

# Overview of Long Term Care Facility Medicaid Reimbursement

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## *General*

- Medicaid certified facilities<sup>1</sup> (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<sup>2</sup> - 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
-

# Cost Center Components Included 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>Direct Care Payroll Taxes</b>  <b>Purchased Nursing</b>  <b>Nurse Aide Training</b> </p> <p>With the exceptions of other persons holding degrees to qualify them to provide therapy</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 \$.50 per resident per day</li> <li>- proprietary facilities only</li> </ul>
<p> <b>Excluding (directly billed)</b> </p> <ul style="list-style-type: none"> <li>- Physical Therapy</li> <li>- Occupational Therapy</li> <li>- Speech Therapy</li> <li>- Audiology</li> <li>- Prescription Drugs</li> <li>- Physician Visits</li> <li>- Hospital Days</li> </ul>			

- < 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).  
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).
- < 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.

# **Nursing Facilities Cost Report Trends**

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**Calendar Years 1995-2004**

# 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**

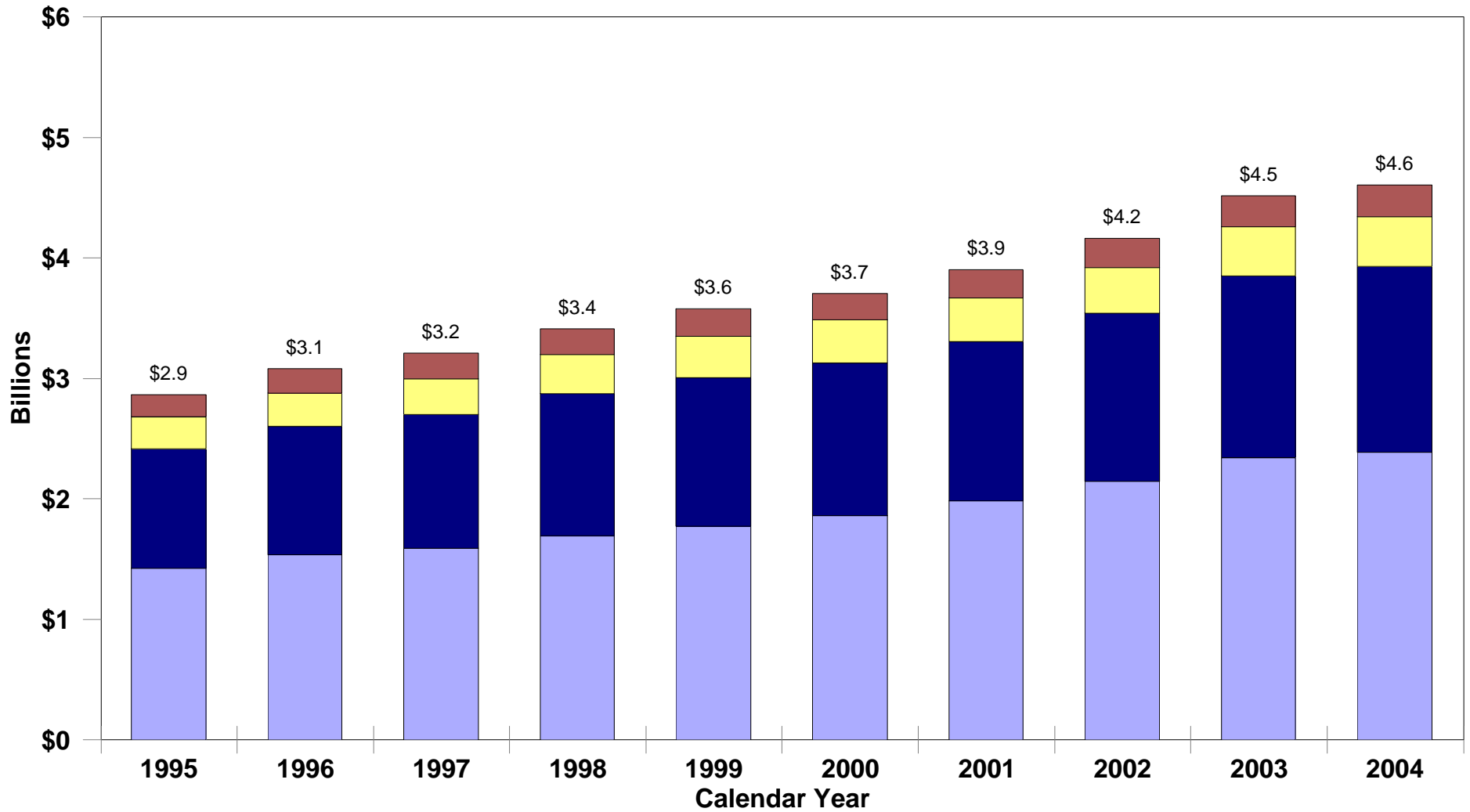
# Expense Trends

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

# Nursing Facilities Total Expense

(1995 - 2004)



