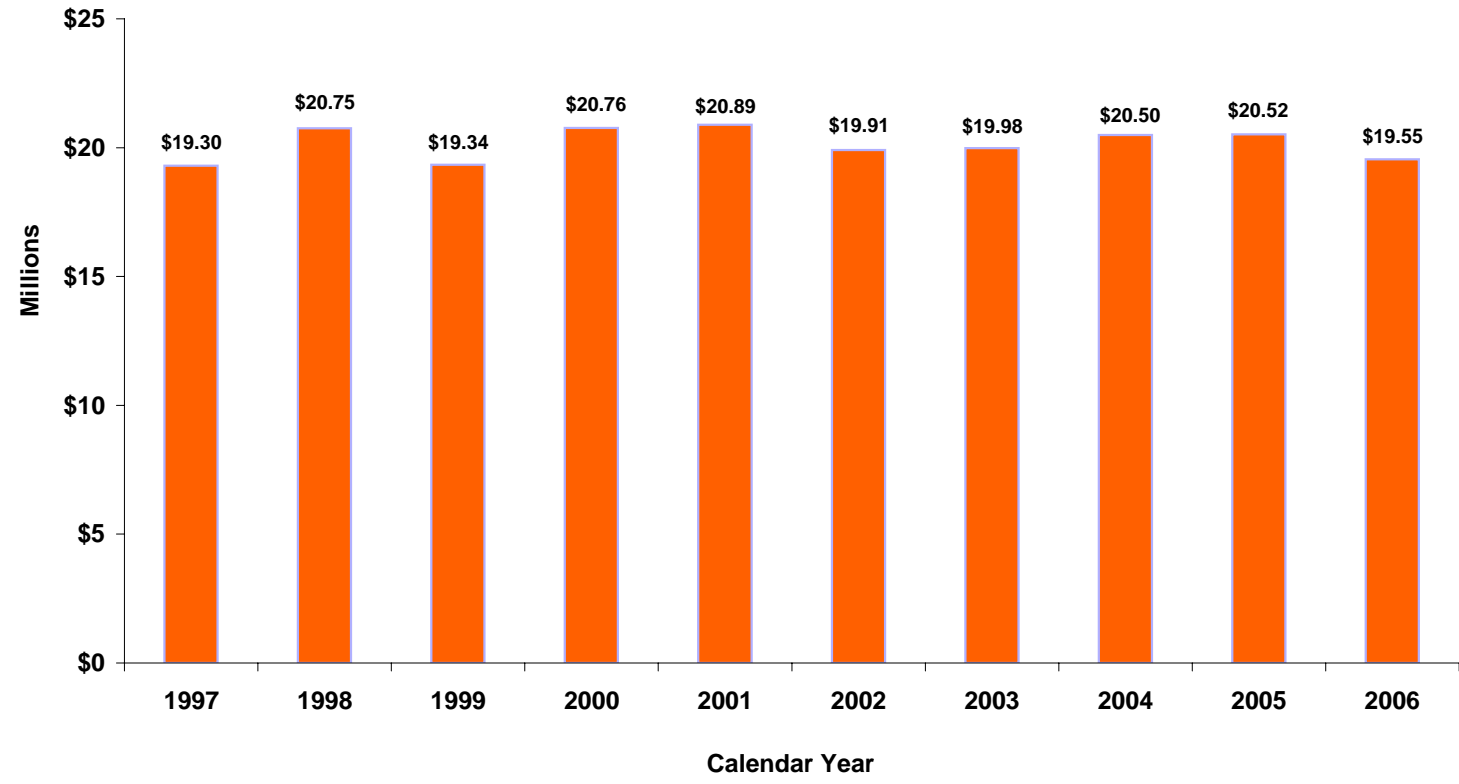
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- < **Utilities**
- < **Medical Supplies**
- < **Franchise Fees**
- < **Property Taxes**
- < **Home Office - Protected**

**ICF-MR Facilities**  
**Protected Filed Expense**  
 (1997- 2006)



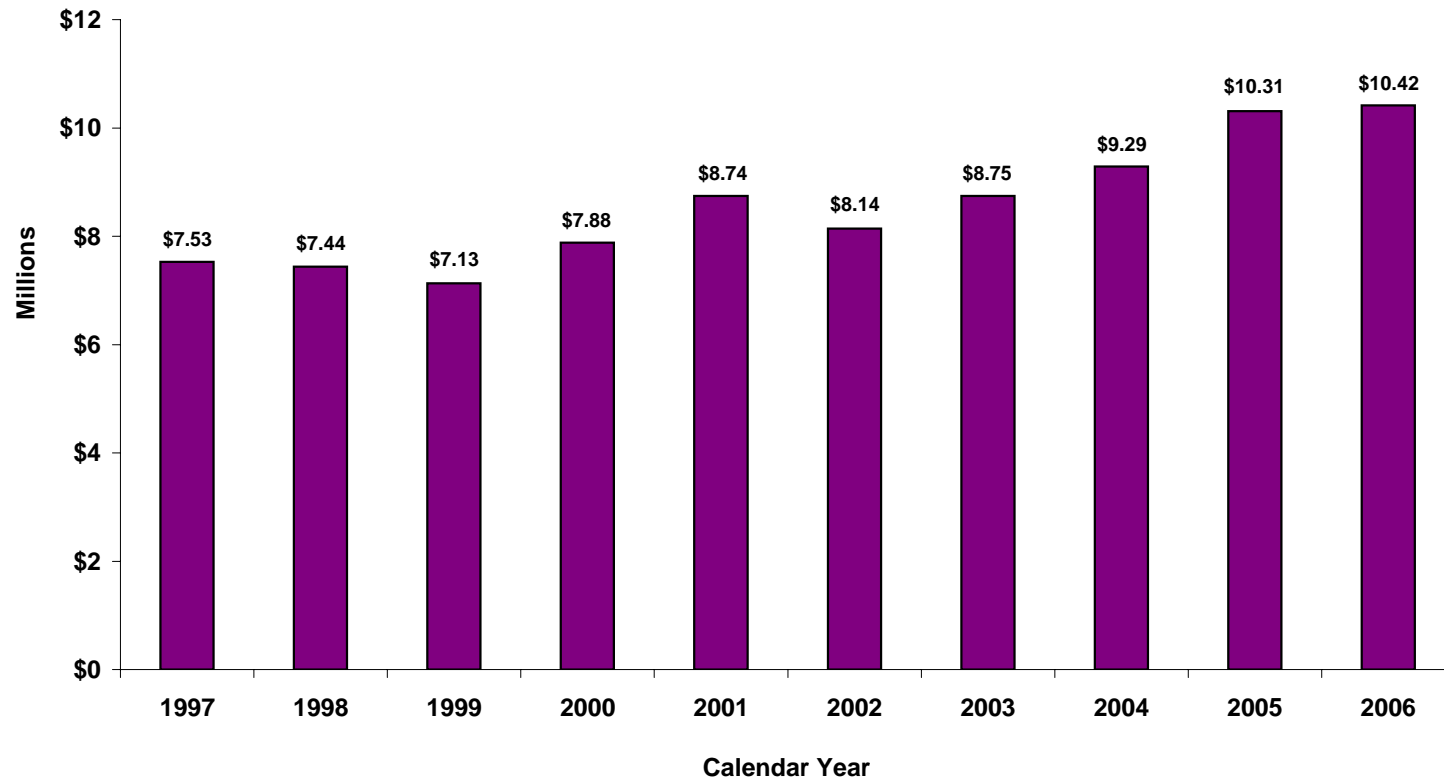
**ICF-MR Facilities**  
**Franchise Fee Expense**  
**(1997- 2006)**



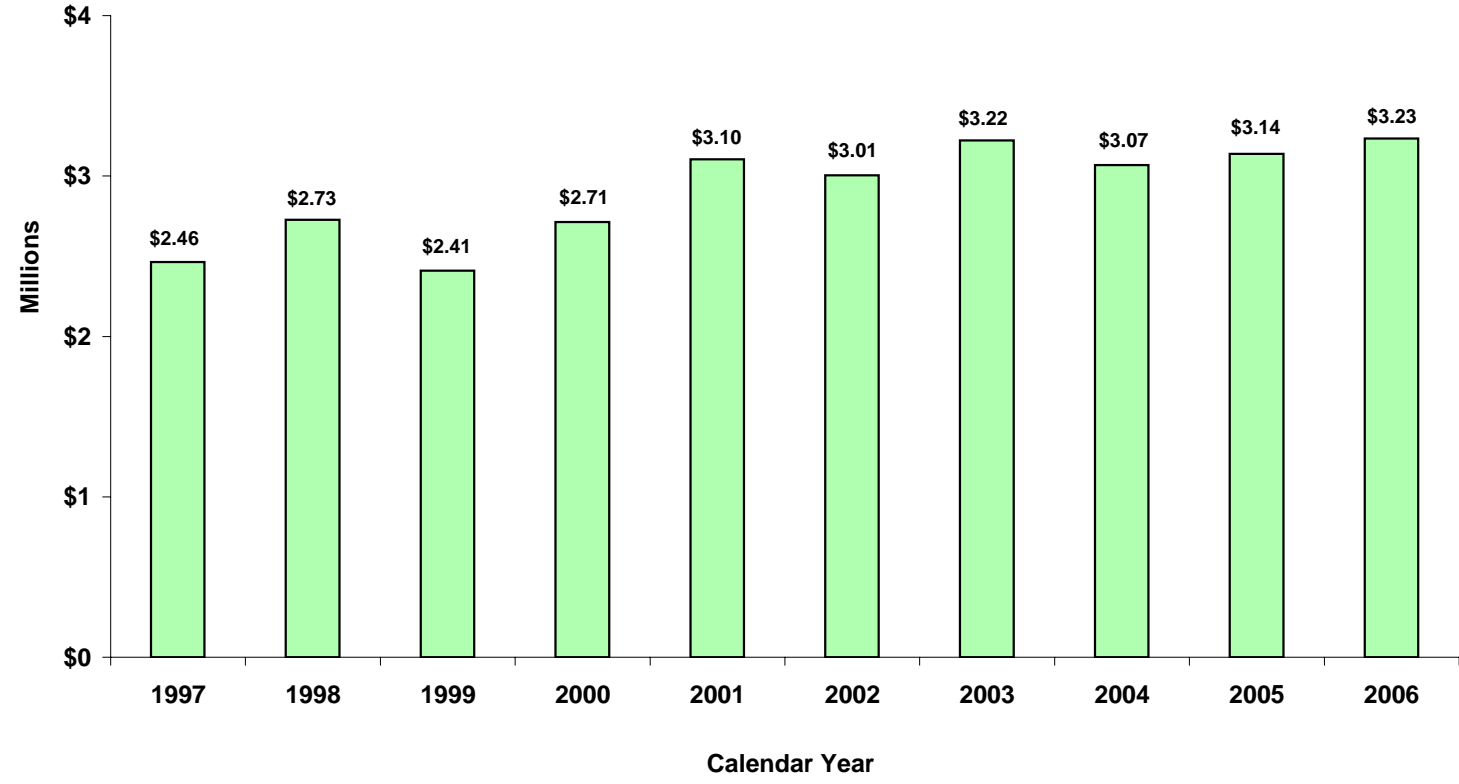
## ICF-MR Facilities

### Utilities Expense

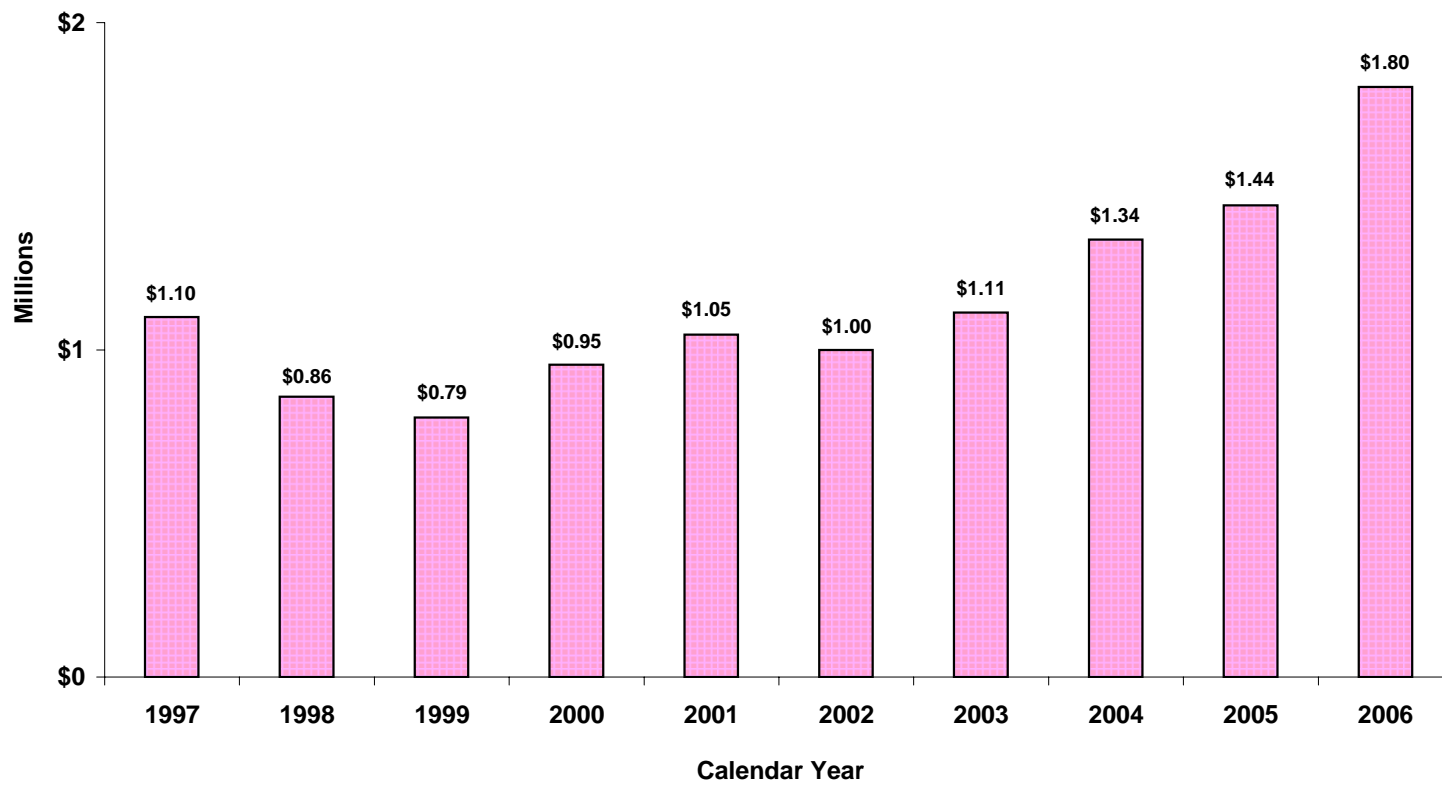
(1997- 2006)



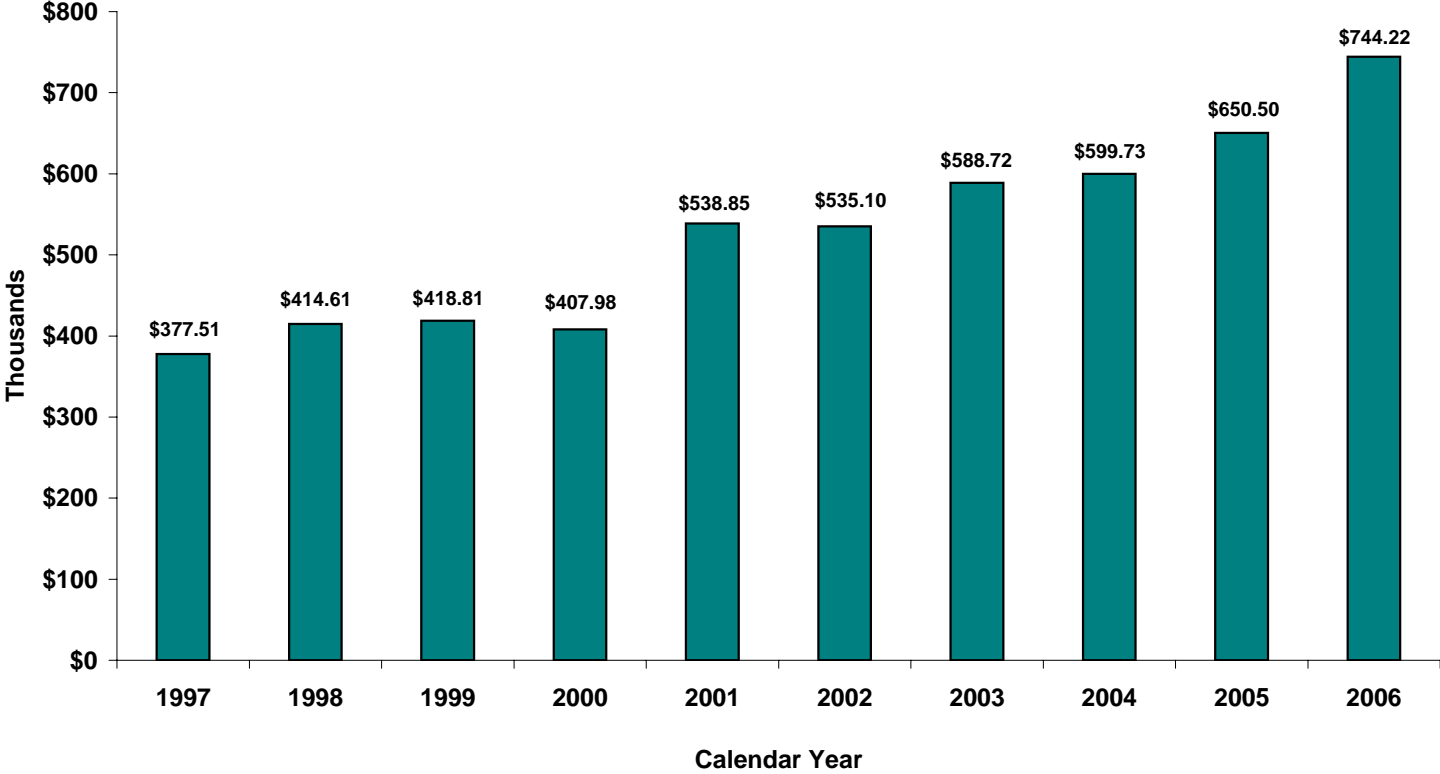
**ICF-MR Facilities**  
**Medical Supplies Expense**  
(1997- 2006)