Direct



Indirect



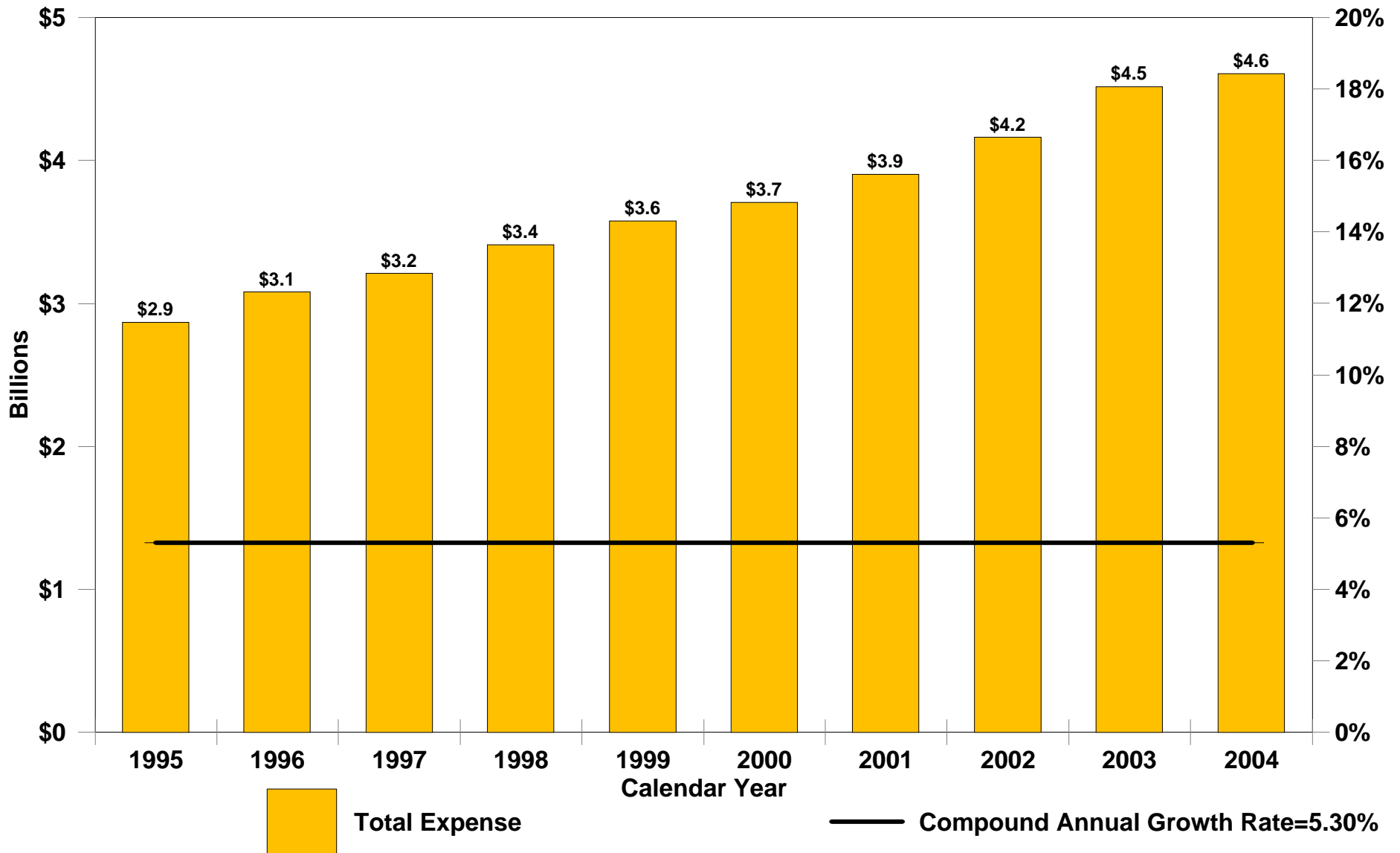
Capital



Protected

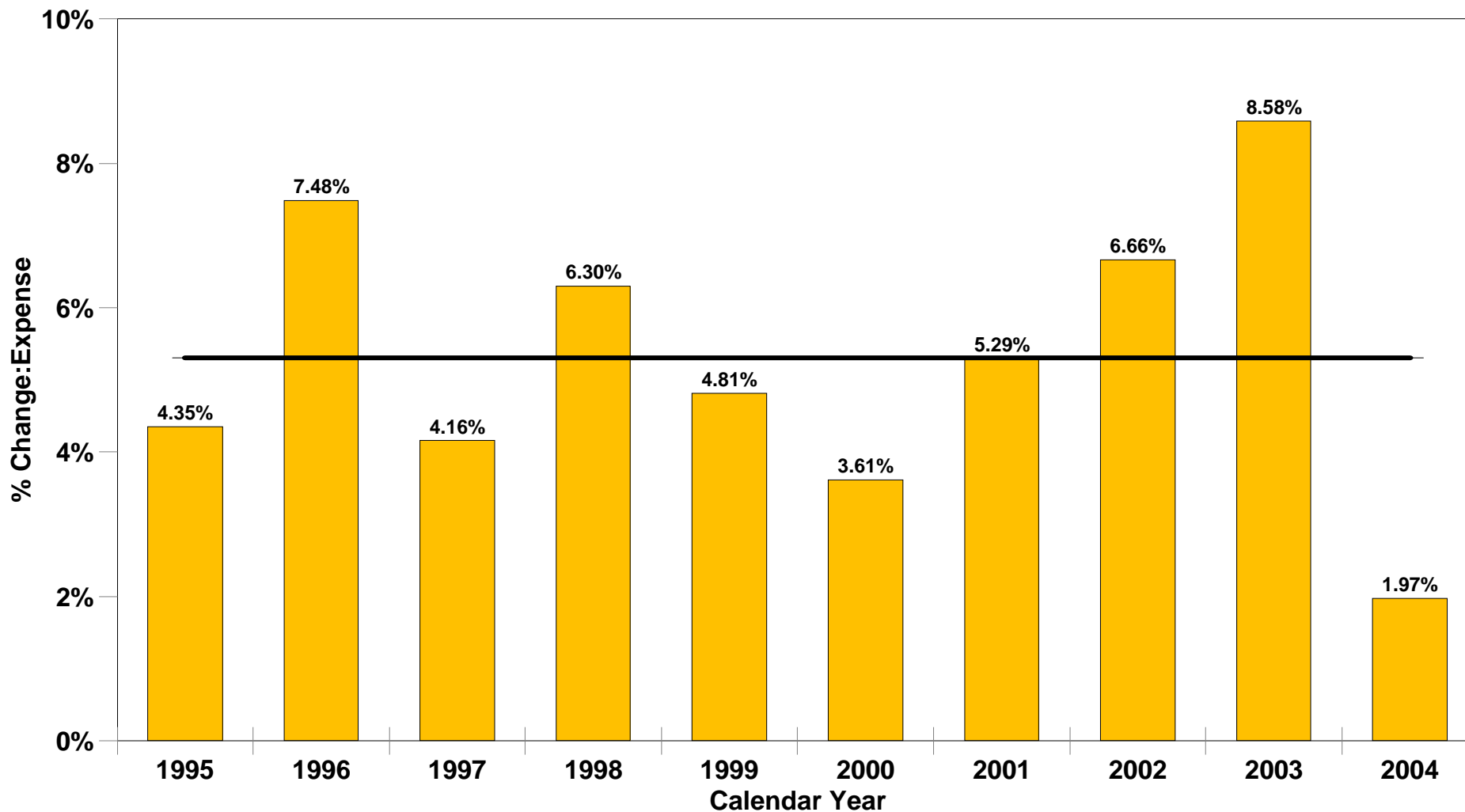
# Nursing Facilities Total Expense

(1995 - 2004)



# Nursing Facilities Total Expense

(1995 - 2004)

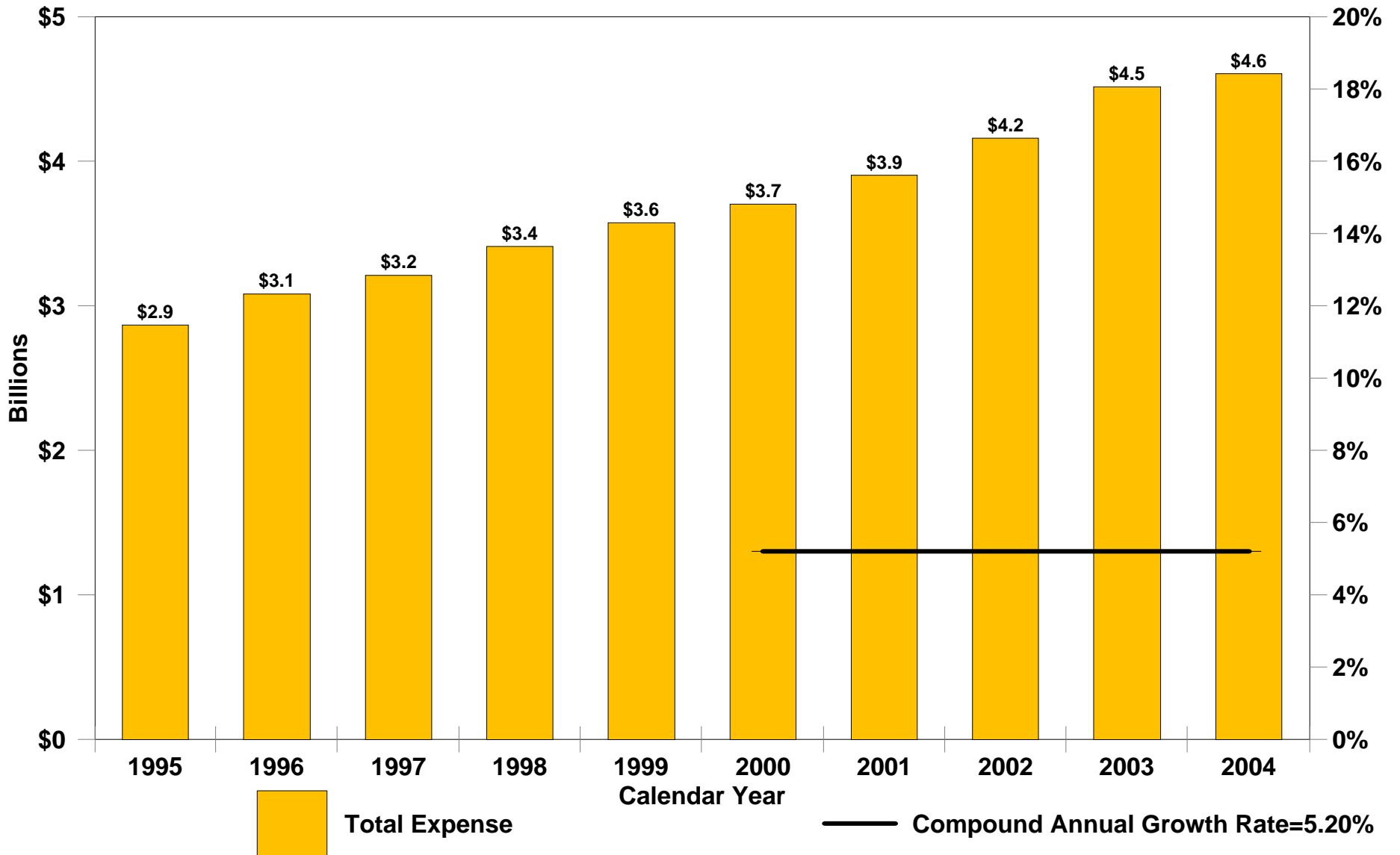


 % Change

 Compound Annual Growth Rate=5.30%

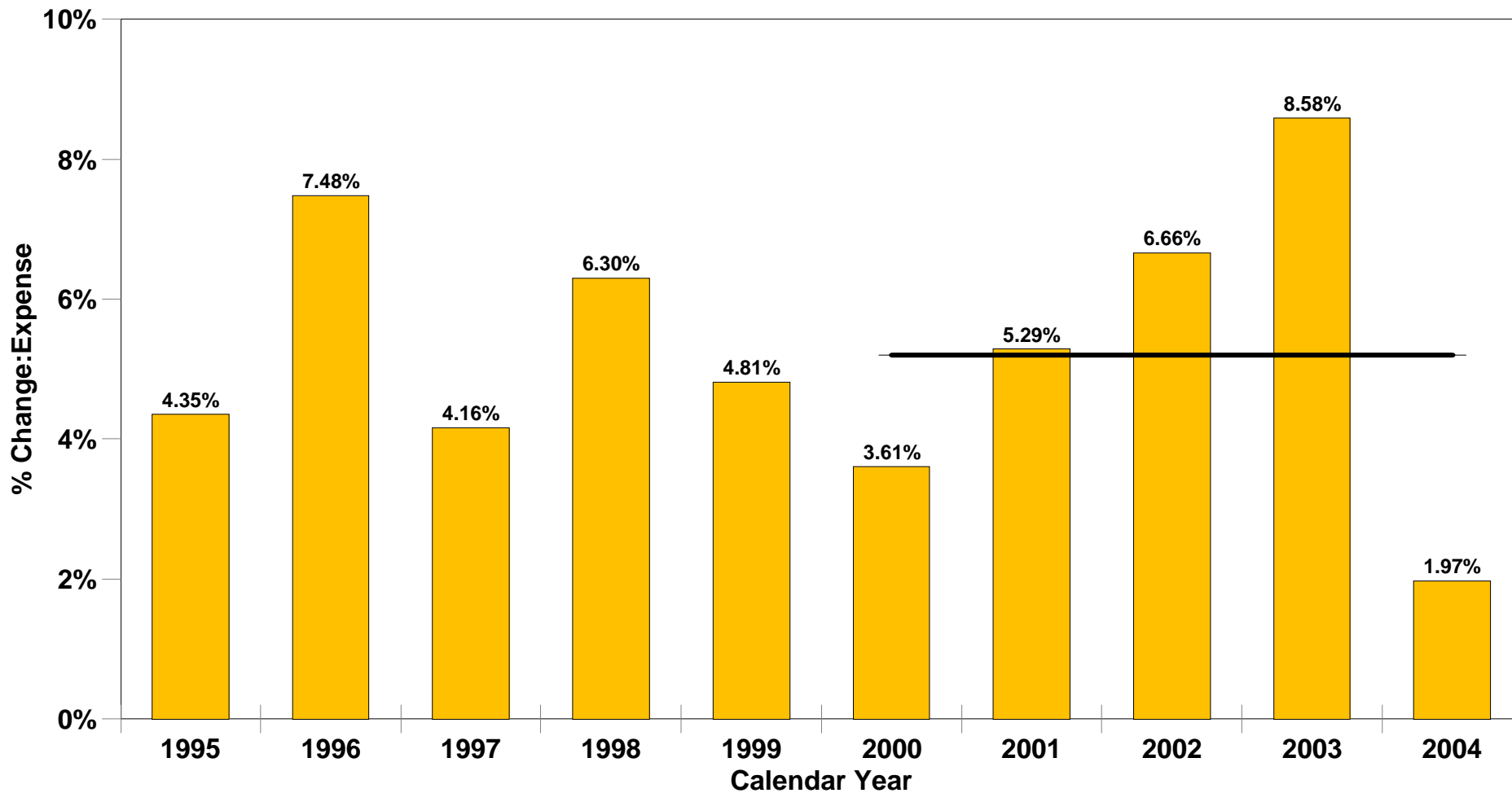
# Nursing Facilities Total Expense


(1995 - 2004)



# Nursing Facilities Total Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=5.20%

# Direct Care Cost Center

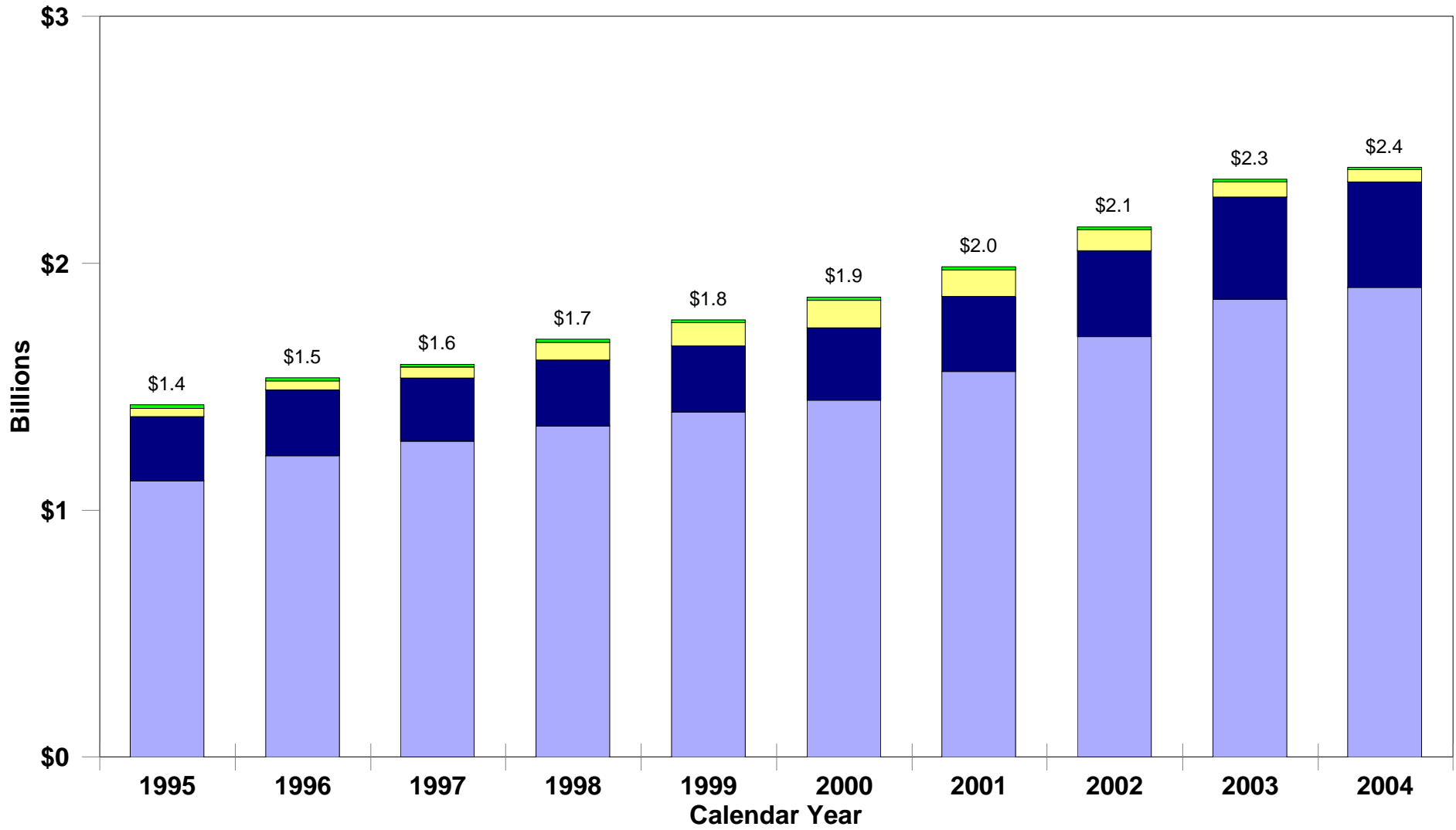
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- < **Nursing & Habilitation**
- < **Direct Care Payroll Taxes**
- < **Purchased Nursing**
- < **Nurse Aide Training**

# Nursing Facilities

## Direct Filed Expense

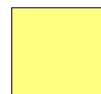
(1995 - 2004)



Nursing & Habilitation



Dir. Care Payroll Tax



Purchased Nursing

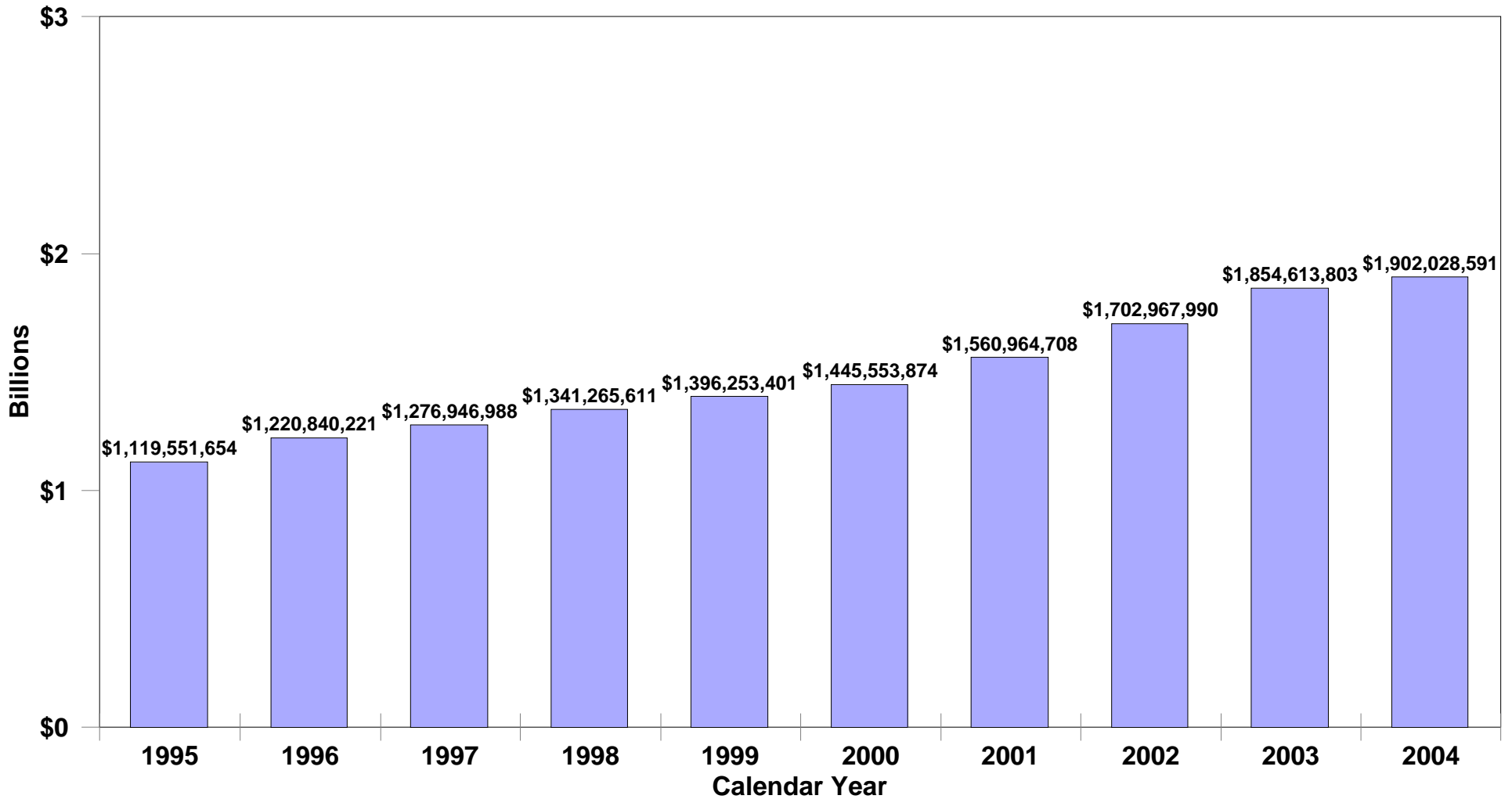


Nurse Aide Training

# Nursing Facilities

## Nursing & Habilitation Expense

(1995 - 2004)