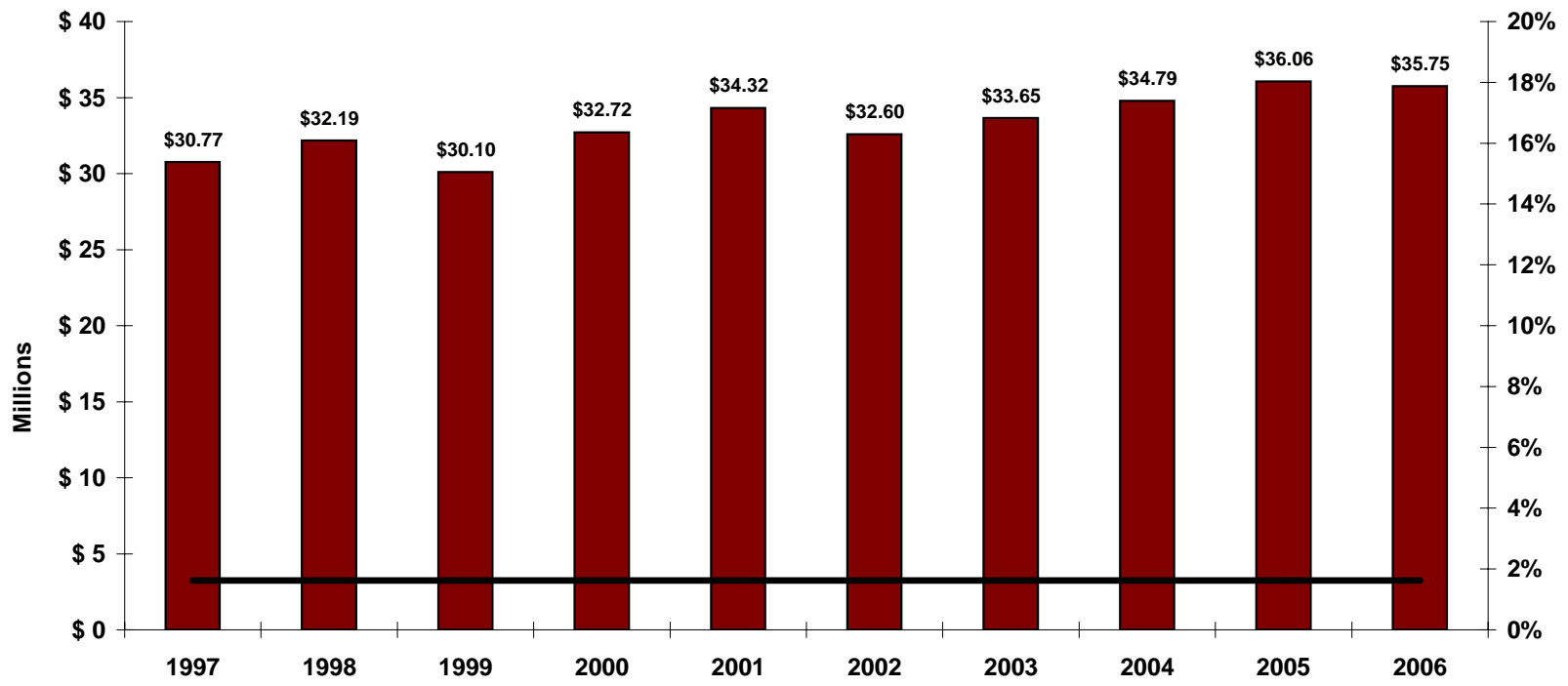
**ICF-MR Facilities**  
**Property Tax Expense**  
**(1997- 2006)**



**ICF-MR Facilities**  
**Home Office: Protected Expense**  
**(1997- 2006)**

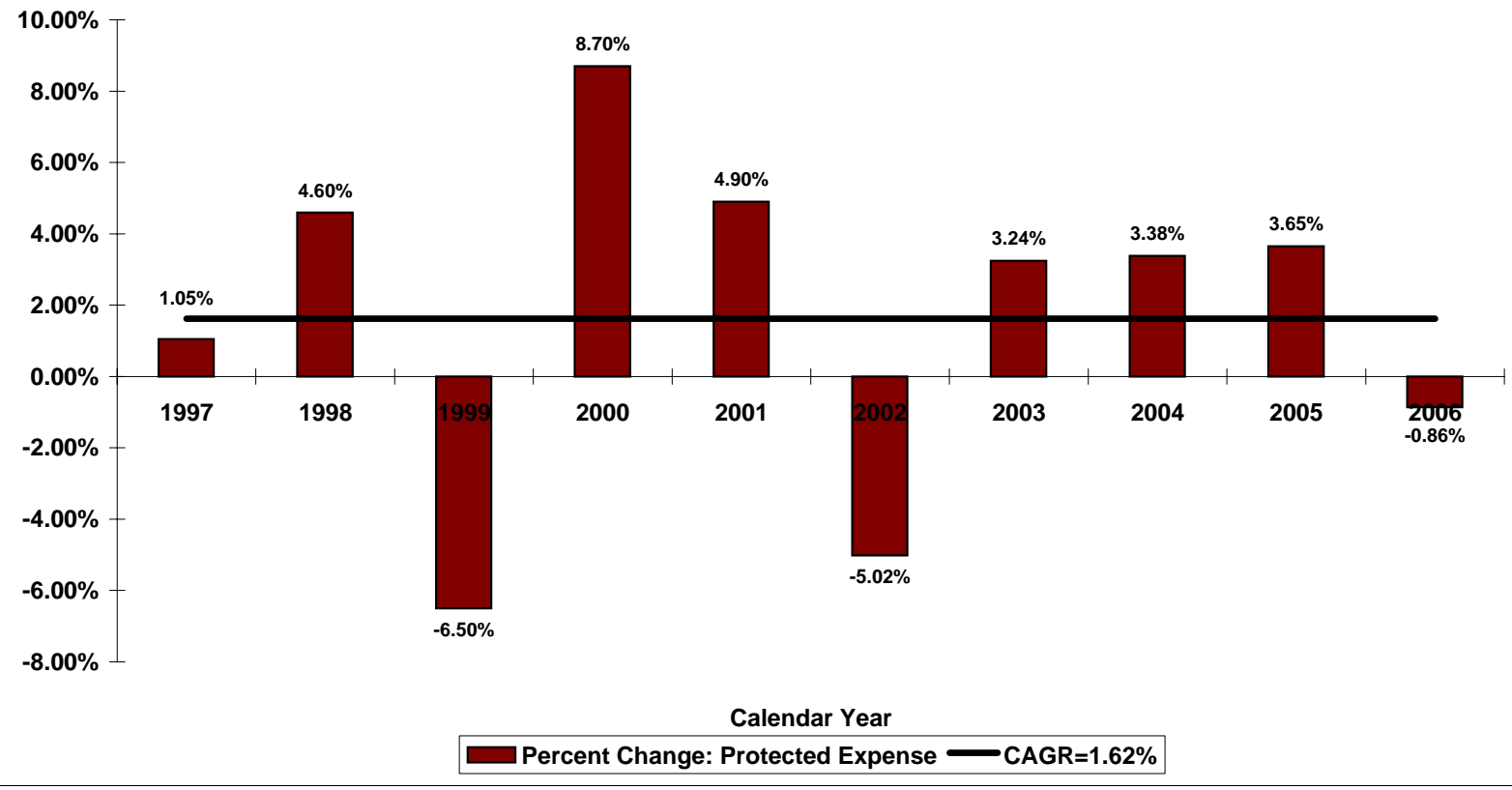


### ICF-MR Facilities Protected Expense (1997 - 2006)

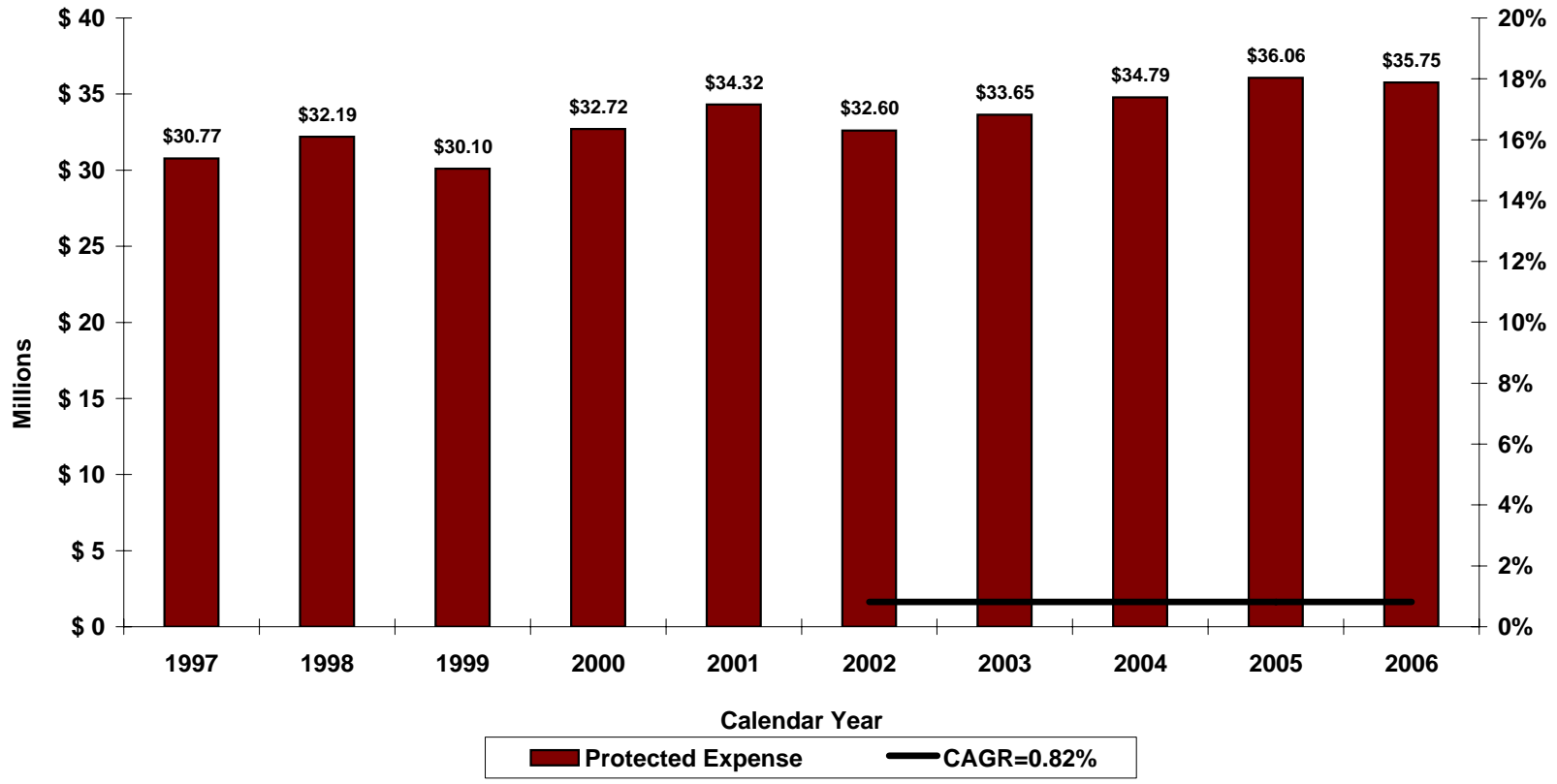


Protected Expense CAGR=1.62%

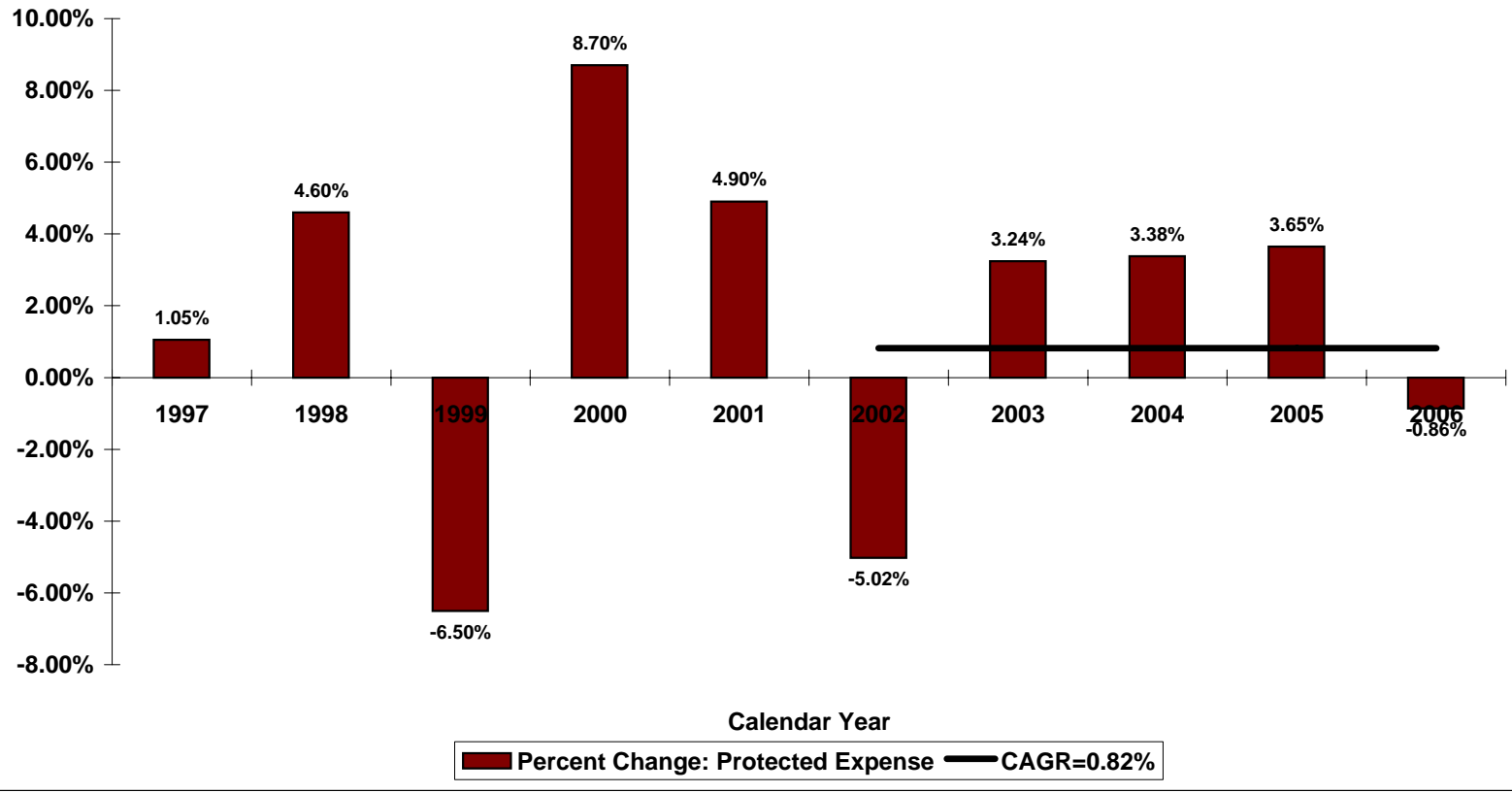
### ICF-MR Facilities Protected Expense (1997 - 2006)



### ICF-MR Facilities Protected Expense (1997 - 2006)

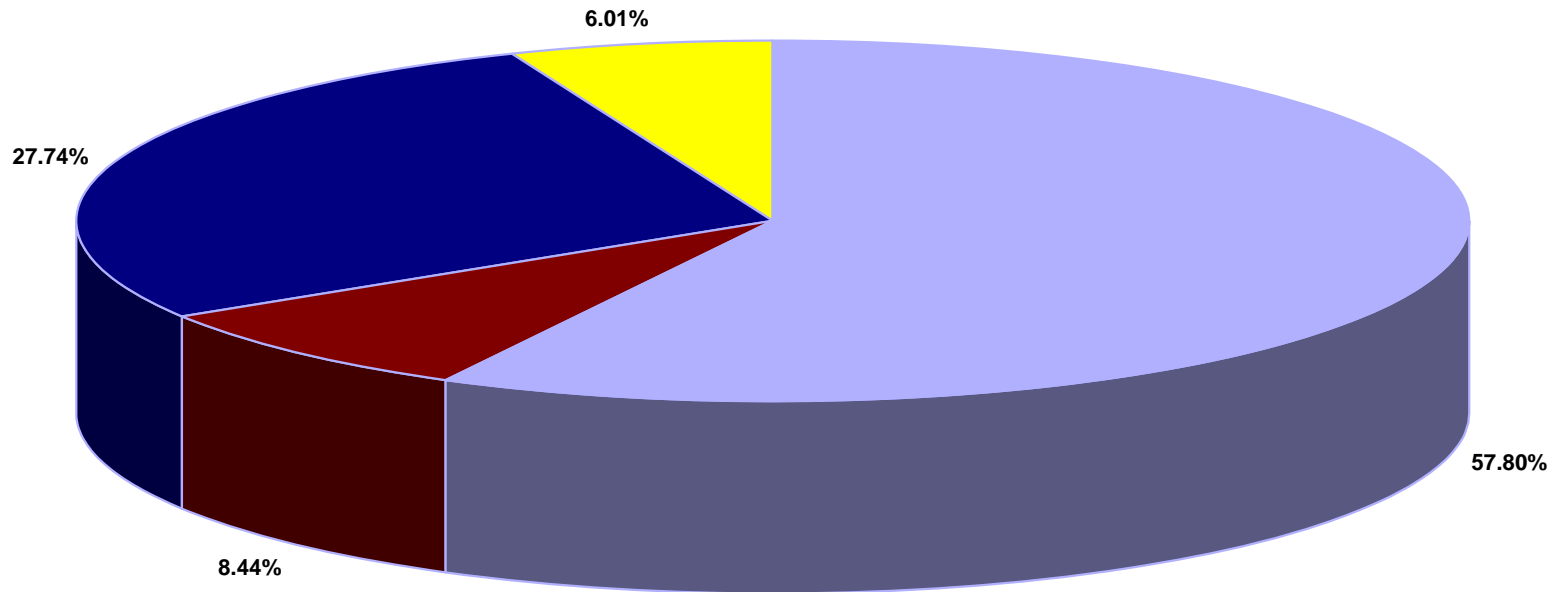


### ICF-MR Facilities Protected Expense (1997-2006)



## ICF-MR Facilities

Percentage of Total Filed Expense  
(Cost Centers: 1997)