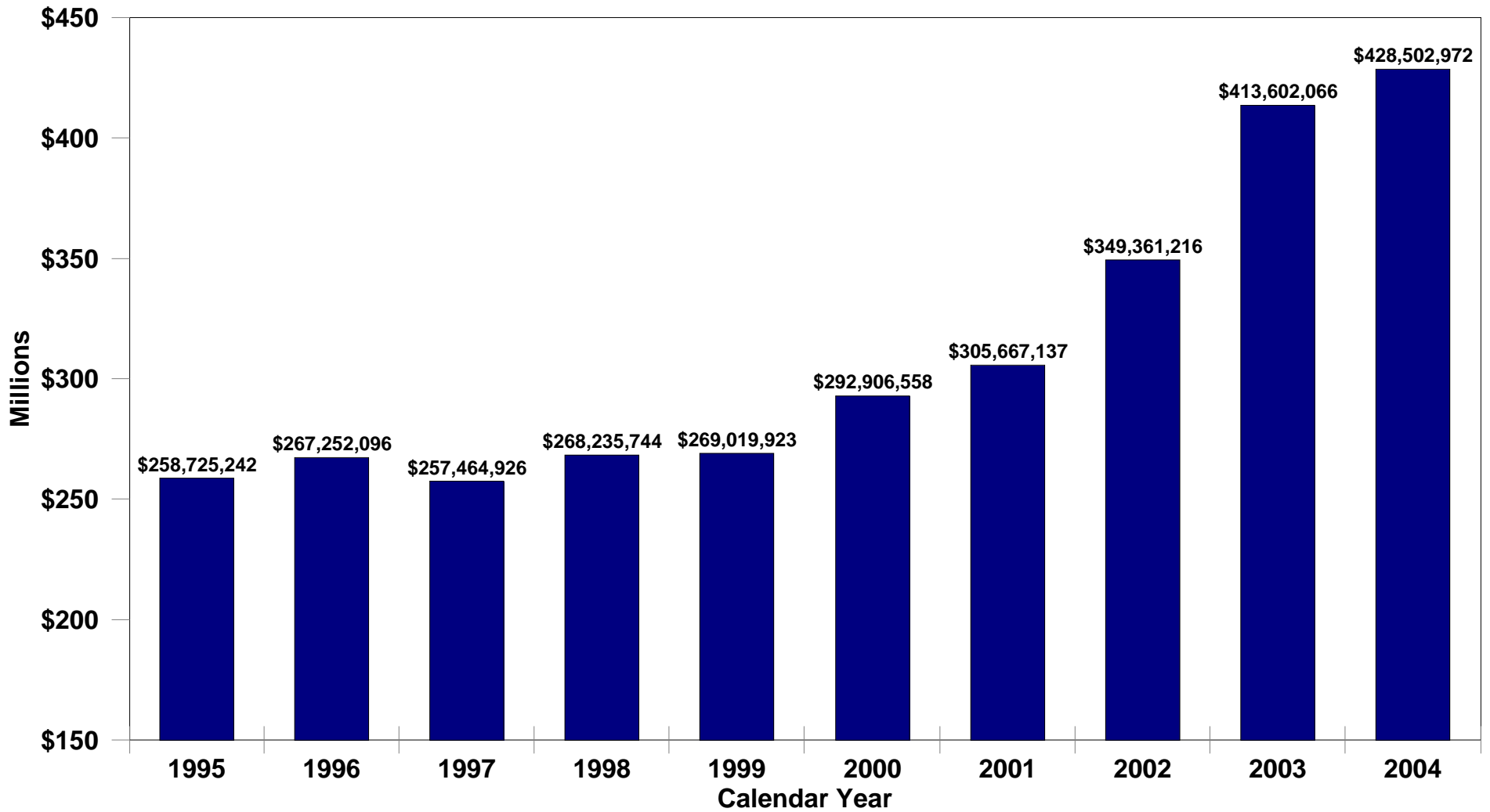


 Nursing & Habilitation Expense

# Nursing Facilities

## Direct Care Payroll Tax Expense

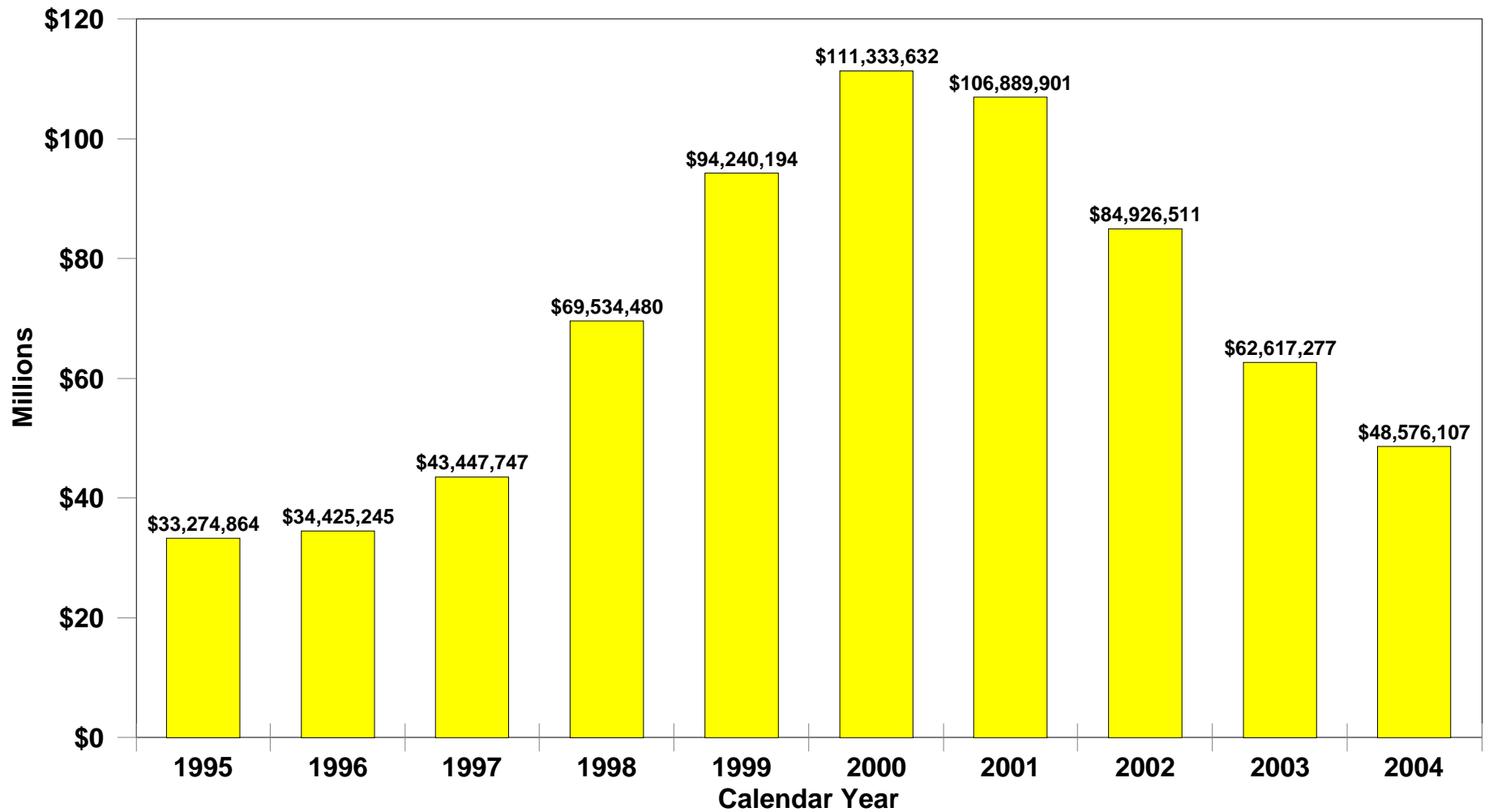
(1995 - 2004)



 Direct Care Payroll Tax Expense

# Nursing Facilities Purchased Nursing Expense

(1995 - 2004)