Direct Care Expense

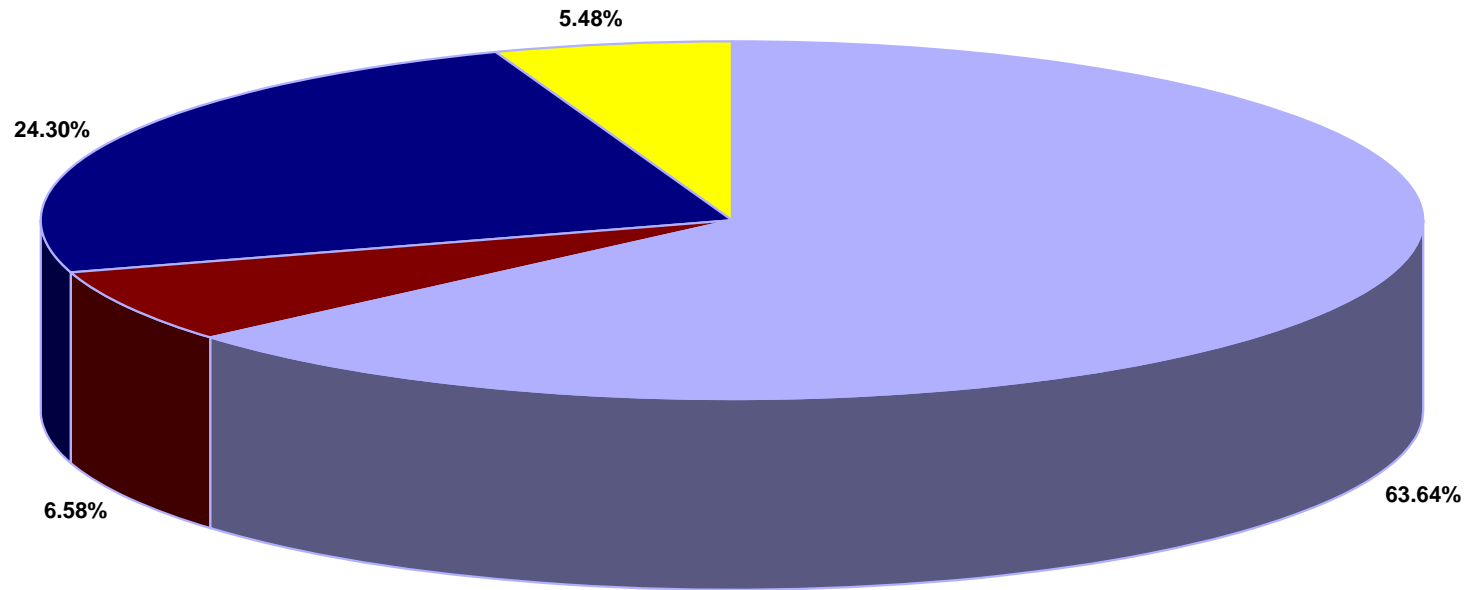
Indirect Care Expense

Protected Expense

Capital Expense

## ICF-MR Facilities

Percentage of Total Filed Expense  
(Cost Centers: 2006)



Direct Care Expense

Indirect Care Expense

Protected Expense

Capital Expense

# Per Diem Trends

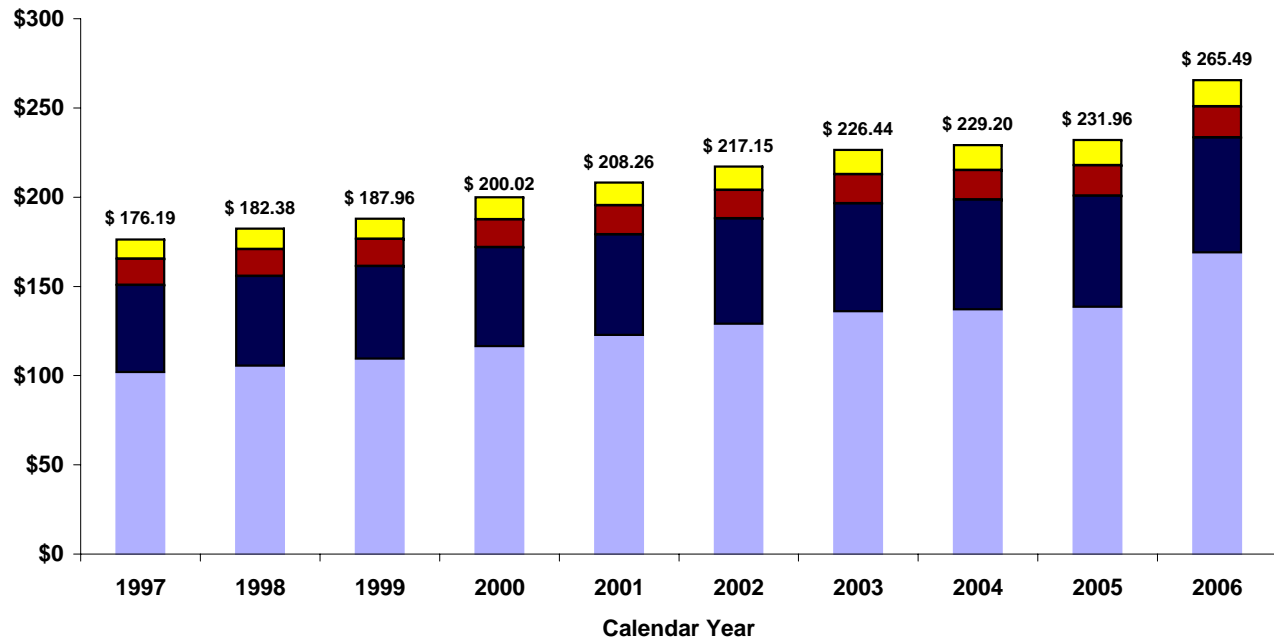
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- < **Total Per Diem**
- < **Direct Care Cost Center**
- < **Indirect Care Cost Center**
- < **Capital Cost Center**
- < **Protected Cost Center**

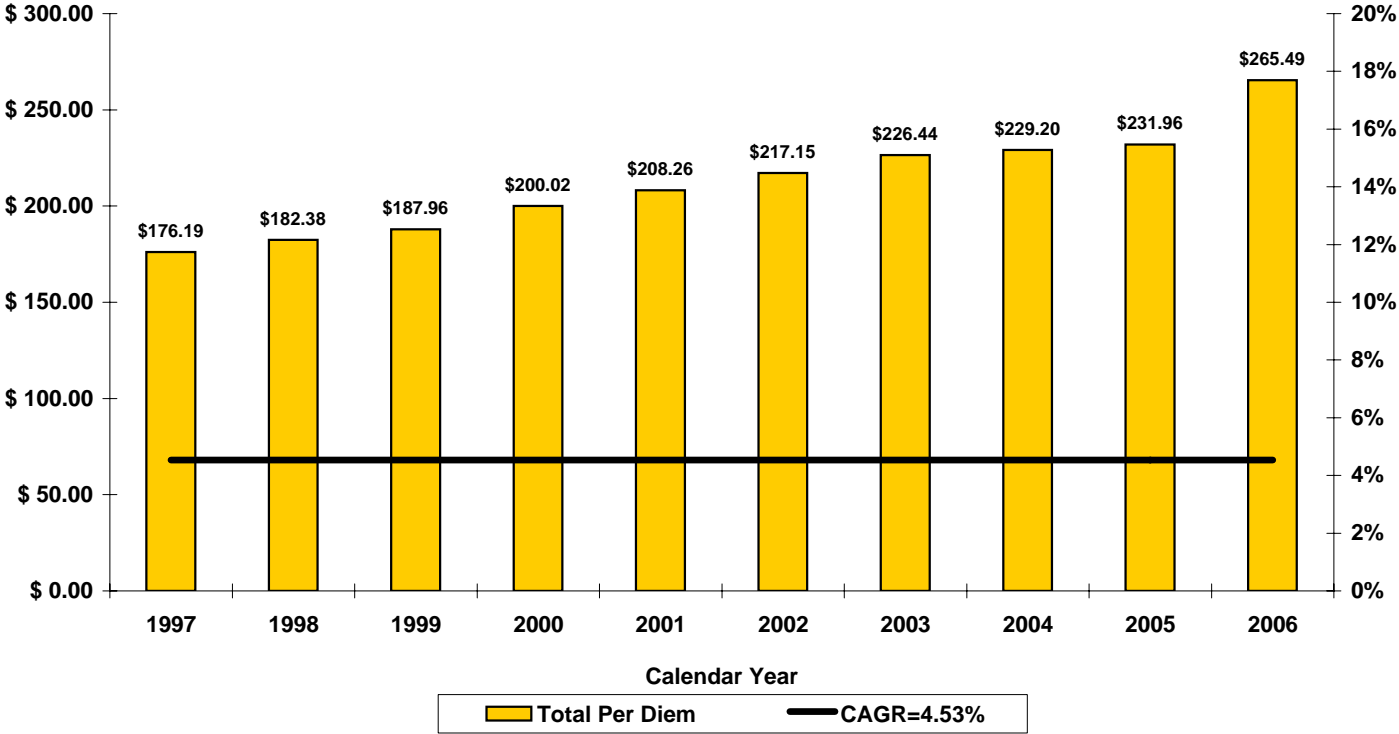
**All per diems are expenses  
divided by inpatient days**

### ICF-MR Facilities

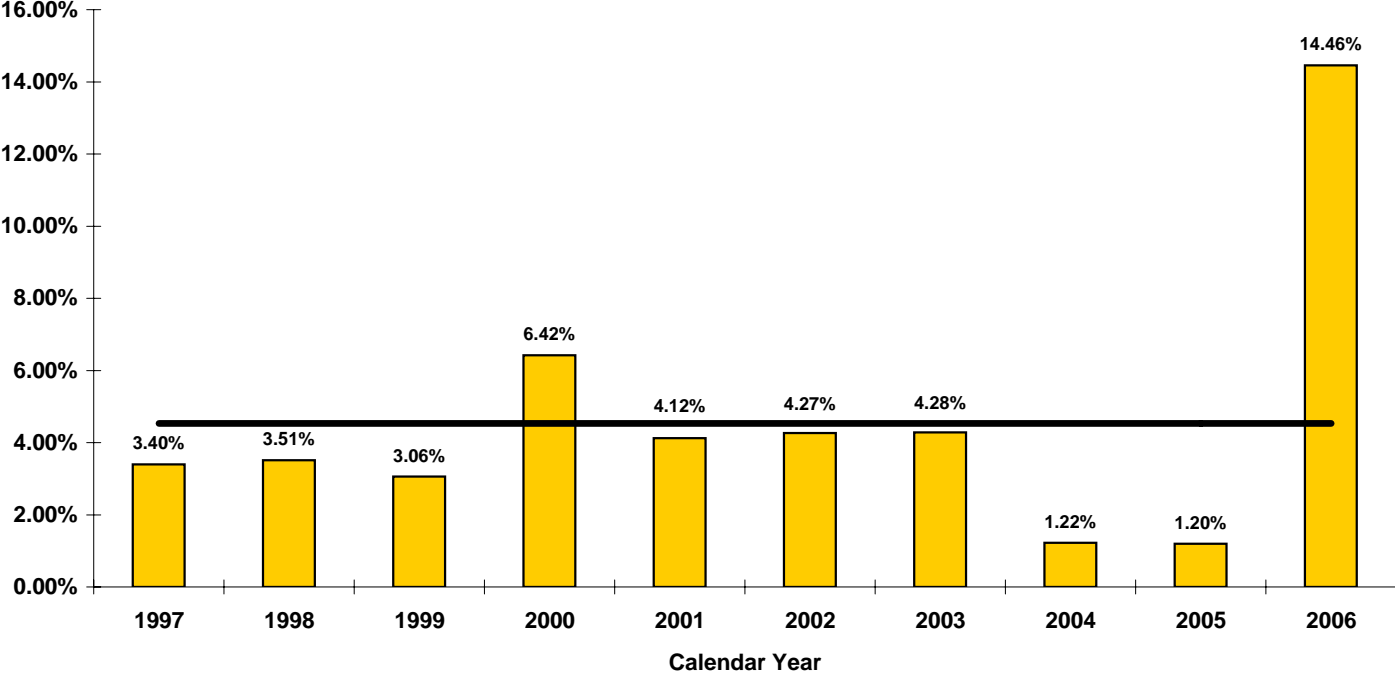
Total Expense Per Diem  
(1997- 2006)



**ICF-MR Facilities**  
**Total Expense Per Diem**  
**(1997- 2006)**

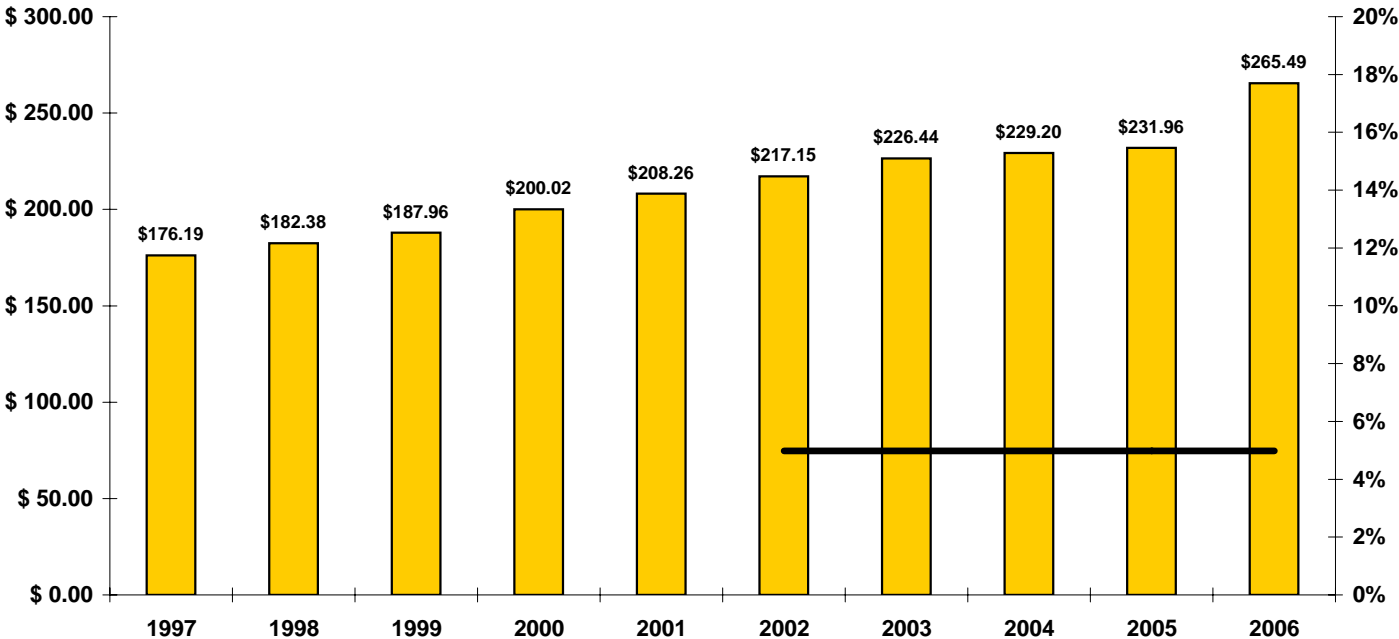


**ICF-MR Facilities**  
**Total Expense Per Diem**  
**(1997- 2006)**



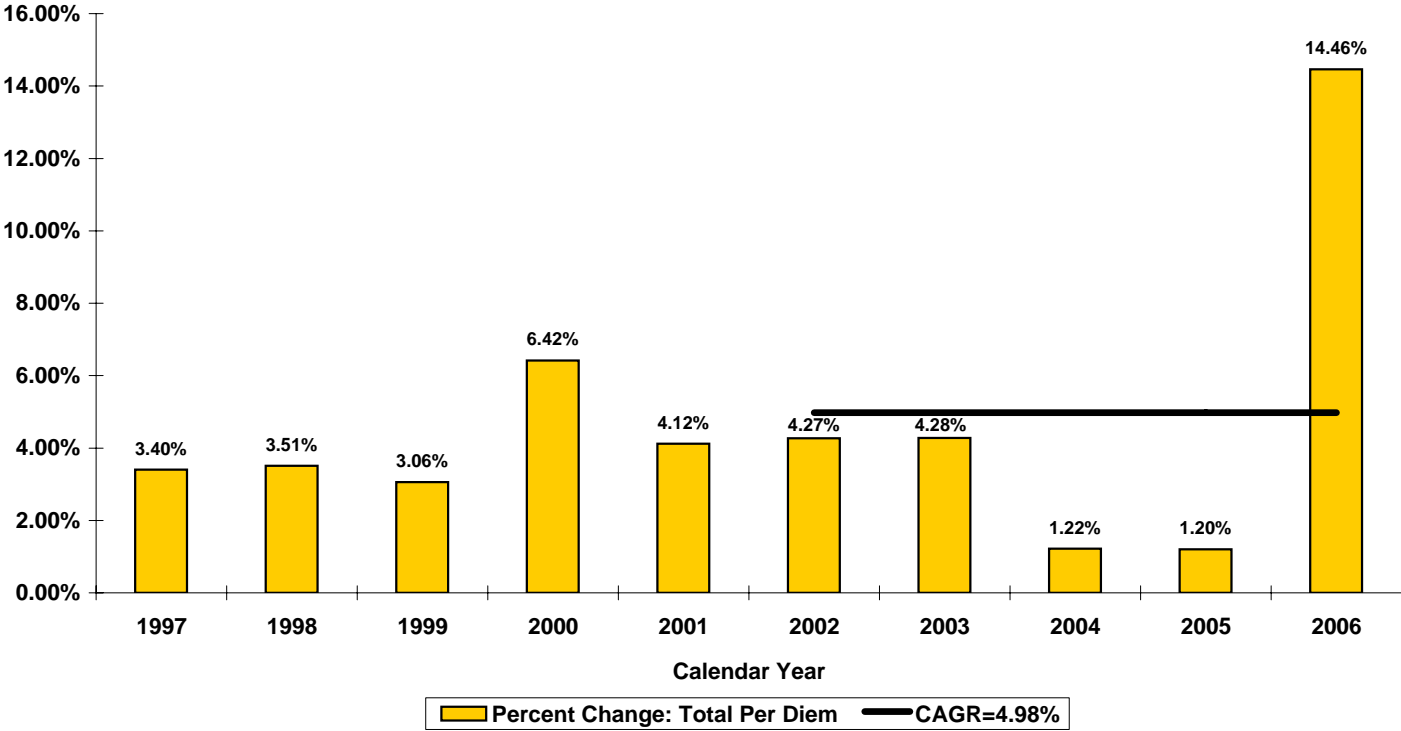
■ Percent Change: Total Per Diem    — CAGR=4.53%