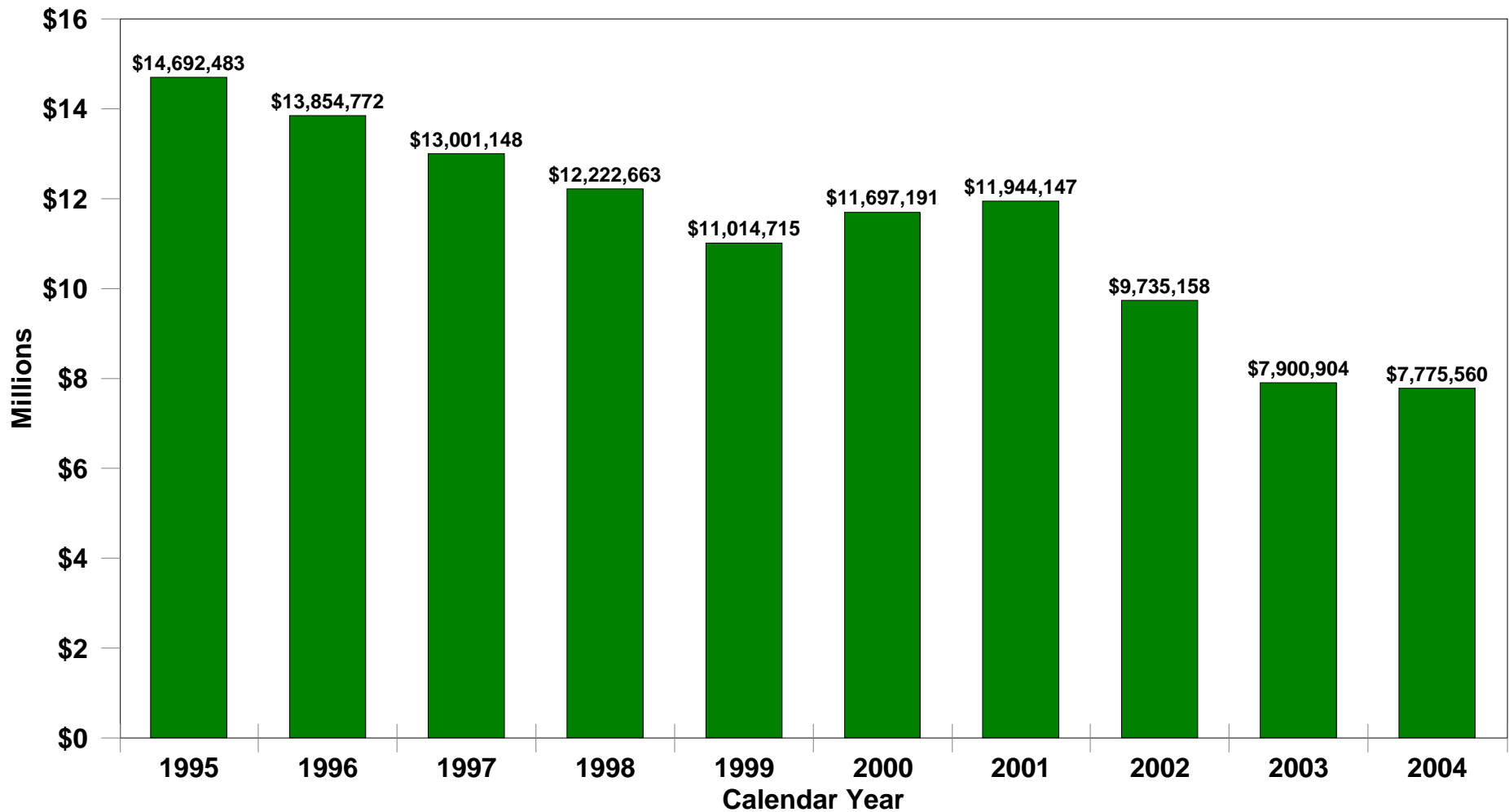


Purchased Nursing Expense

# Nursing Facilities

## Nurse Aide Training Expense

(1995 - 2004)

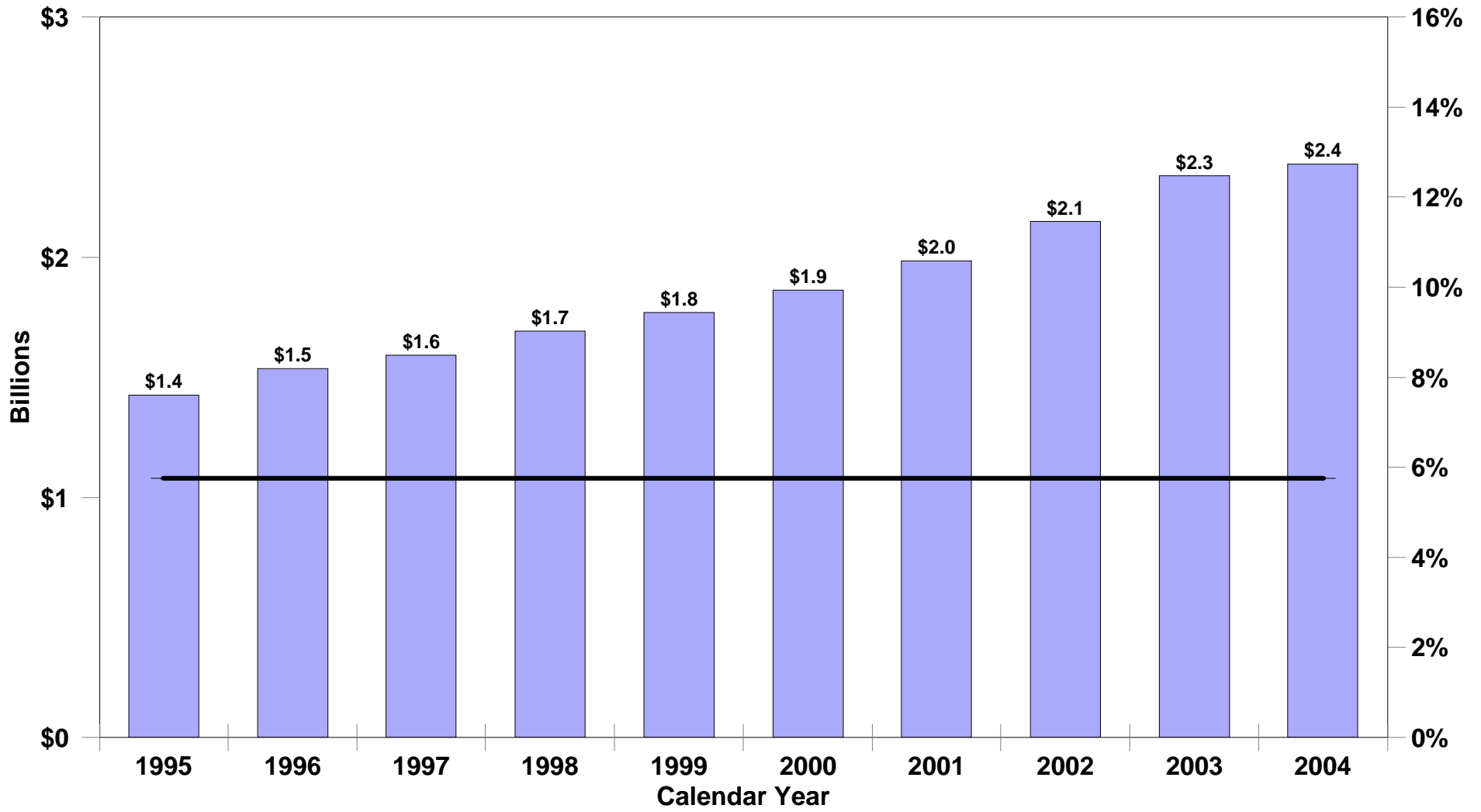


Nurse Aide Training Expense

# Nursing Facilities

## Direct Care Expense

(1995 - 2004)



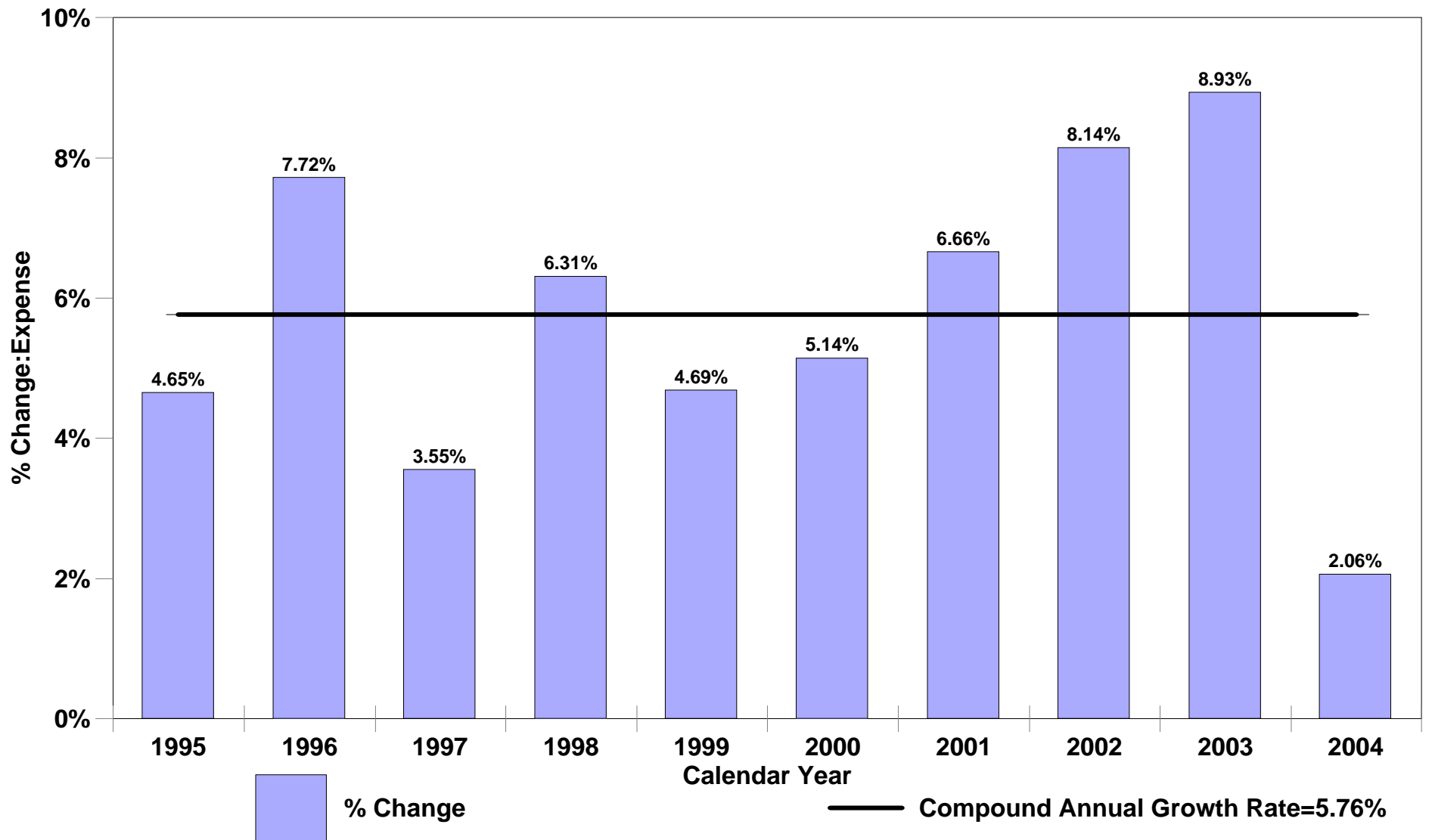
Direct Care Expense

Compound Annual Growth Rate=5.76%

# Nursing Facilities

## Direct Care Expense

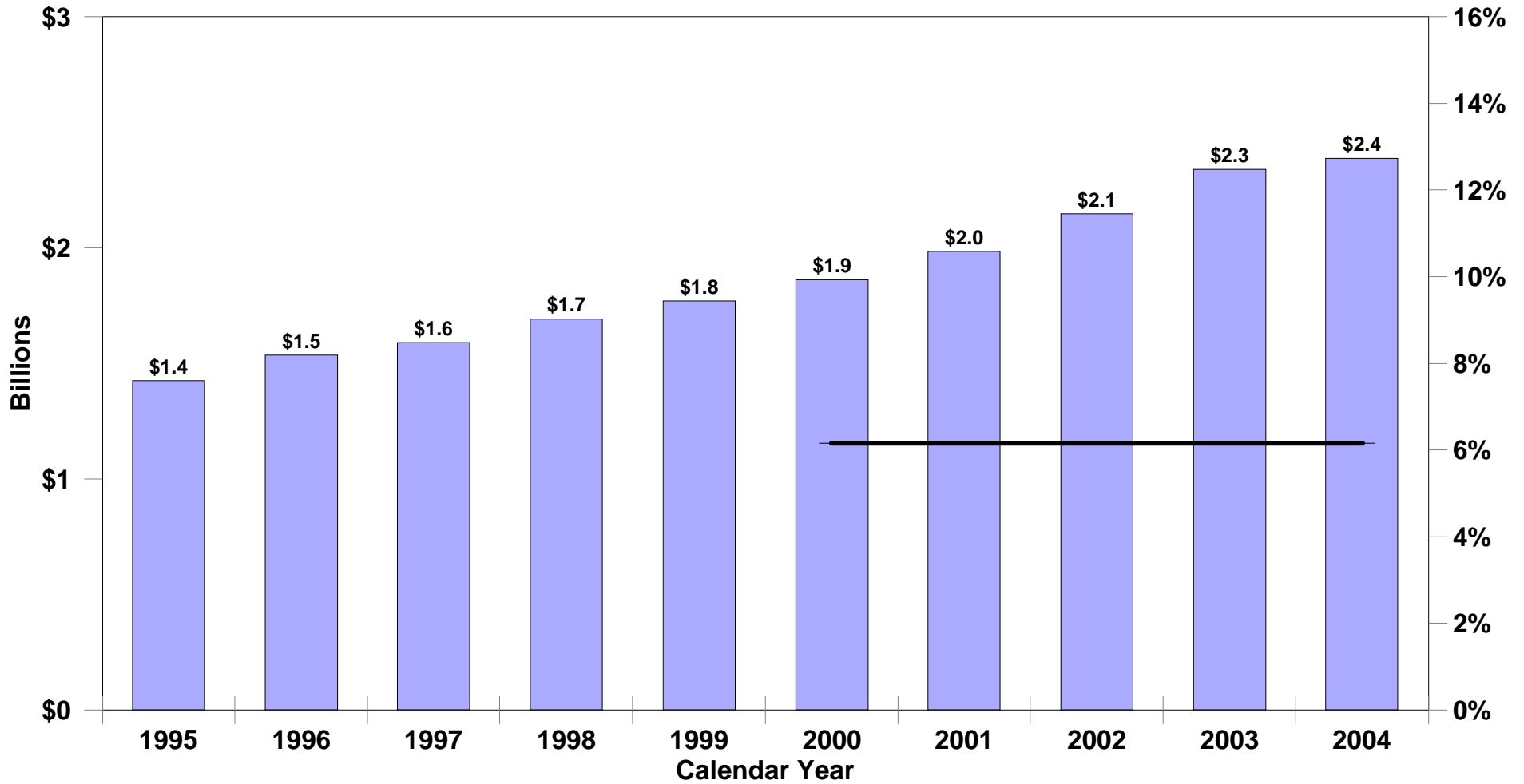
(1995 - 2004)



# Nursing Facilities

## Direct Care Expense

(1995 - 2004)