**ICF-MR Facilities**  
**Total Expense Per Diem**  
**(1997- 2006)**

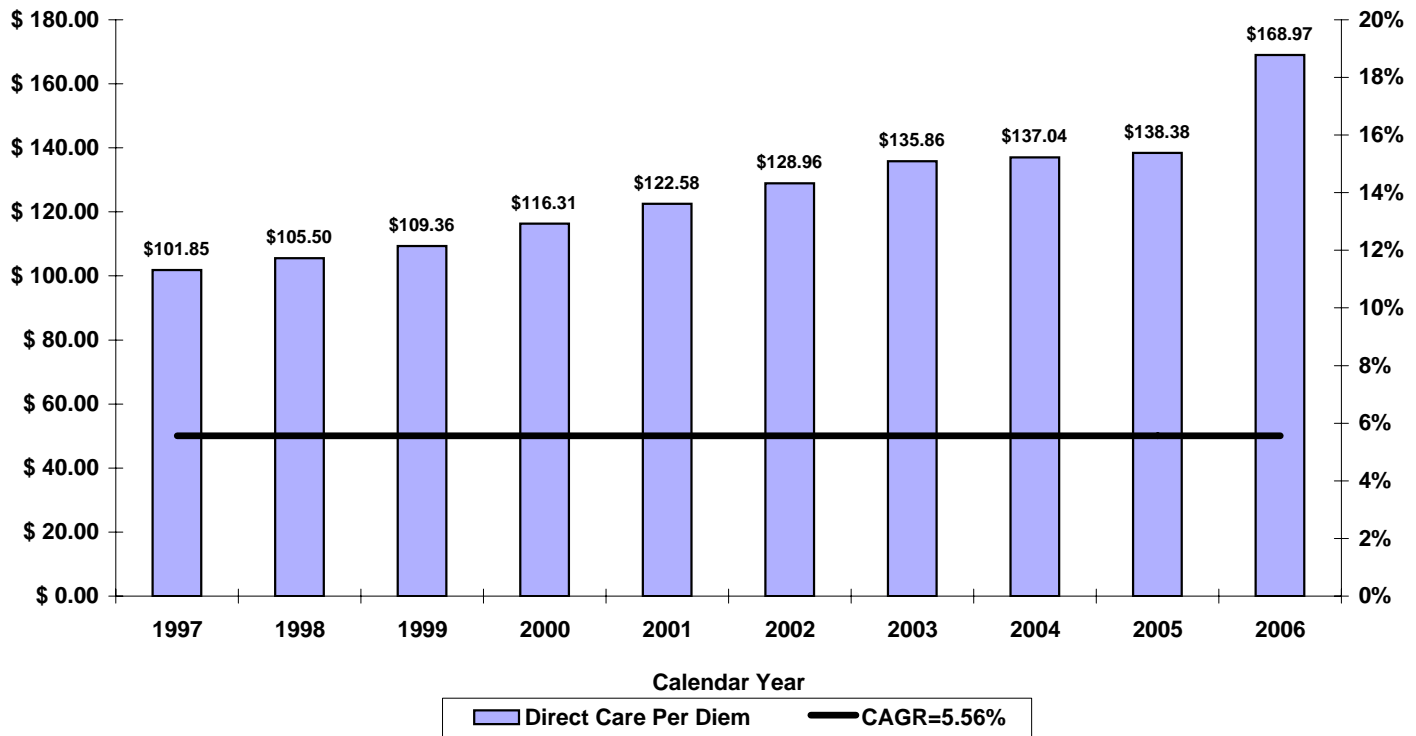


Legend:  Total Per Diem       CAGR=4.98%

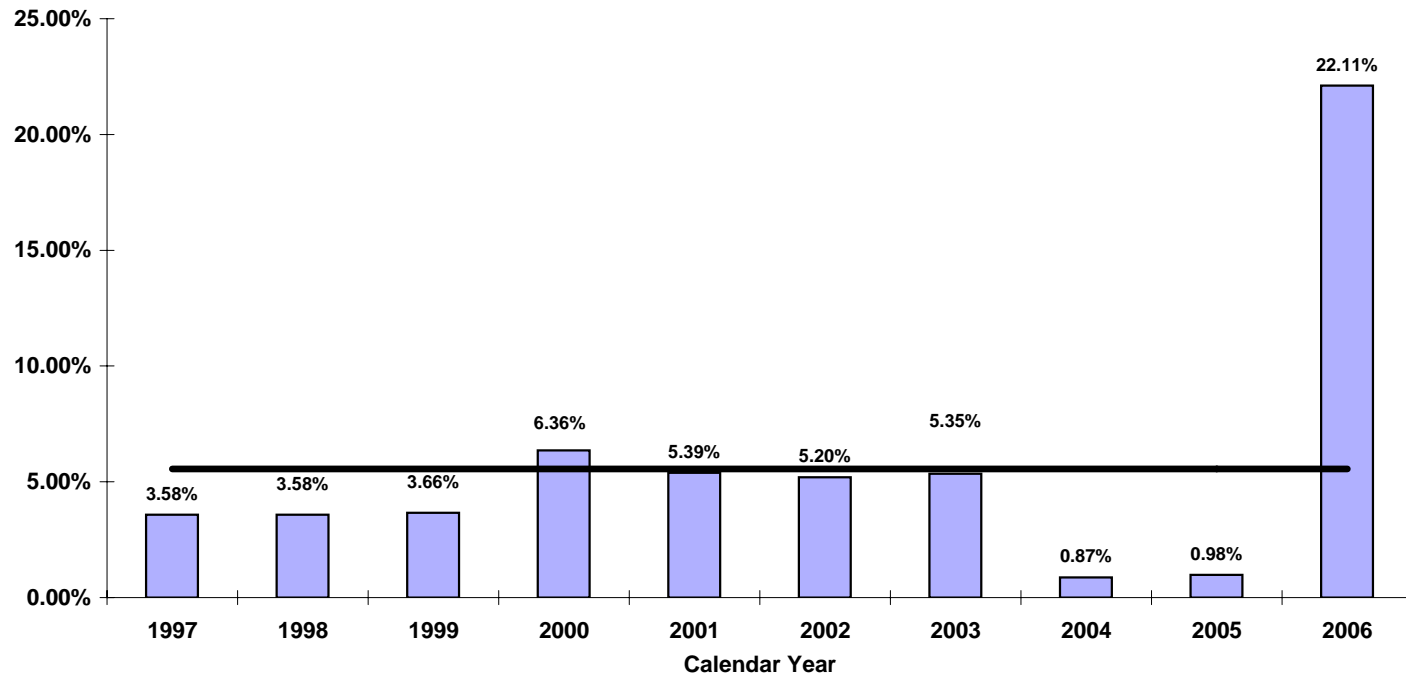
**ICF-MR Facilities**  
**Total Expense Per Diem**  
**(1997- 2006)**



**ICF-MR Facilities**  
**Direct Care Expense Per Diem**  
(1997- 2006)

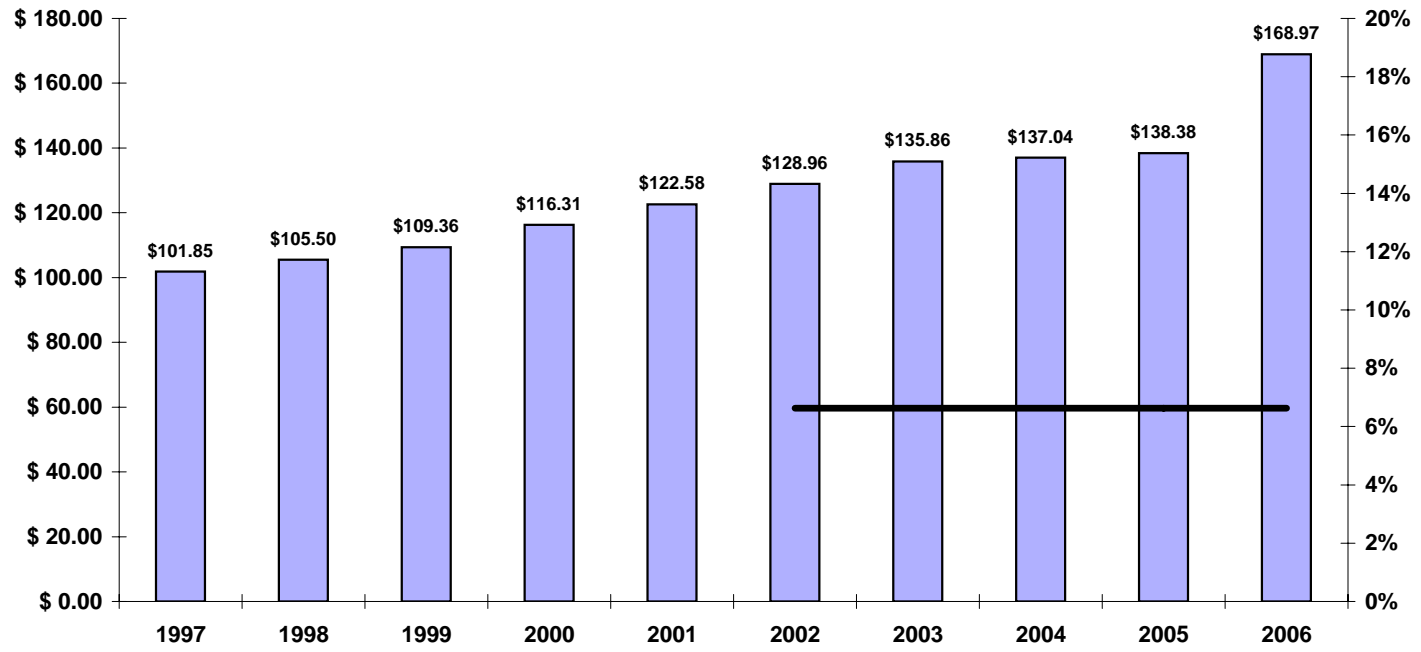


**ICF-MR Facilities**  
**Direct Care Expense Per Diem**  
(1997- 2006)



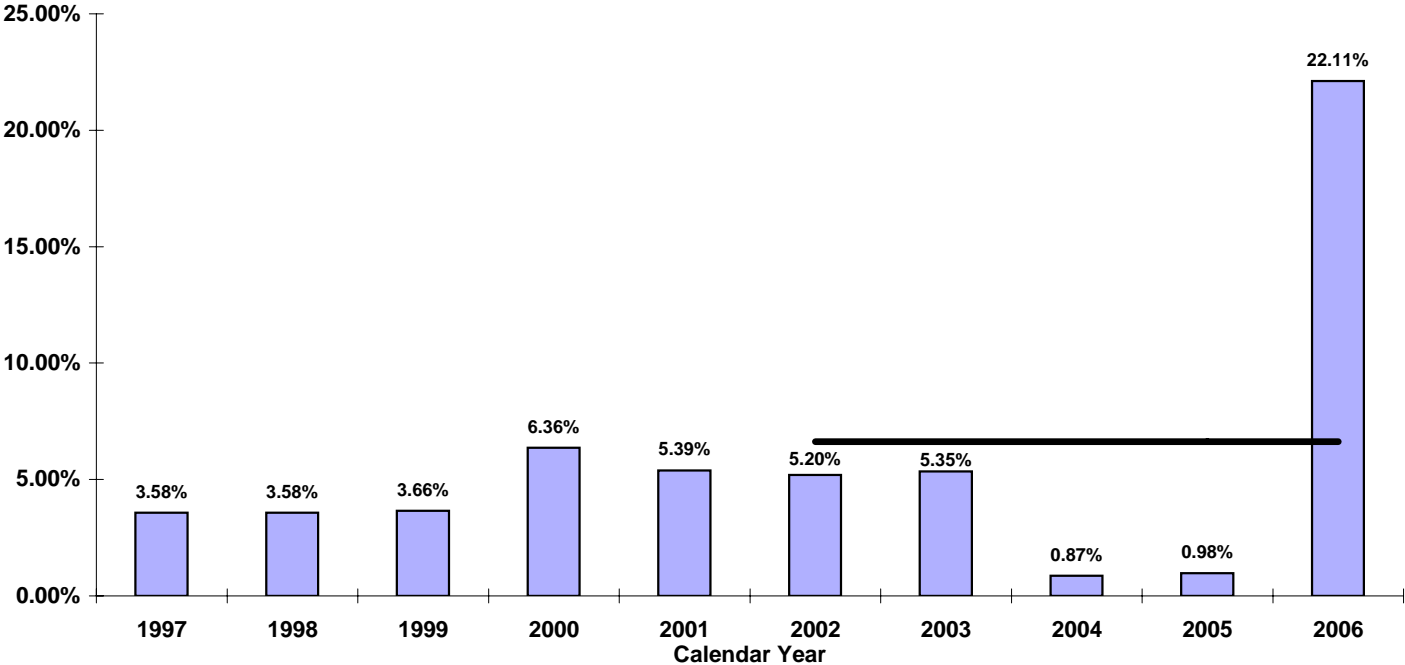
■ Percent Change: Direct Care Per Diem  
— CAGR=5.56%

**ICF-MR Facilities**  
**Direct Care Expense Per Diem**  
(1997- 2006)



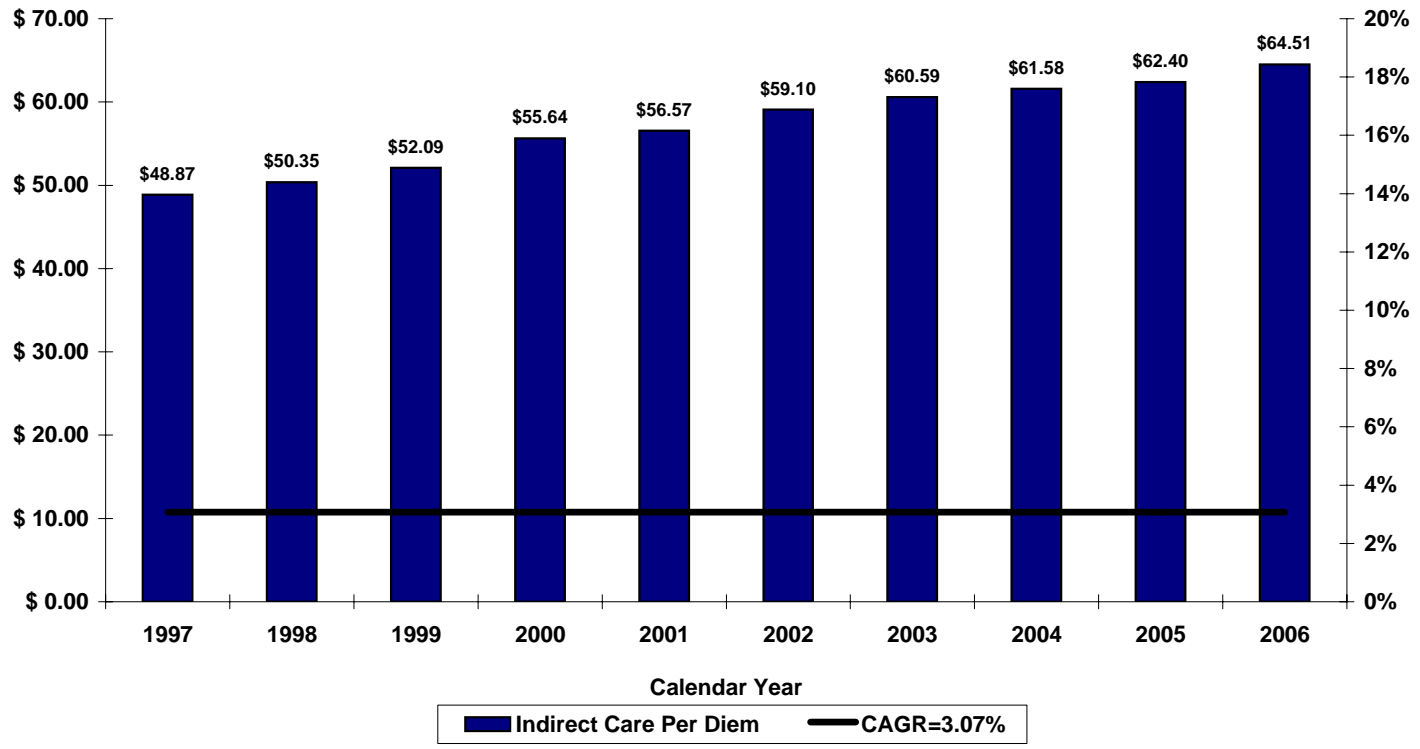
Direct Care Per Diem      CAGR=6.63%

**ICF-MR Facilities**  
**Direct Care Expense Per Diem**  
(1997- 2006)

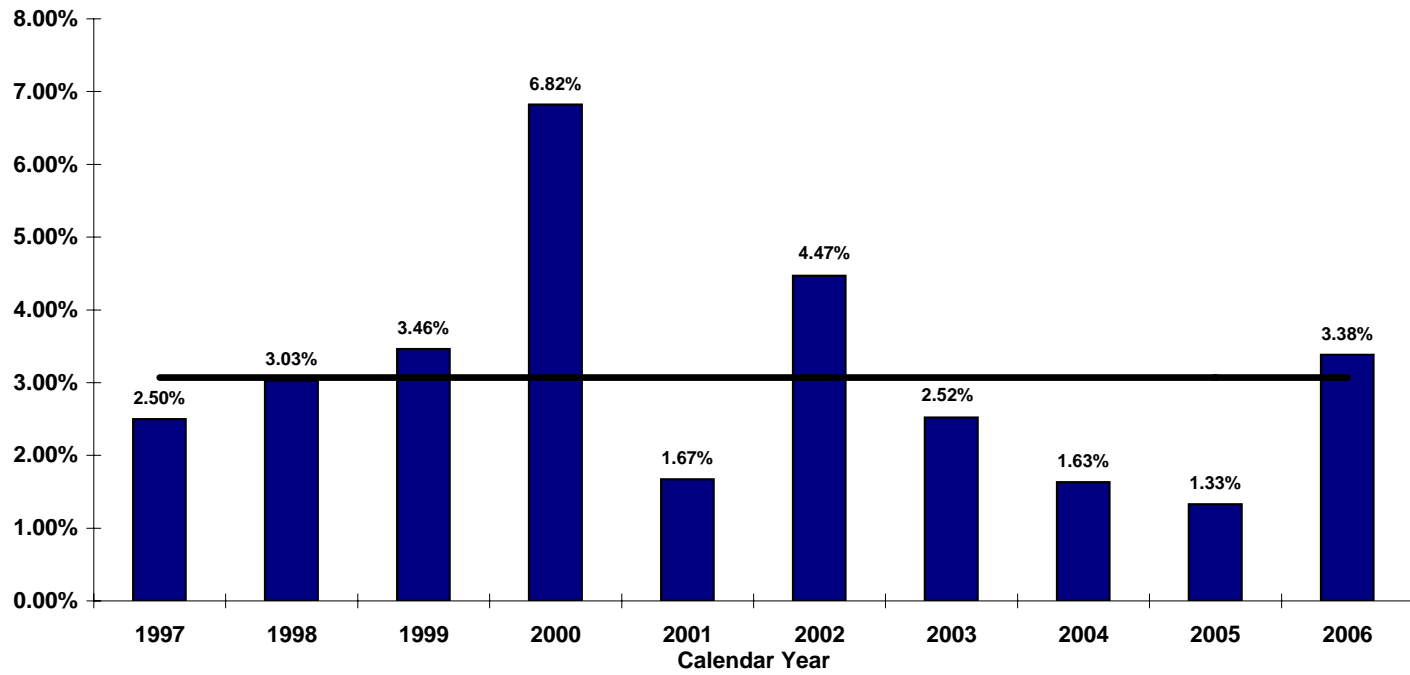


■ Percent Change: Direct Care Per Diem  
— CAGR=6.63%

**ICF-MR Facilities**  
**Indirect Care Expense Per Diem**  
(1997- 2006)

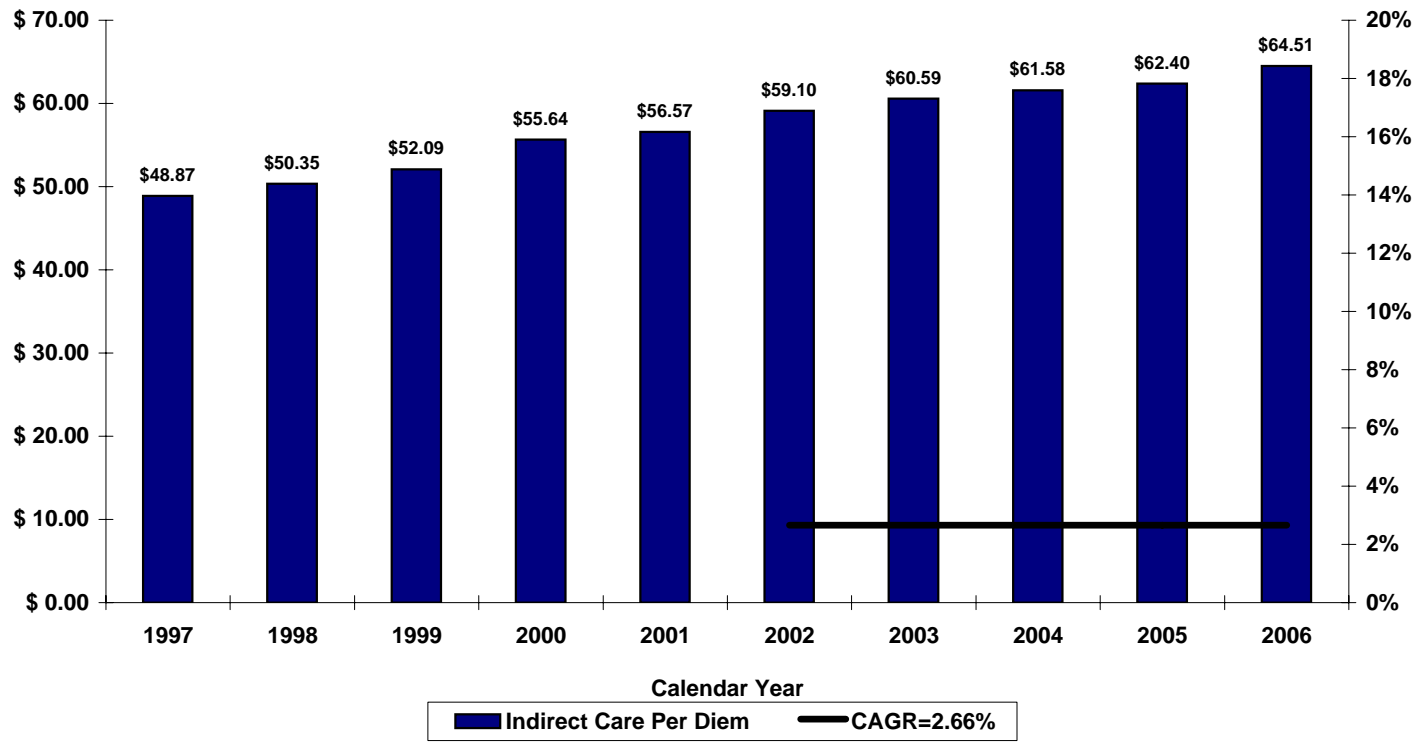


**ICF-MR Facilities**  
**Indirect Care Expense Per Diem**  
**(1997- 2006)**

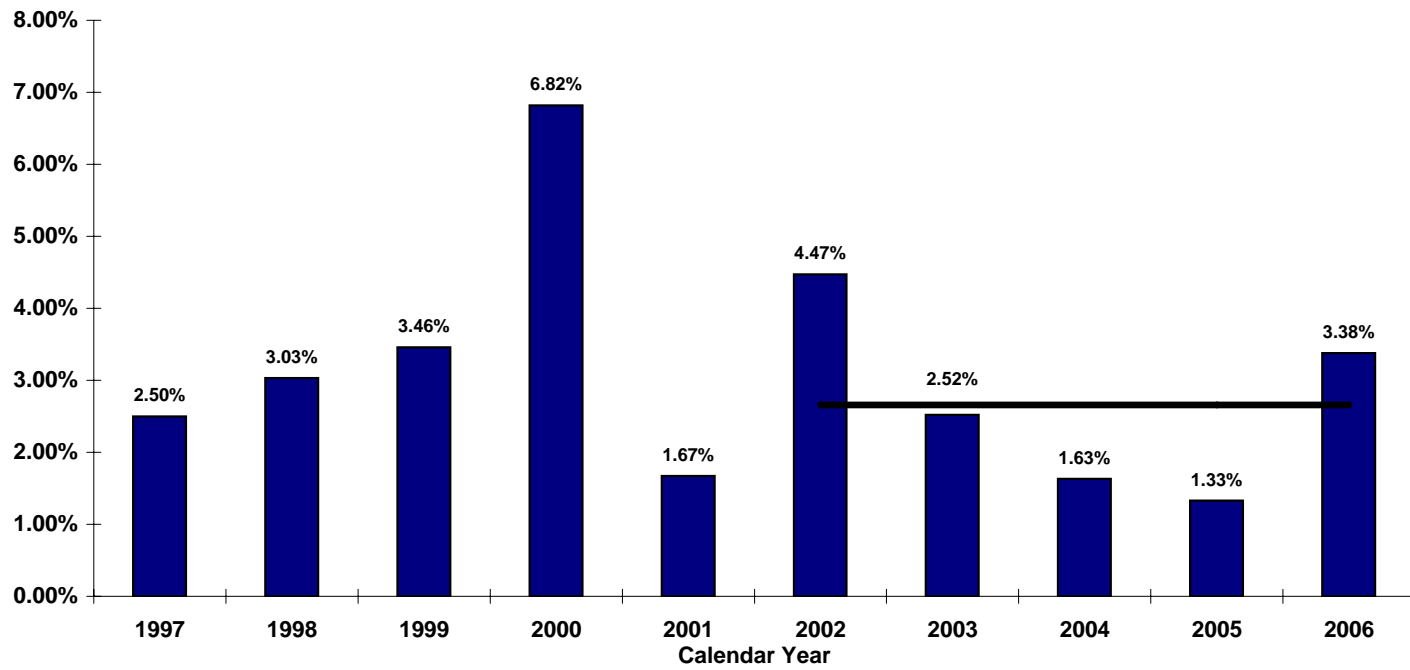


■ Percent Change: Indirect Care Per Diem  
— CAGR=3.07%

**ICF-MR Facilities**  
**Indirect Care Expense Per Diem**  
(1997- 2006)

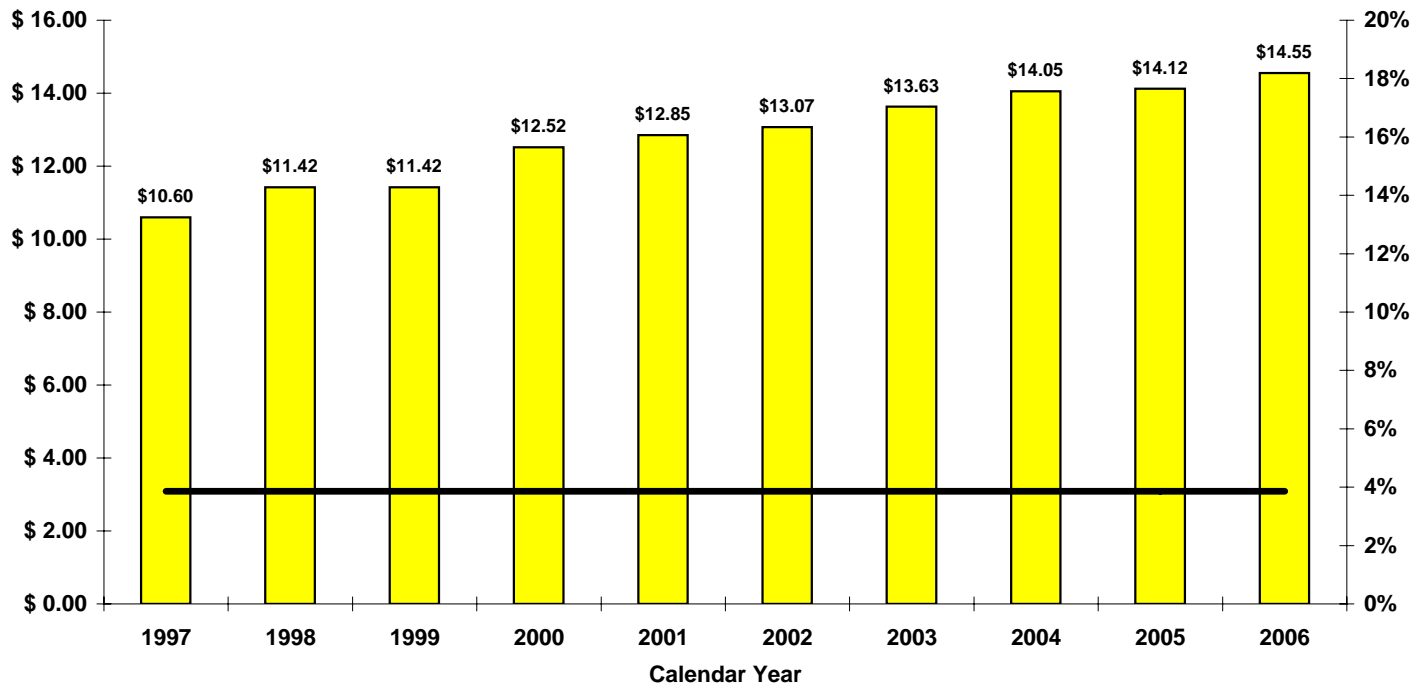


**ICF-MR Facilities**  
**Indirect Care Expense Per Diem**  
**(1997- 2006)**



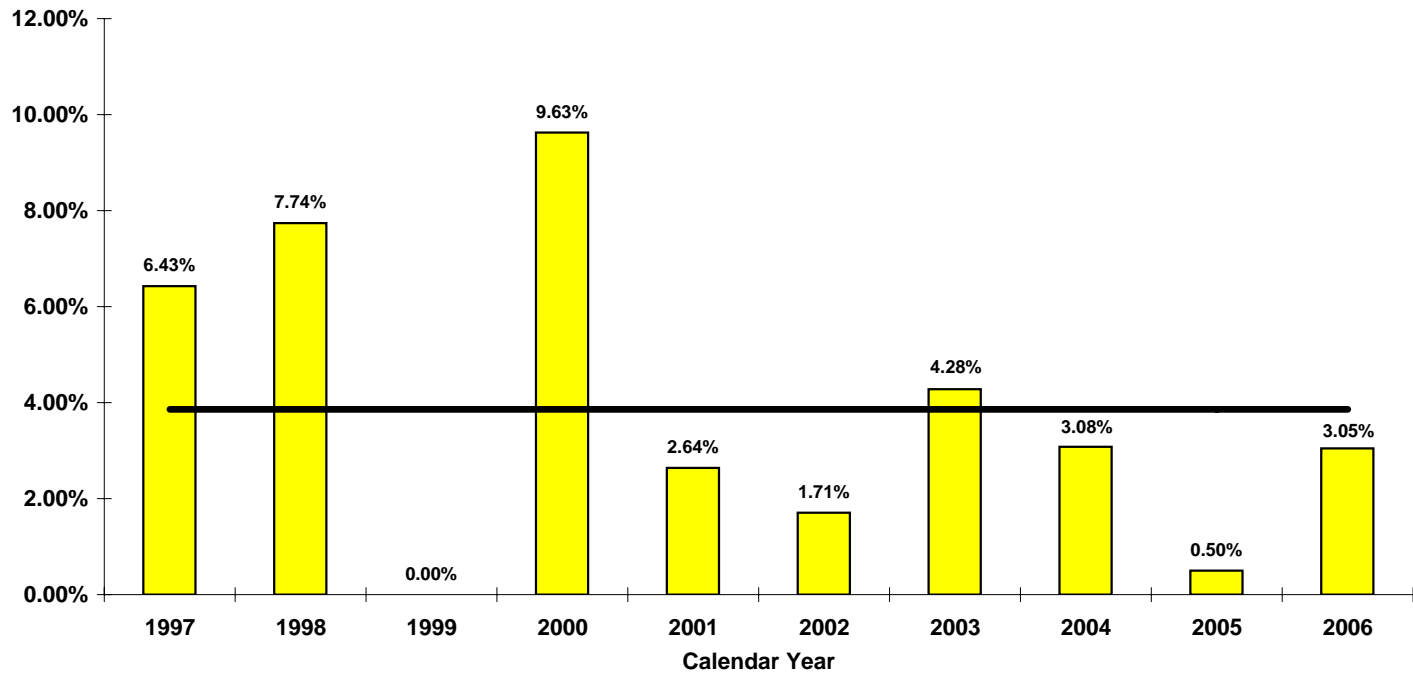
■ Percent Change: Indirect Care Per Diem  
— CAGR=2.66%

**ICF-MR Facilities**  
**Capital Expense Per Diem**  
(1997- 2006)



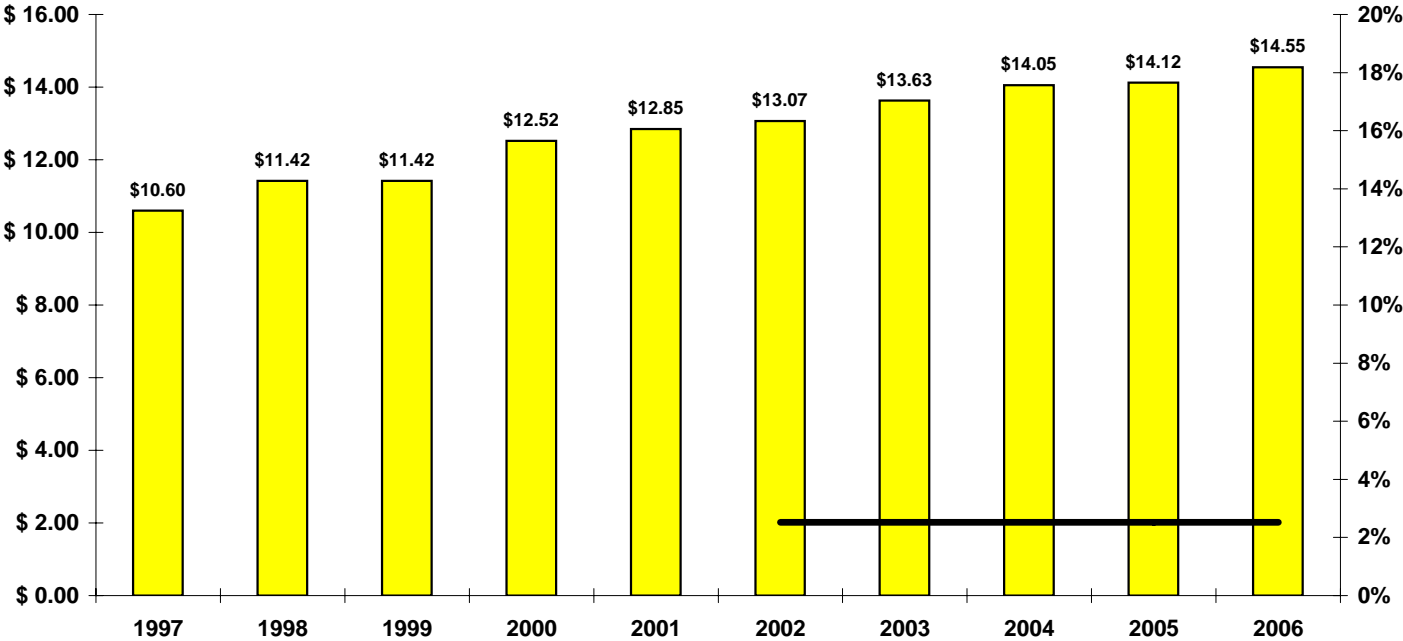
Capital Expense Per Diem CAGR=3.86%

**ICF-MR Facilities**  
**Capital Expense Per Diem**  
(1997- 2006)



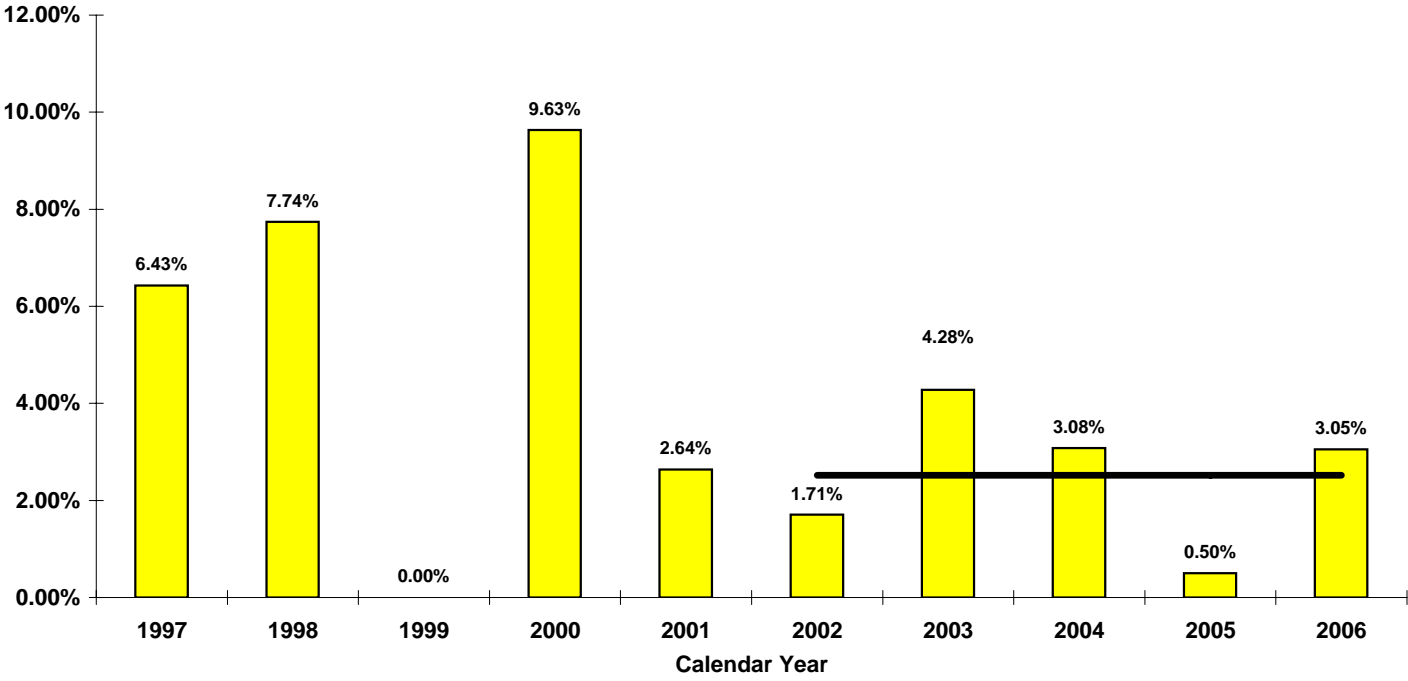
■ Percent Change: Capital Per Diem — CAGR=3.86%