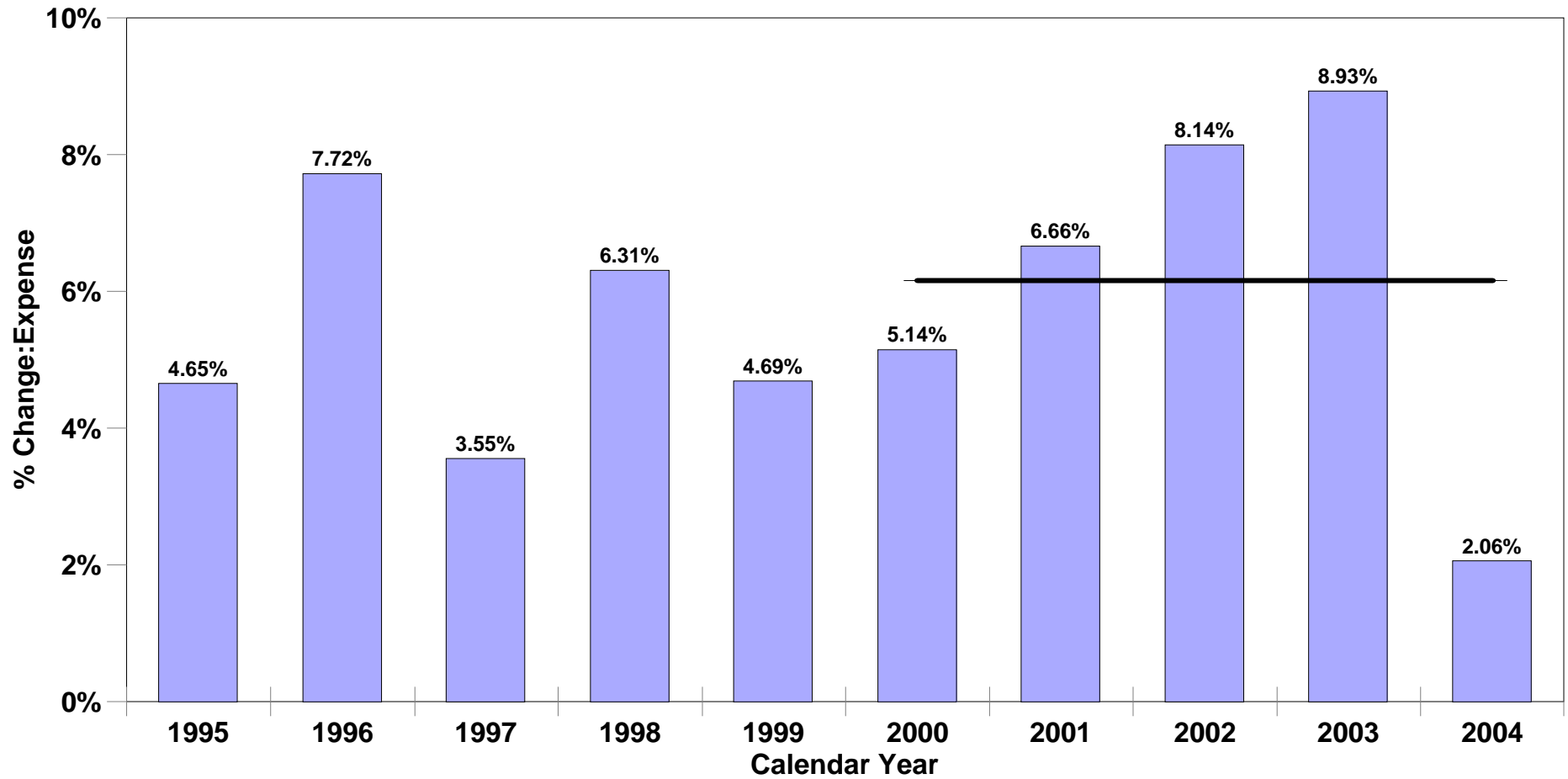
 Direct Care Expense


 Compound Annual Growth Rate=6.16%

# Nursing Facilities

## Direct Care Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=6.16%

# Indirect Care Cost Center

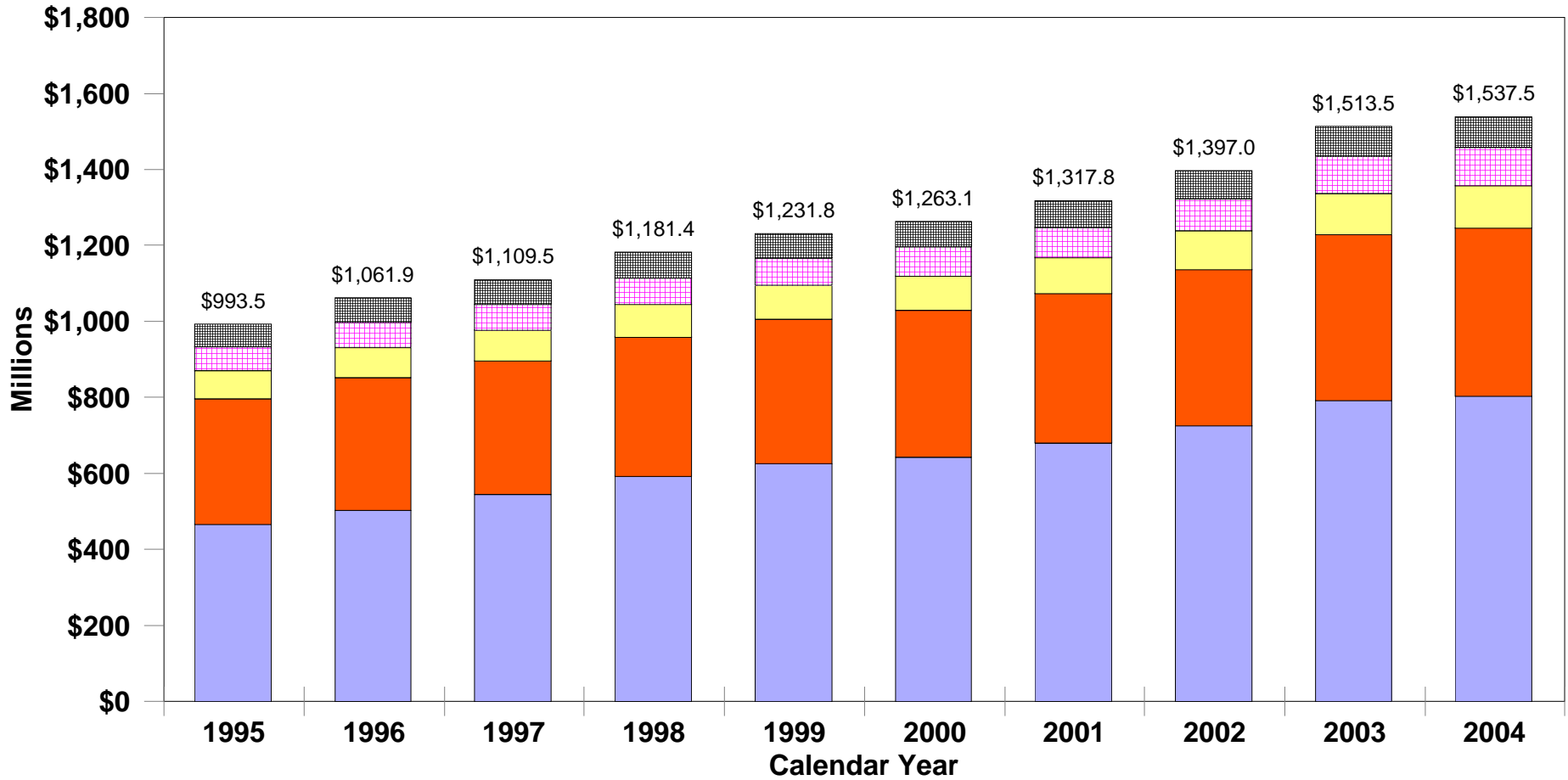
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- < **Administrative and General**
- < **Dietary**
- < **Maintenance and Repair**
- < **Indirect Care Payroll Taxes**
- < **Incontinence and Other Program Supplies**

# Nursing Facilities

## Indirect Filed Expense

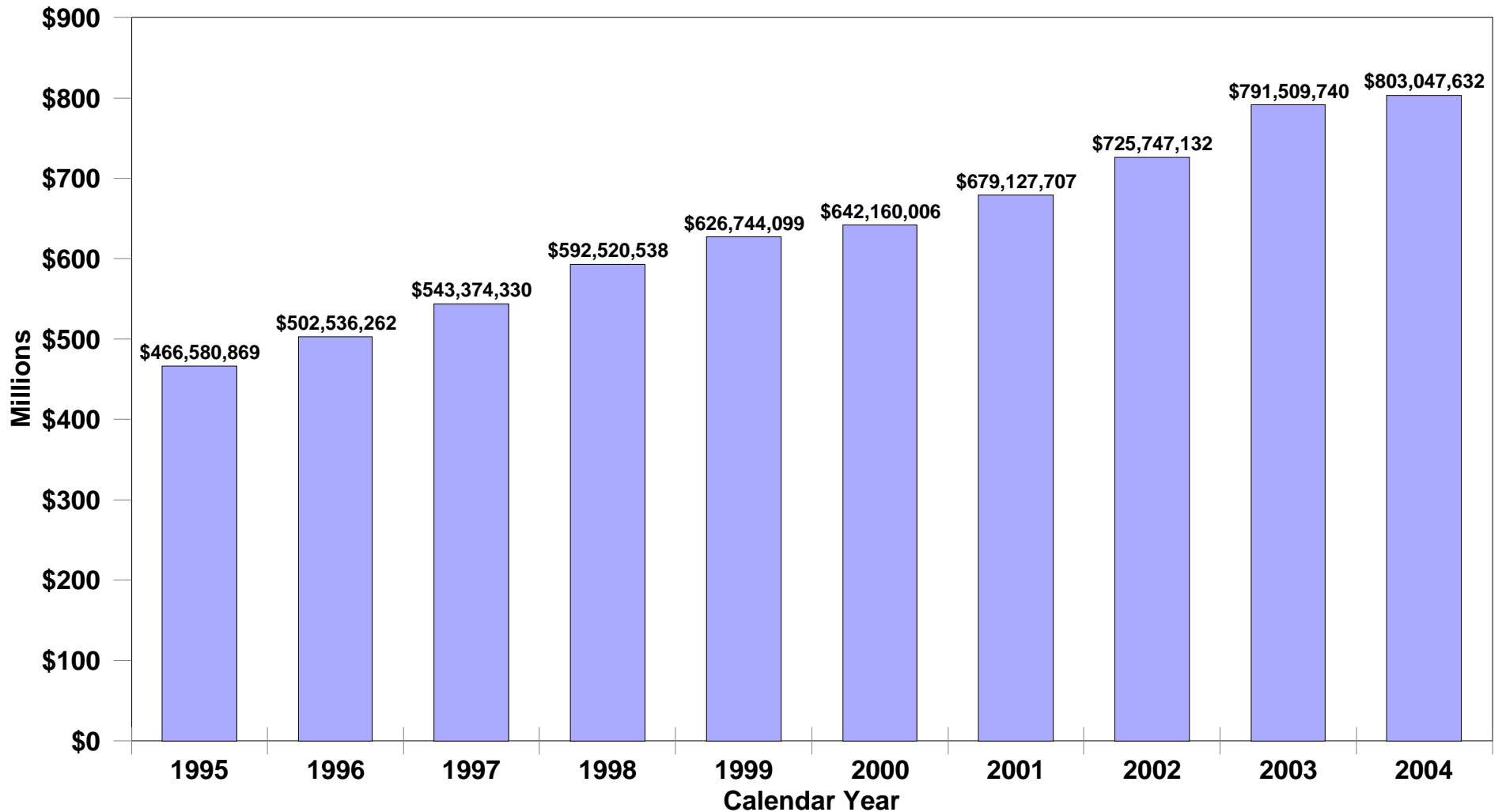
(1995 - 2004)



# Nursing Facilities

## Administrative & General Expense

(1995 - 2004)