**ICF-MR Facilities**  
**Capital Expense Per Diem**  
(1997- 2006)



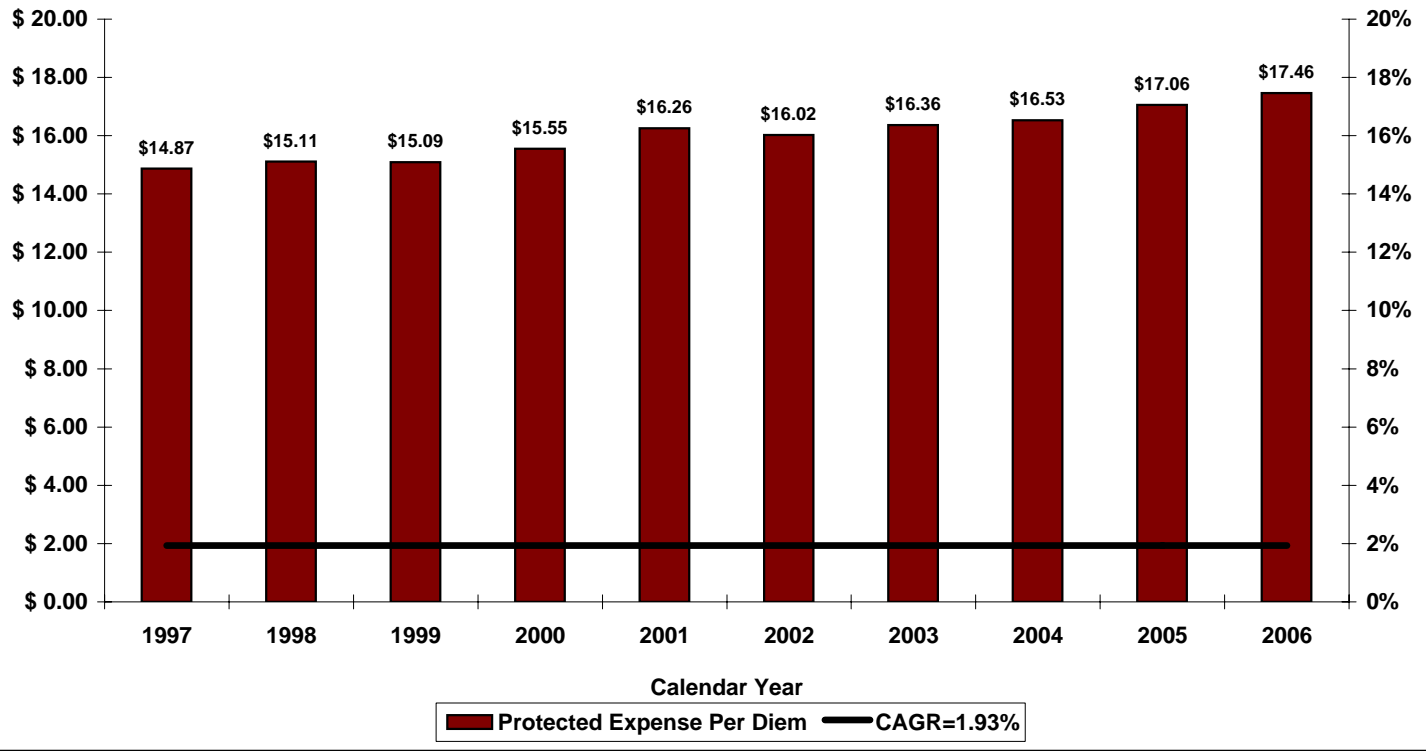
Capital Expense Per Diem CAGR=2.52%

**ICF-MR Facilities**  
**Capital Expense Per Diem**  
(1997- 2006)

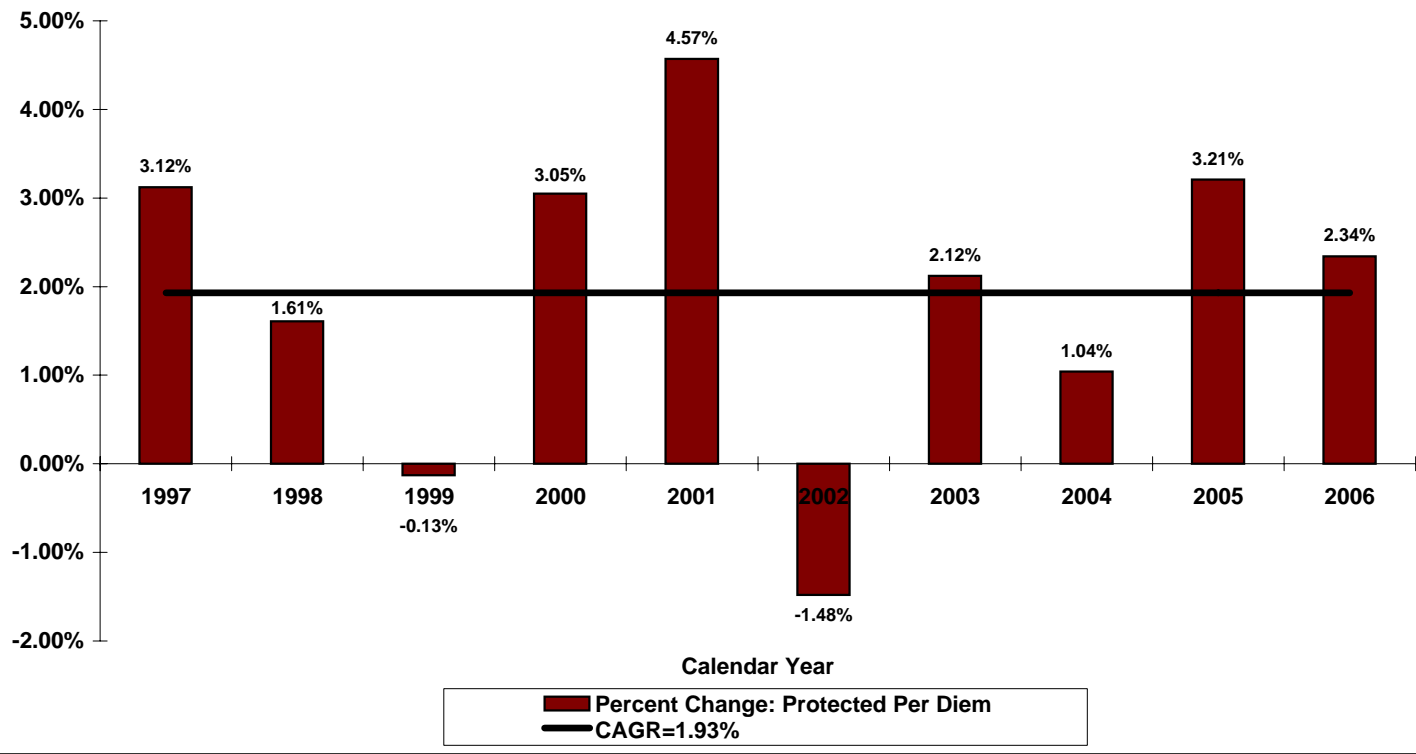


■ Percent Change: Capital Per Diem    — CAGR=2.52%

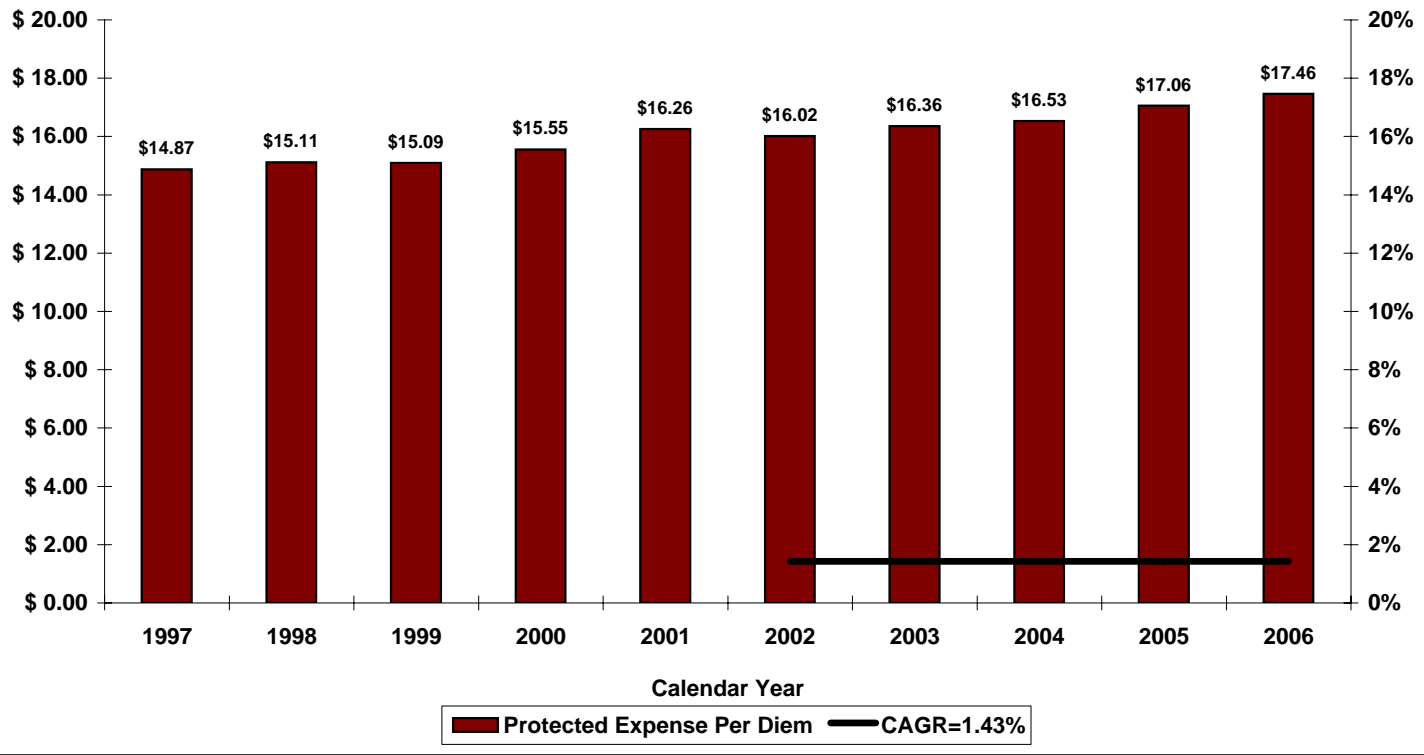
**ICF-MR Facilities**  
**Protected Expense Per Diem**  
(1997- 2006)



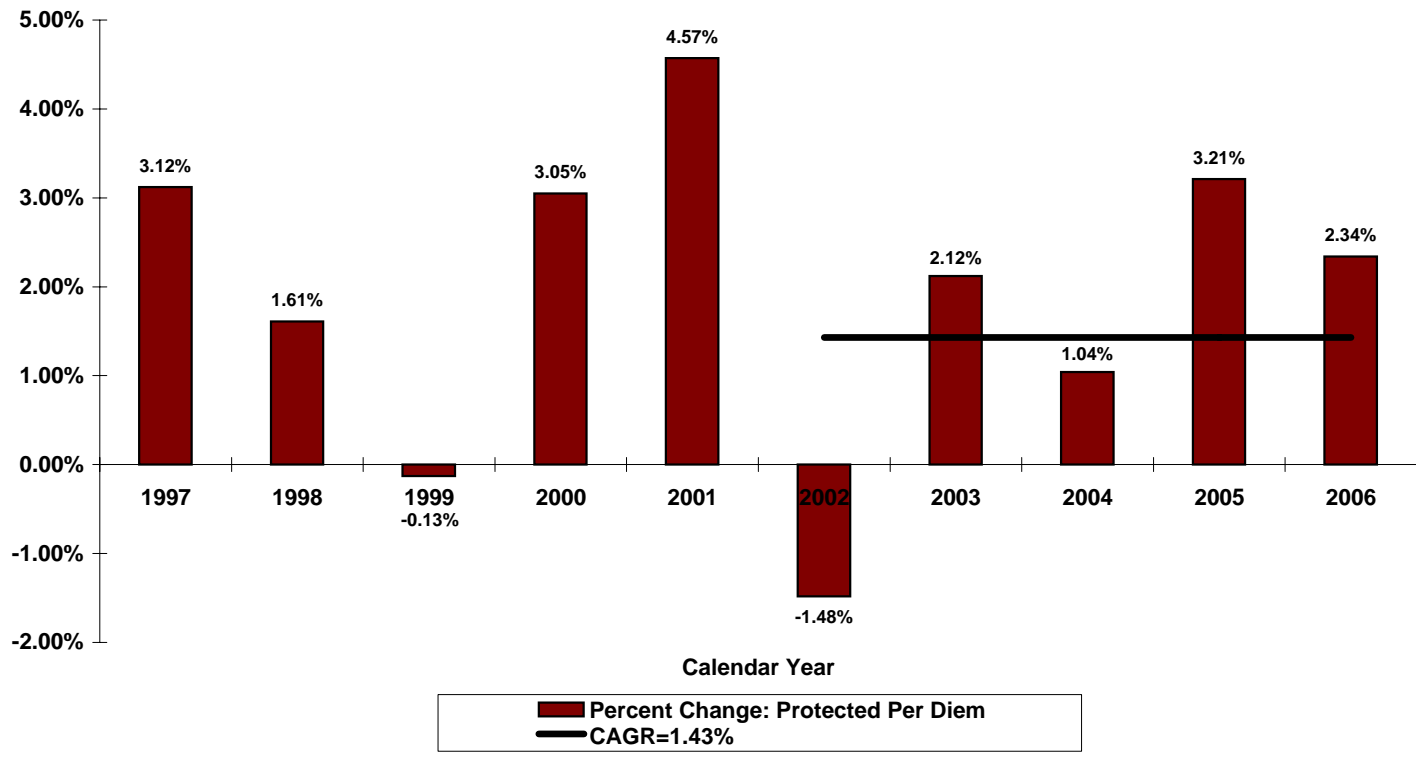
**ICF-MR Facilities**  
**Protected Expense Per Diem**  
**(1997- 2006)**



**ICF-MR Facilities**  
**Protected Expense Per Diem**  
(1997- 2006)



**ICF-MR Facilities**  
**Protected Expense Per Diem**  
**(1997- 2006)**



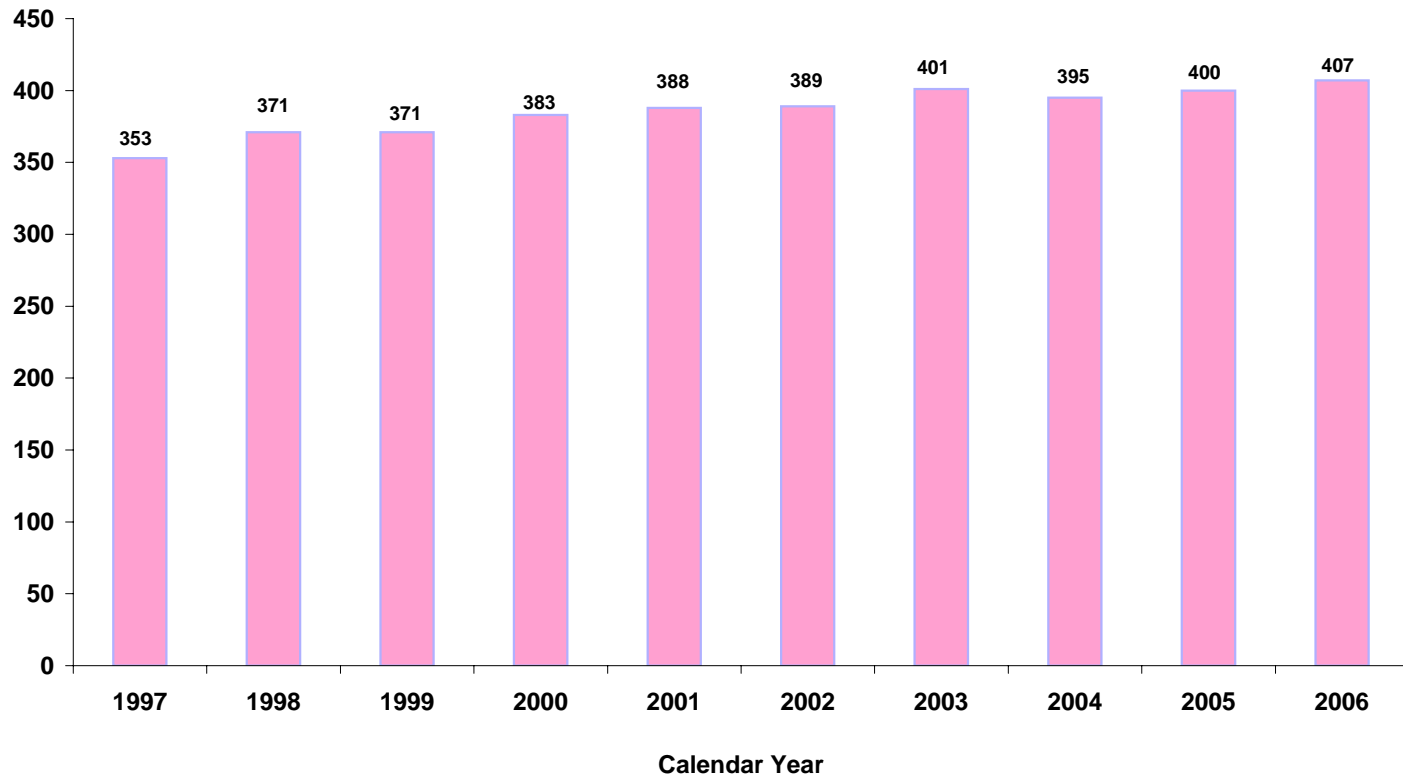
# Facility Information

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- < **Number of Facilities**
- < **Bed Days Available**
- < **Vacant Bed Days Available**
- < **Estimated Vacant Beds**
- < **Inpatient Days**
  - Í **Medicaid Days**
  - Í **Private Days**
  - Í **Medicare Days**
  - Í **Veteran/Other Days**

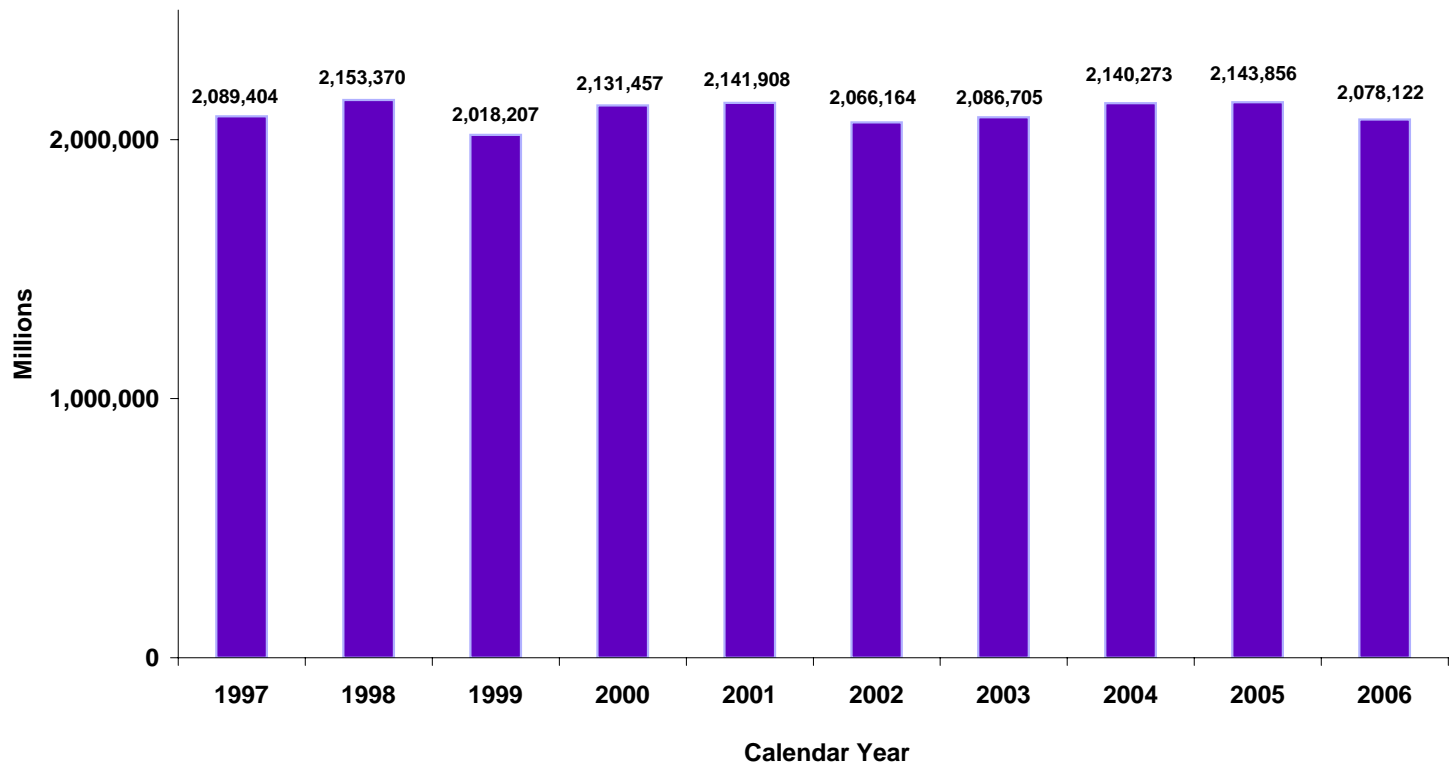
## ICF-MR Facilities

Number of Facilities  
(1997- 2006)

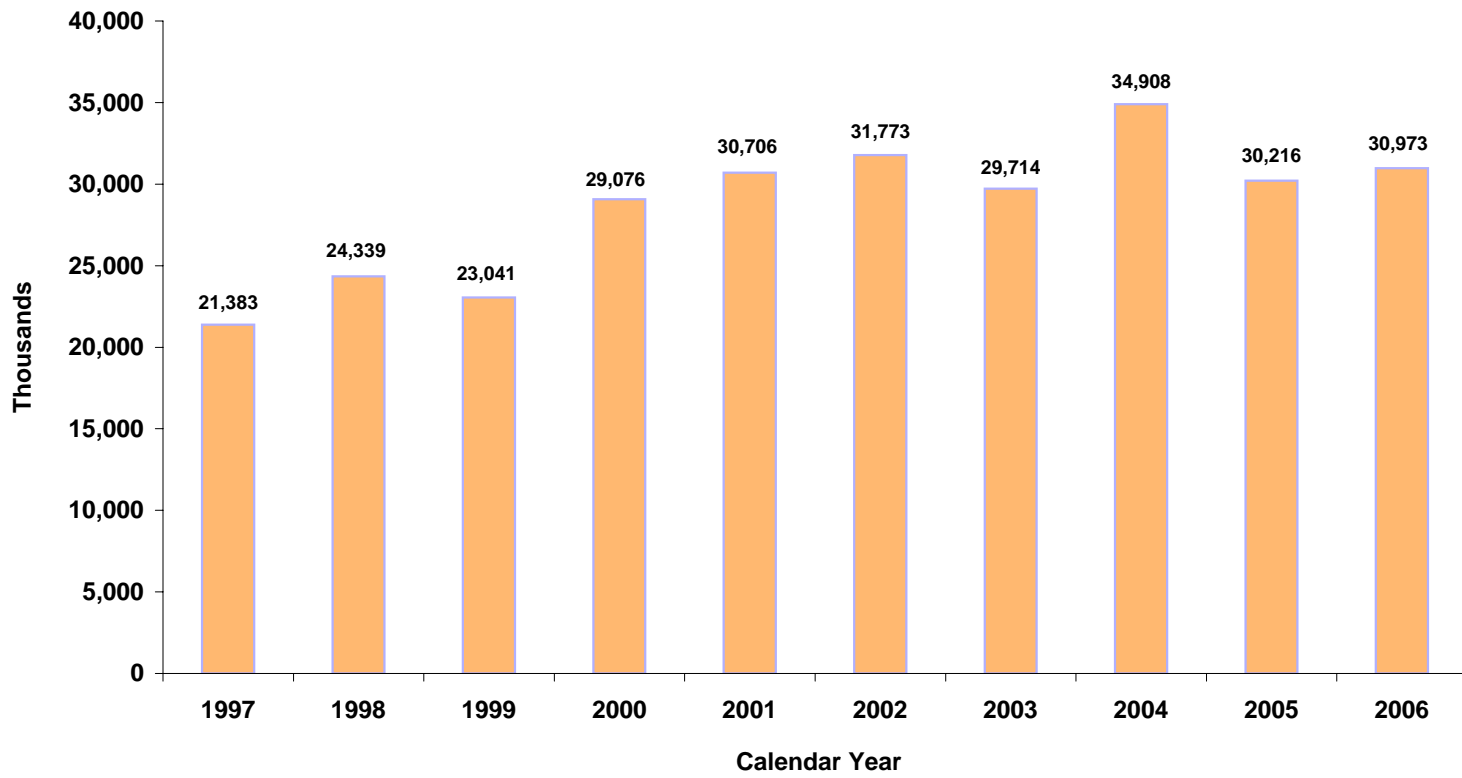


## ICF-MR Facilities

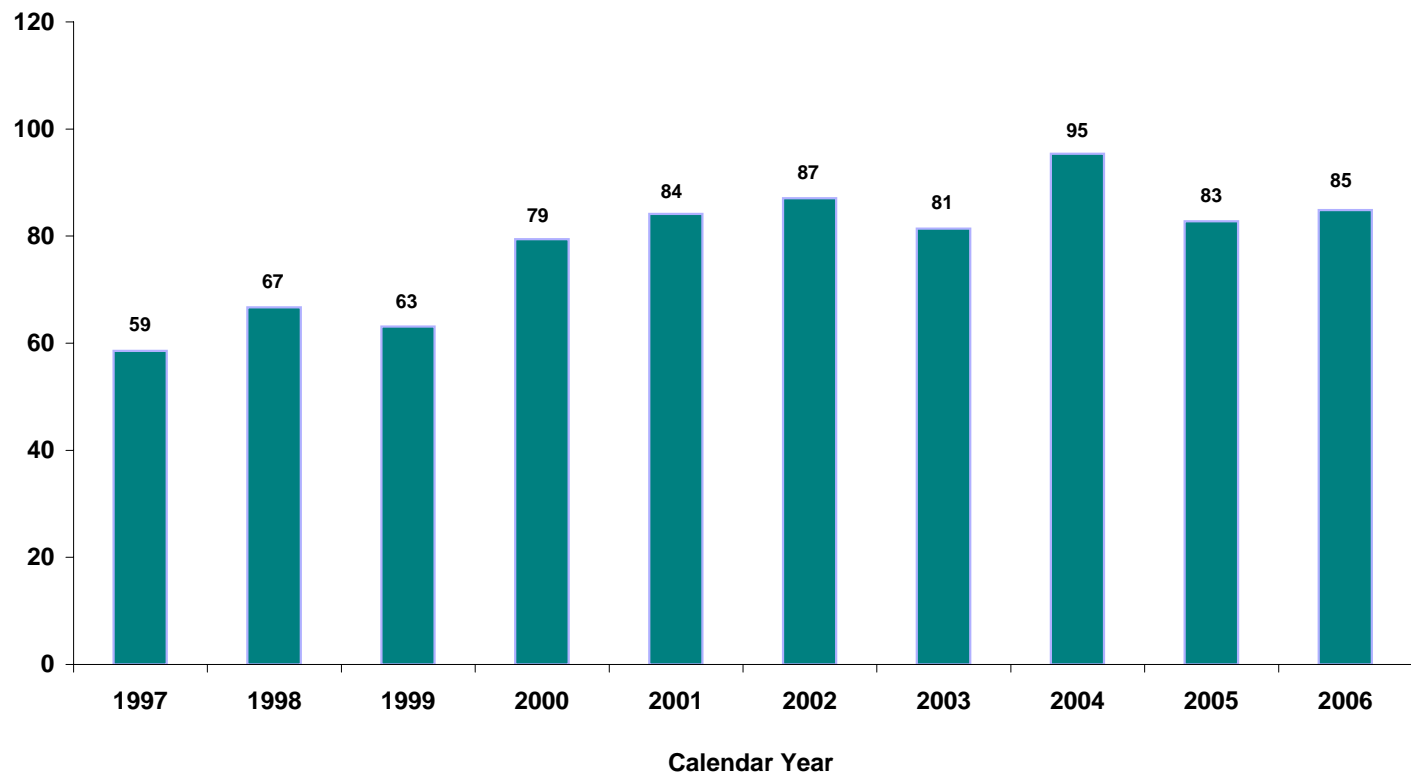
Bed Days Available  
(1997- 2006)



**ICF-MR Facilities  
Vacant Bed Days Available  
(1997- 2006)**

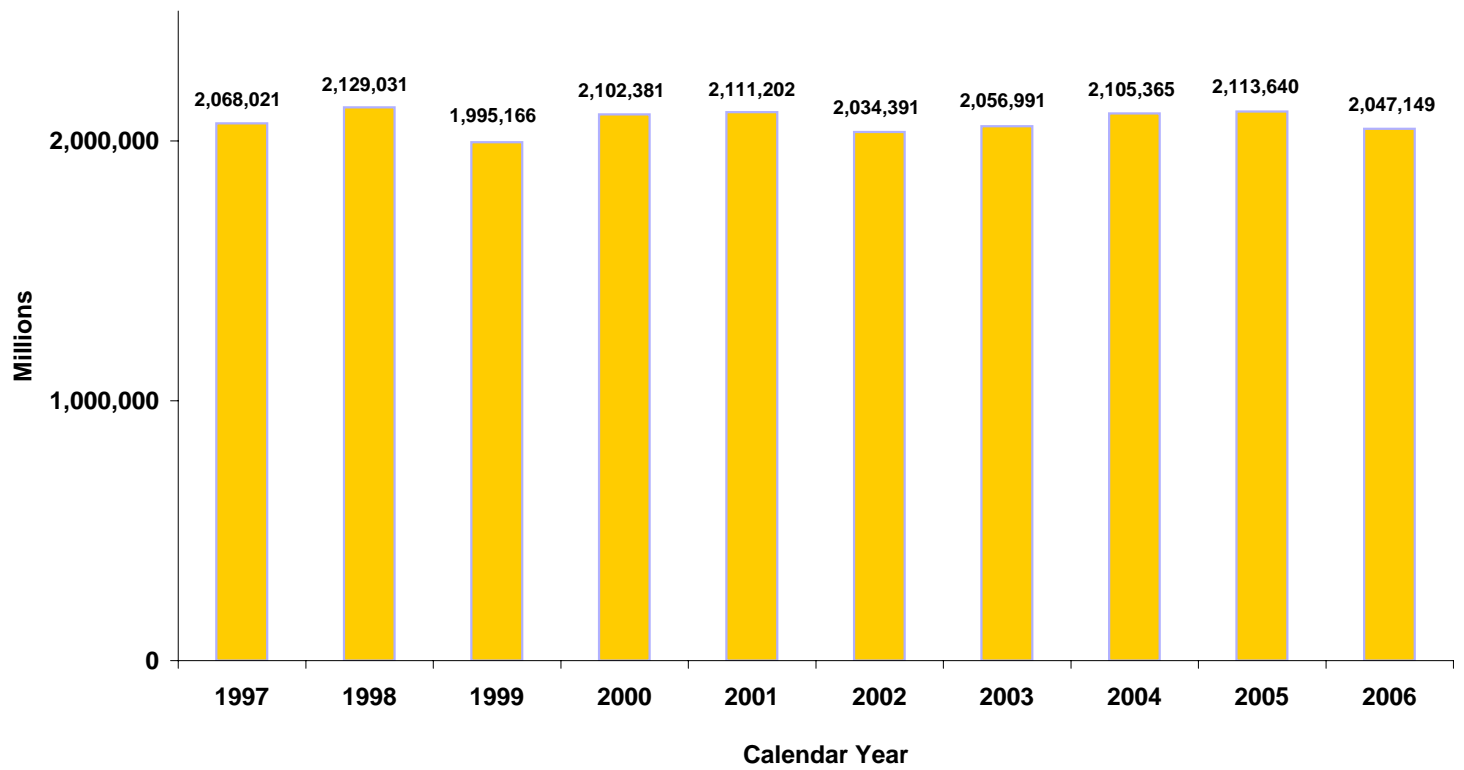


**ICF-MR Facilities**  
**Estimated # Vacant Beds**  
**(1997- 2006)**



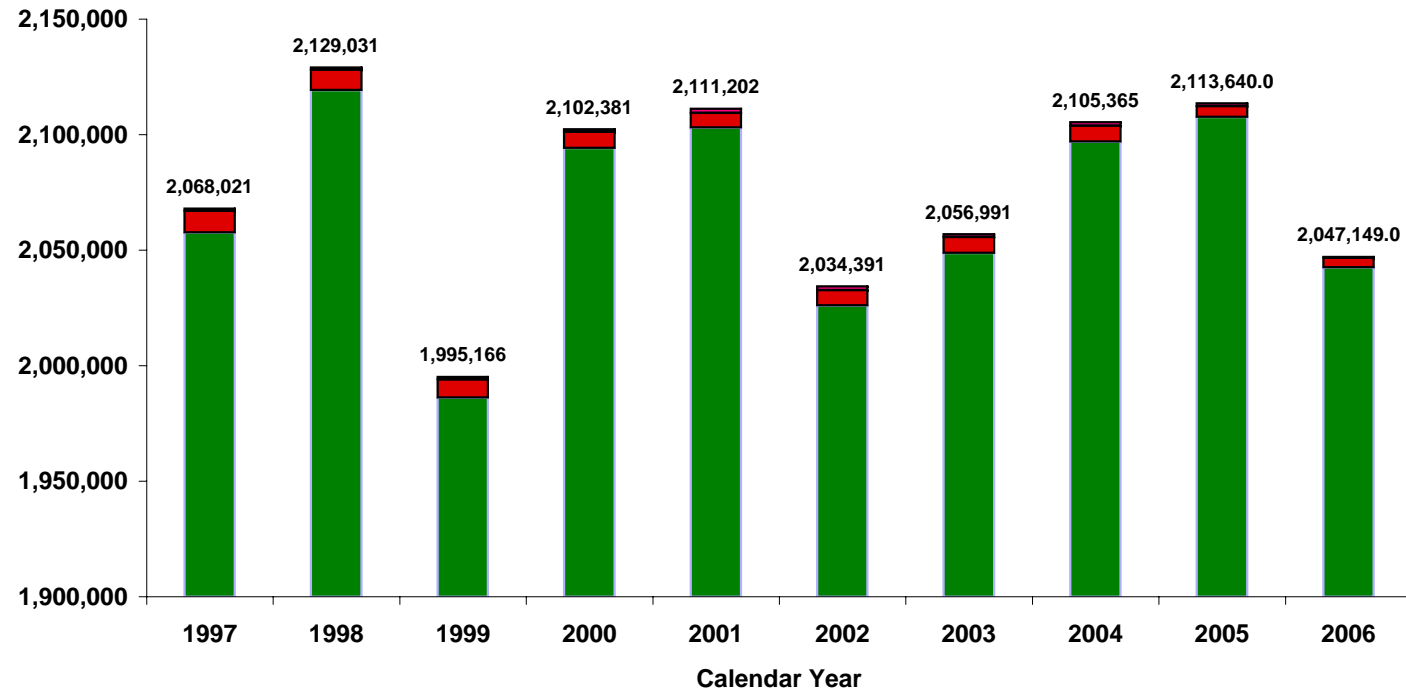
## ICF-MR Facilities

Inpatient Days  
(1997- 2006)



## ICF-MR Facilities

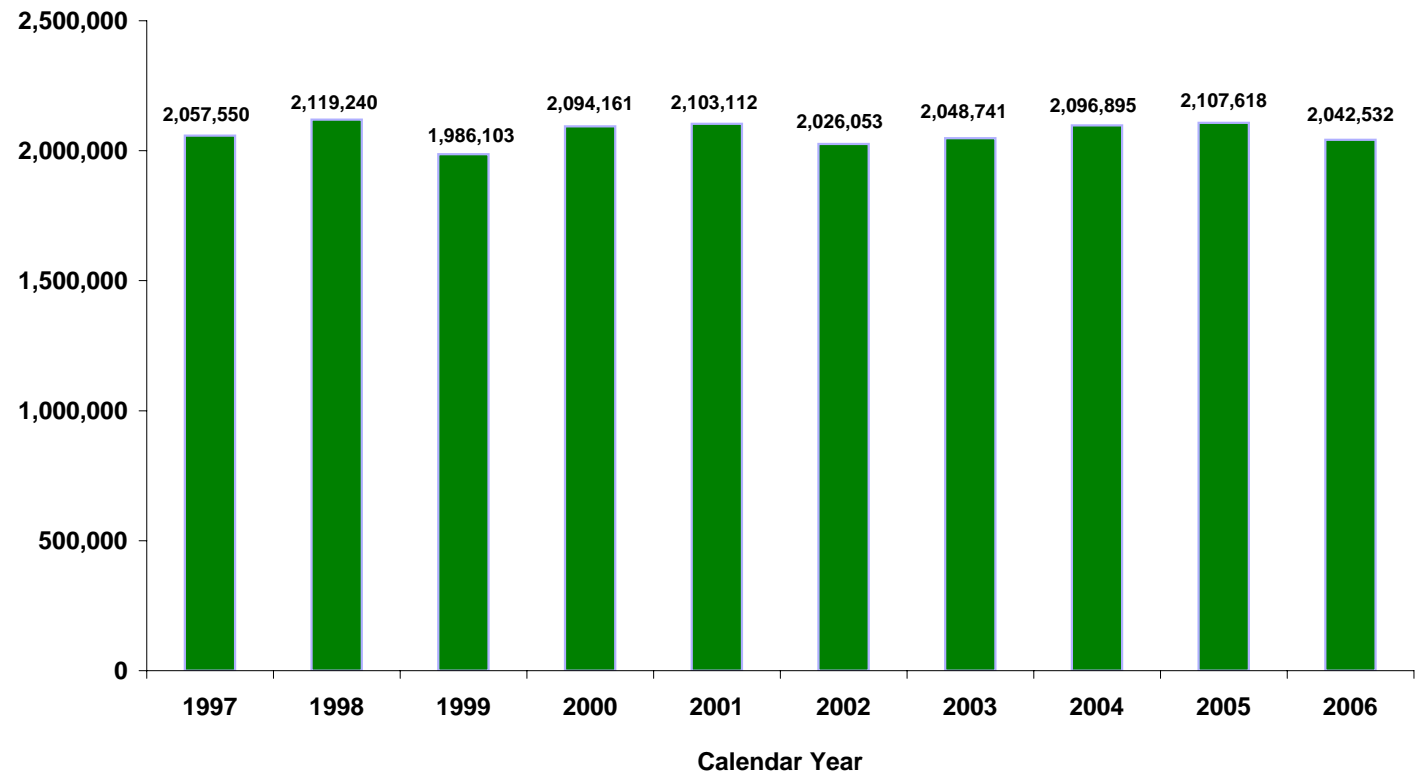
### Inpatient Days (1997- 2006)



■ Medicaid Days ■ Private Days ■ Veterans/Other Days ■ Medicare Days

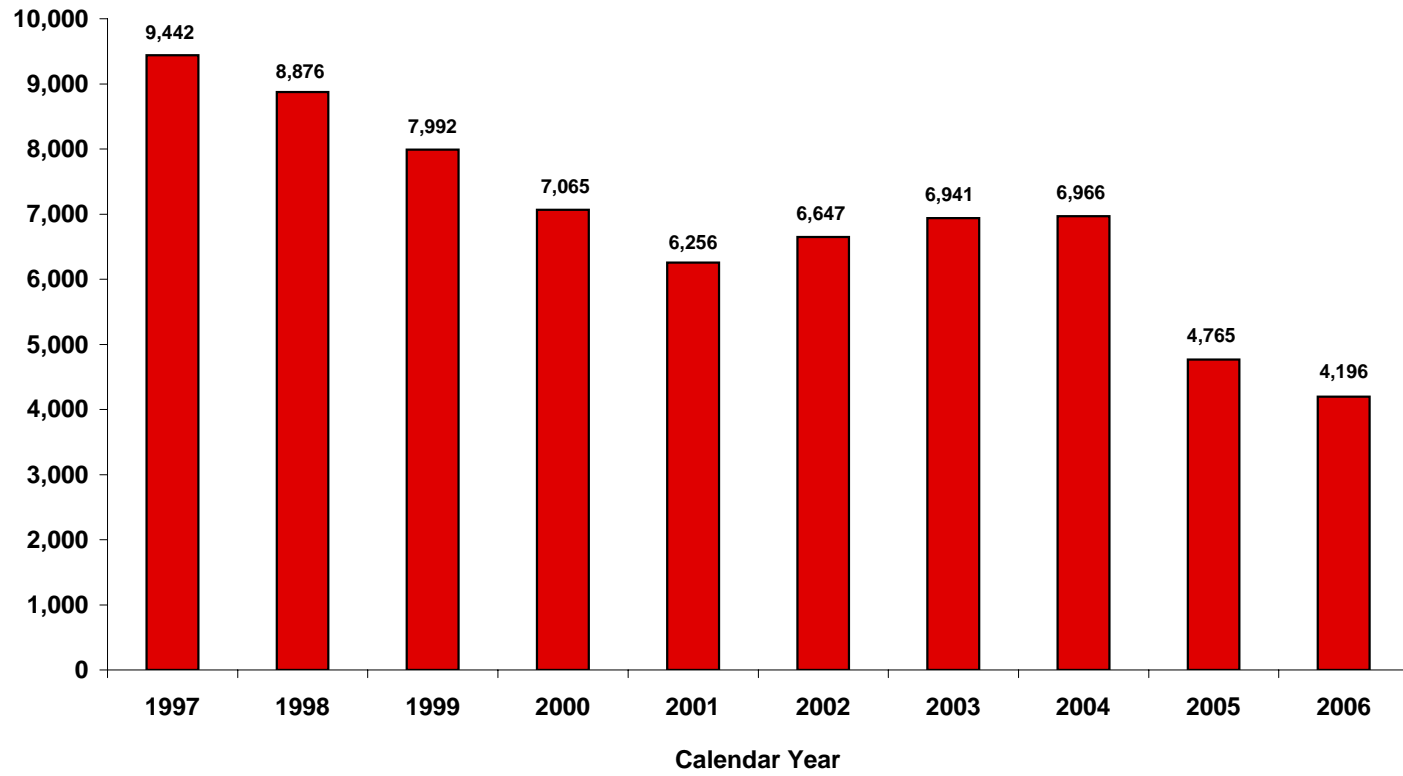
## ICF-MR Facilities

### Medicaid Days (1997- 2006)



## ICF-MR Facilities

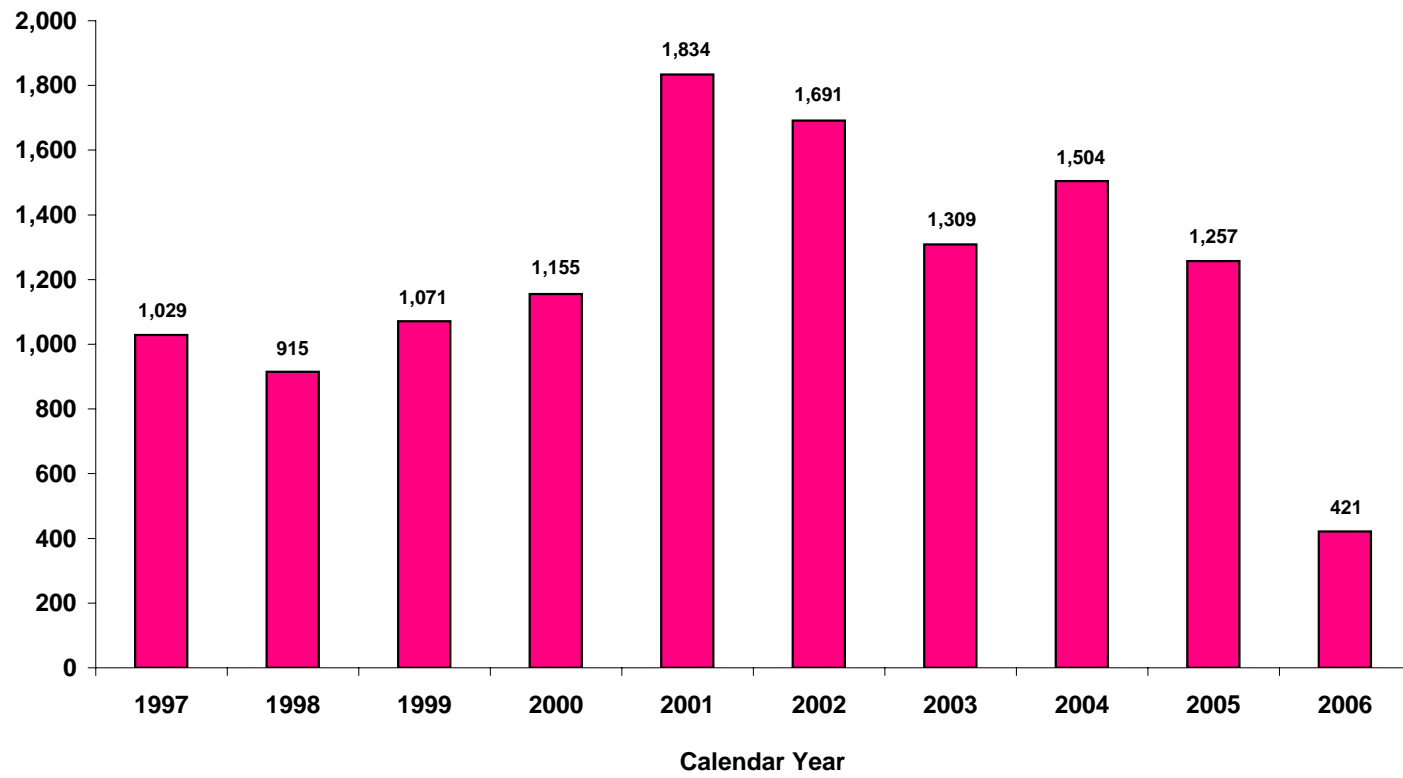
Private Days  
(1997- 2006)



## ICF-MR Facilities

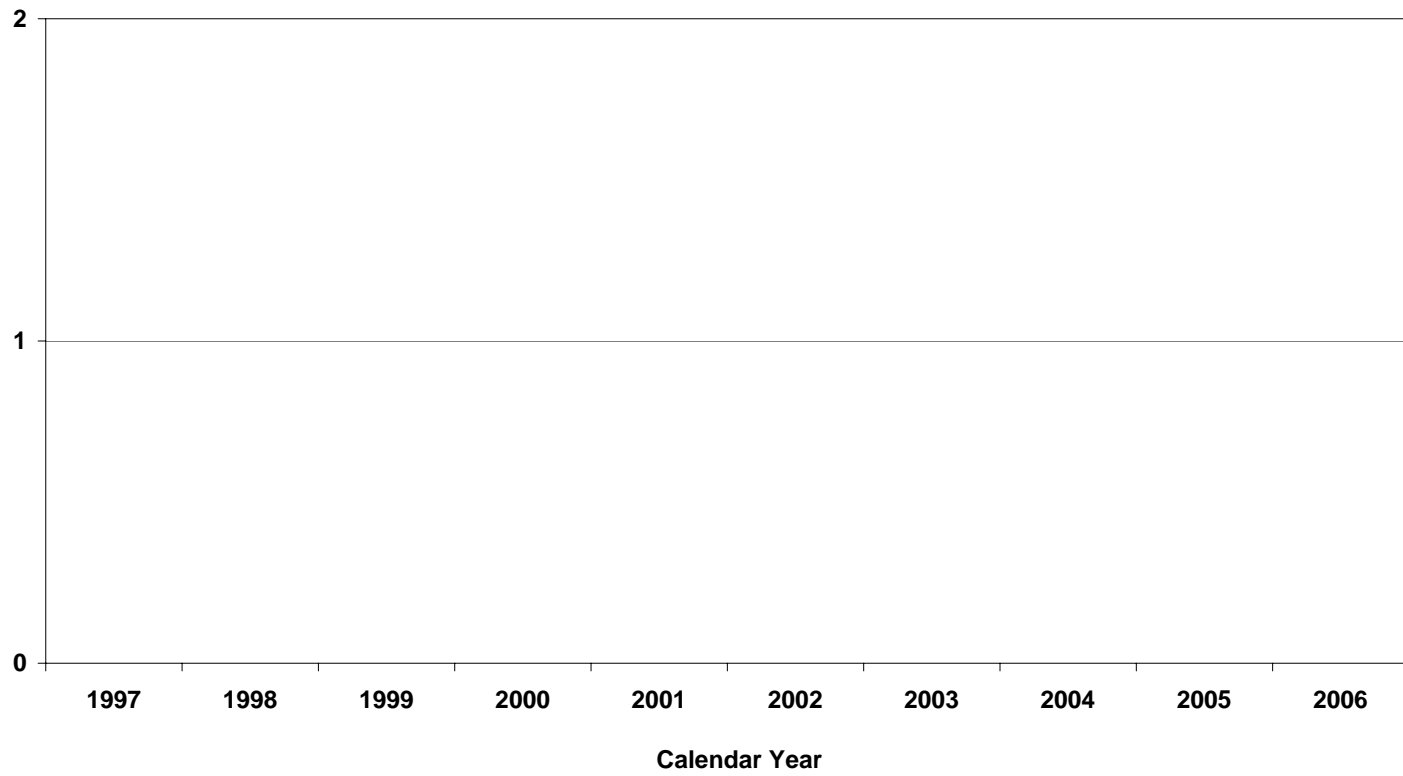
### Veterans/Other Days

(1997 - 2006)



## ICF-MR Facilities

Medicare Days  
(1997 - 2006)



# Utilization - Trends

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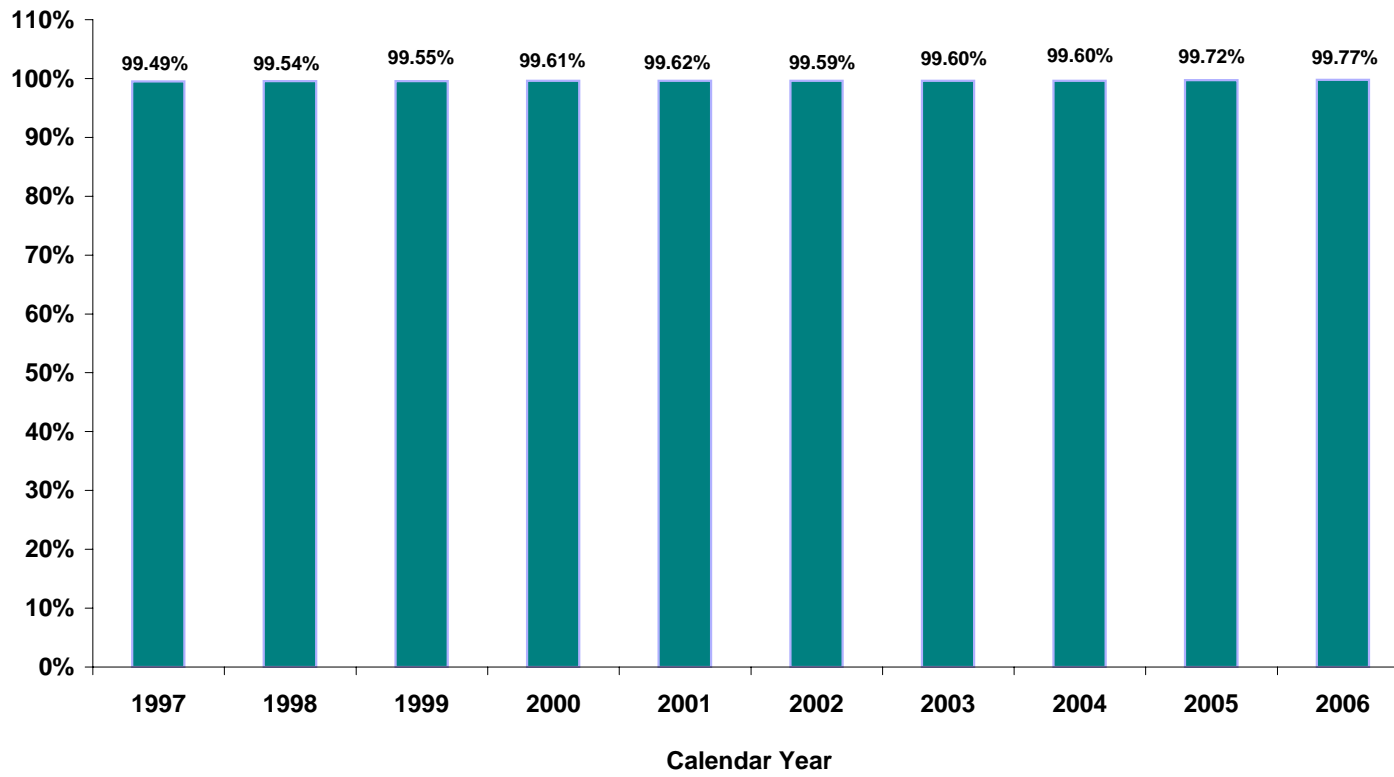
## Cost Report

- < **Medicaid Utilization**
- < **Occupancy**
- < **Occupancy: Using 1993 as Base Year**

## ICF-MR Facilities

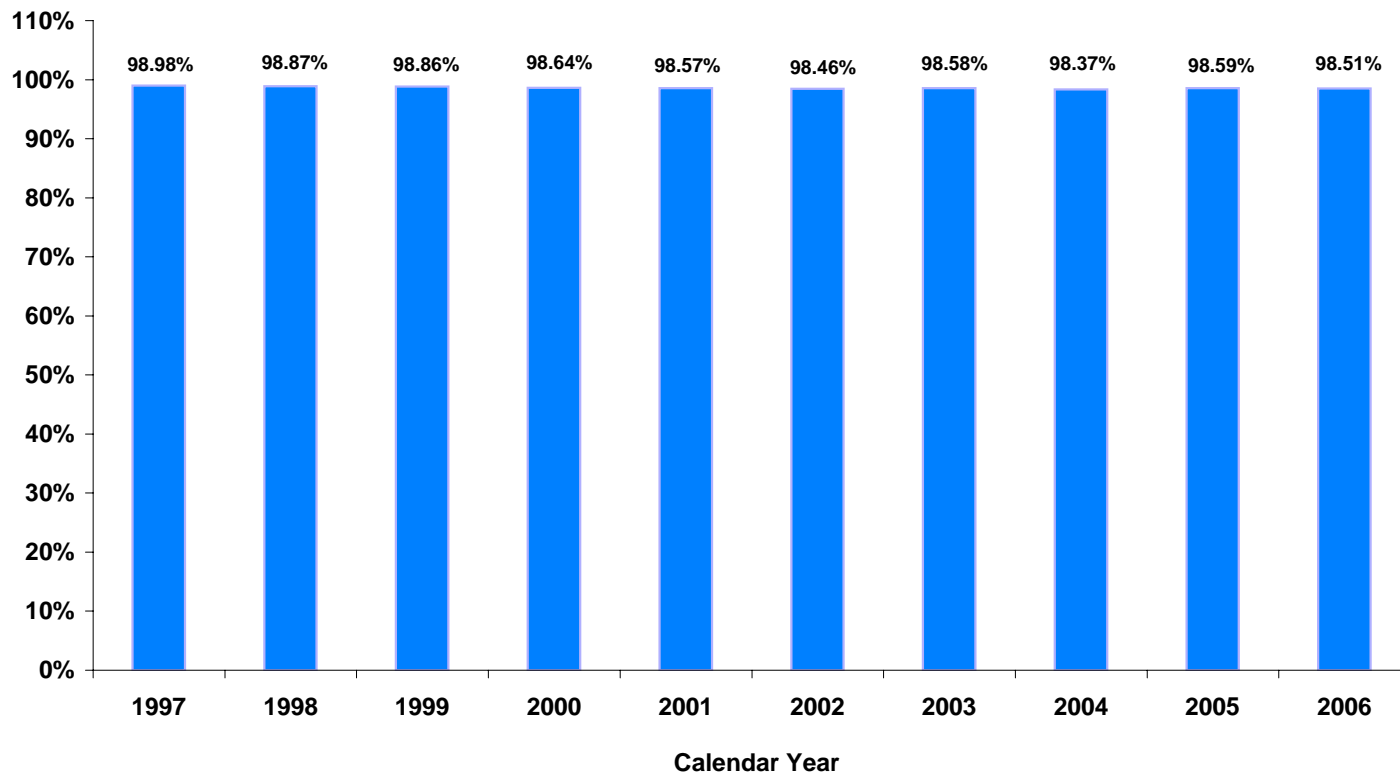
### Medicaid Utilization

(1997 - 2006)



## ICF-MR Facilities

Occupancy  
(1997 - 2006)



## ICF-MR Facilities

Occupancy: Base Year 1993  
(1997- 2006)