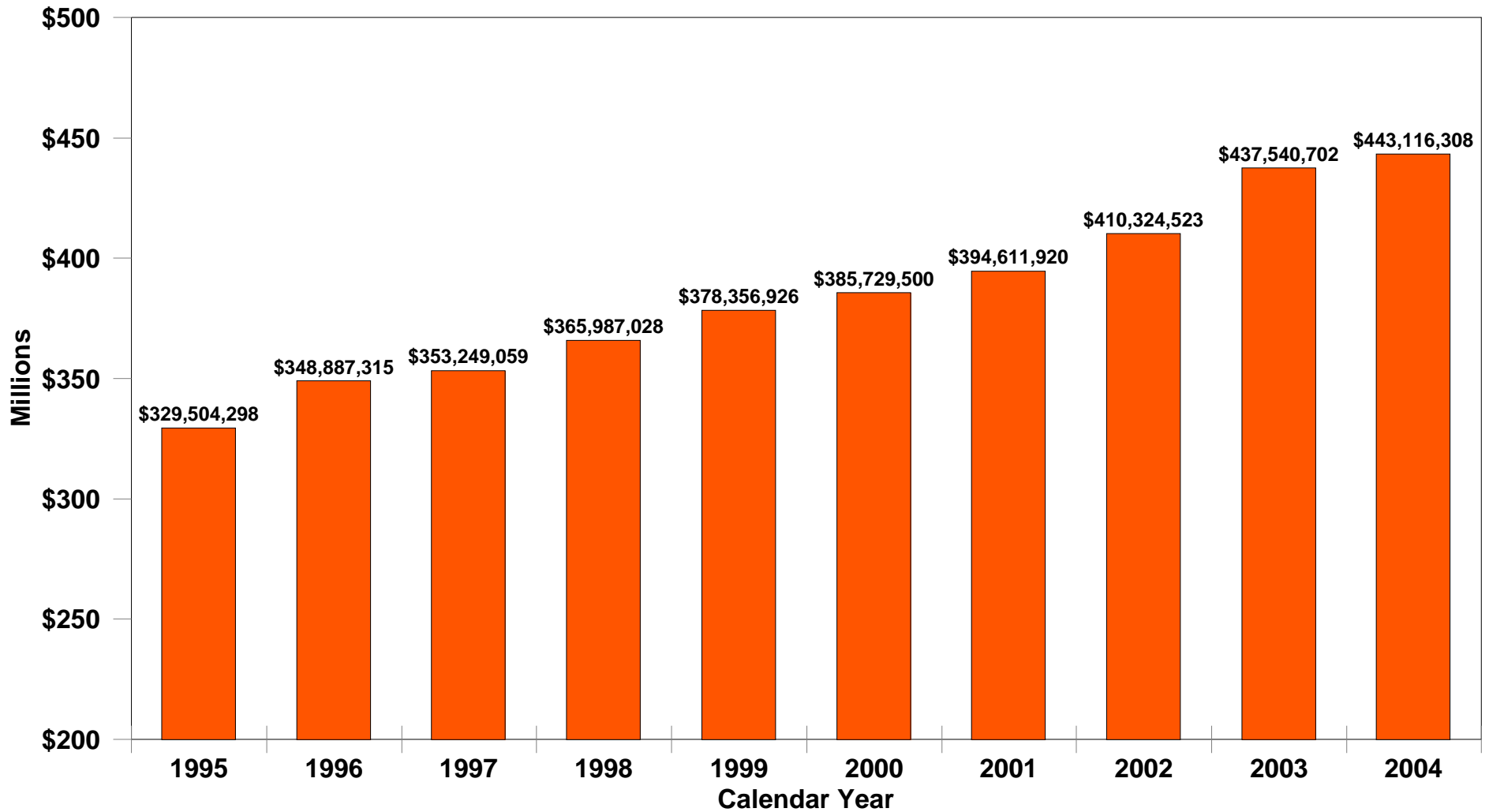


 Administrative & General Expense

# Nursing Facilities

## Dietary Expense

(1995 - 2004)

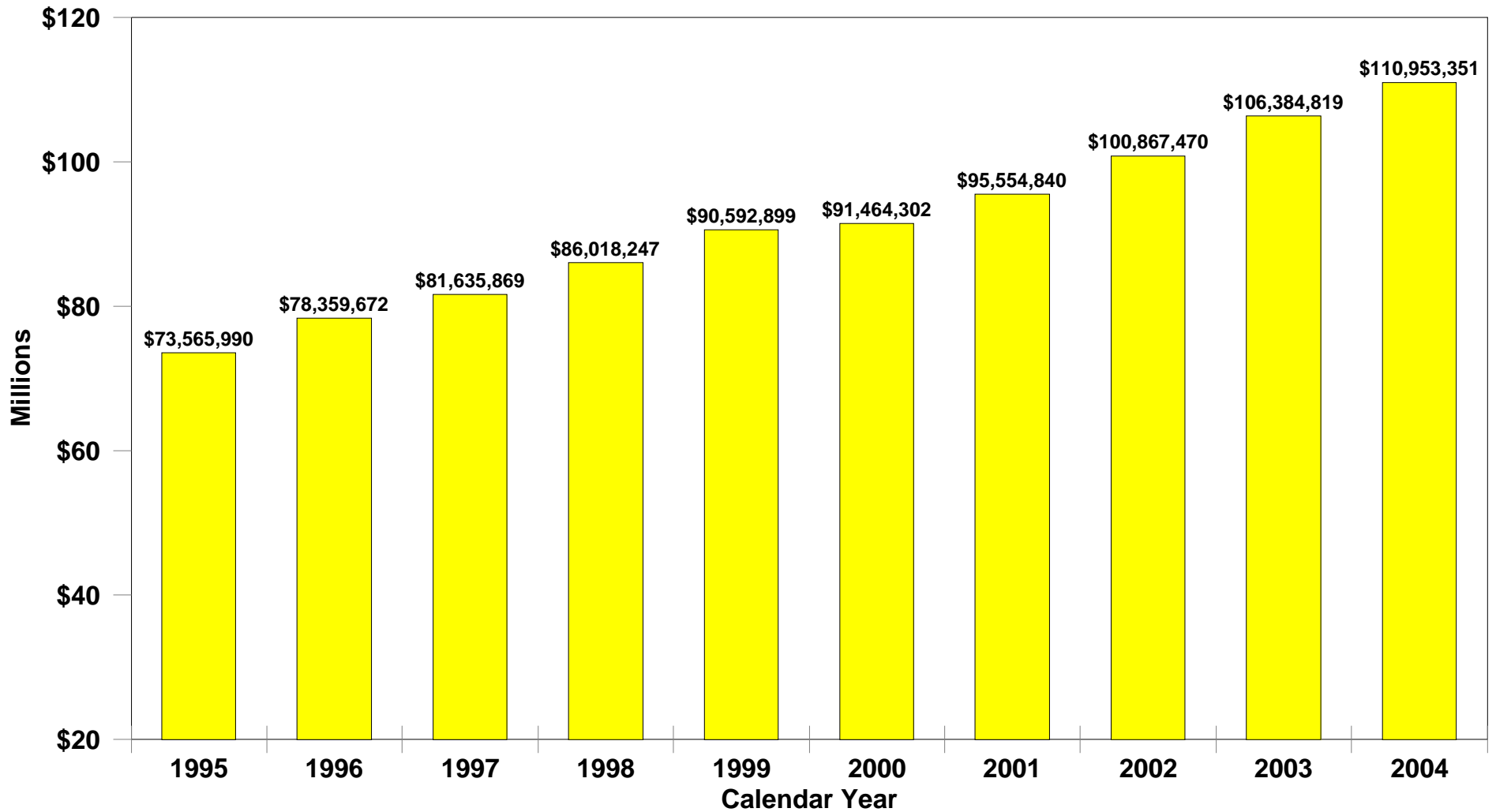


 Dietary Expense

# Nursing Facilities

## Maintenance & Repair Expense

(1995 - 2004)

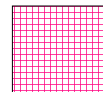
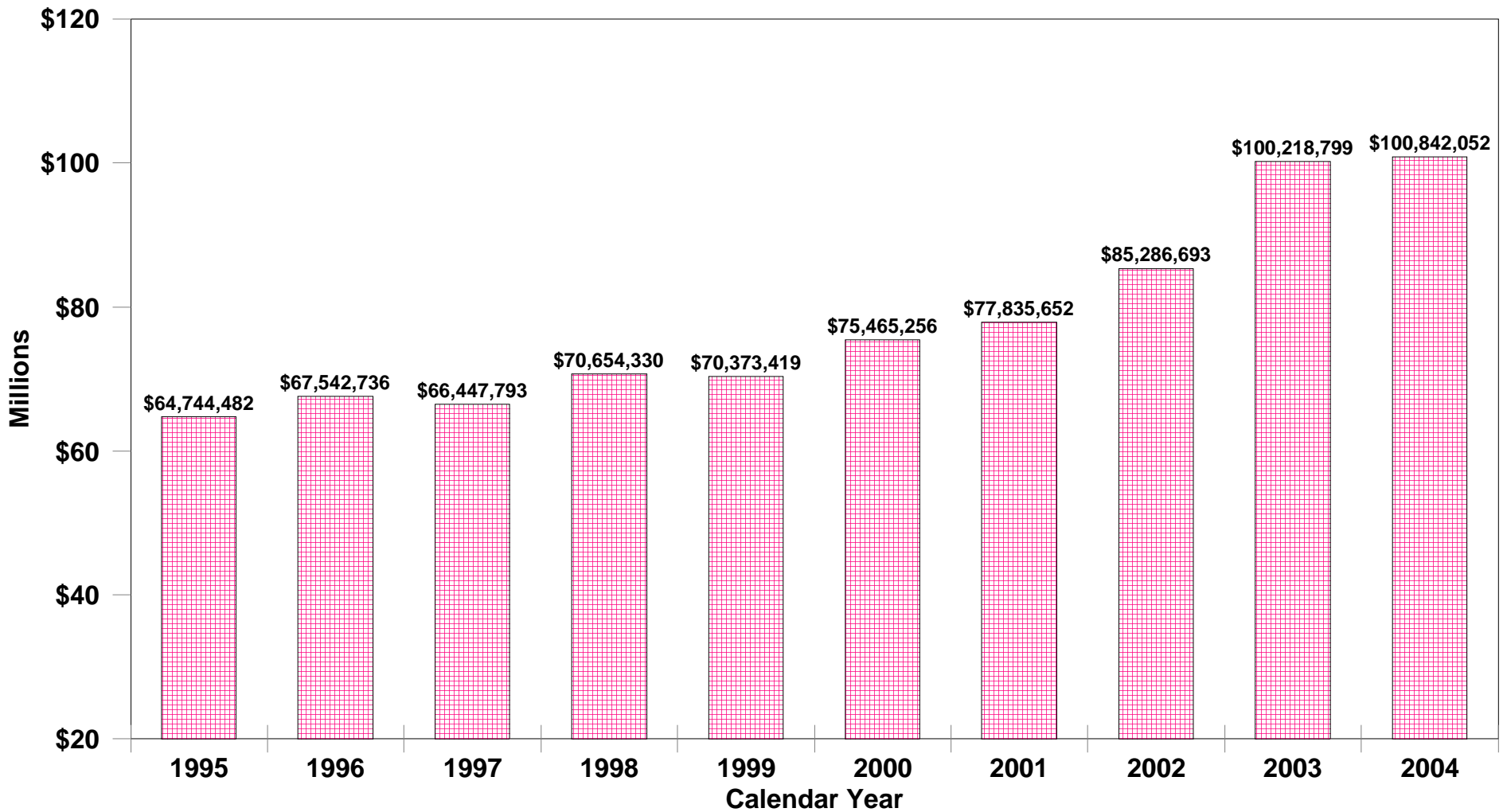


 Maintenance & Repair Expense

# Nursing Facilities

## Indirect Care Payroll Tax Expense

(1995 - 2004)

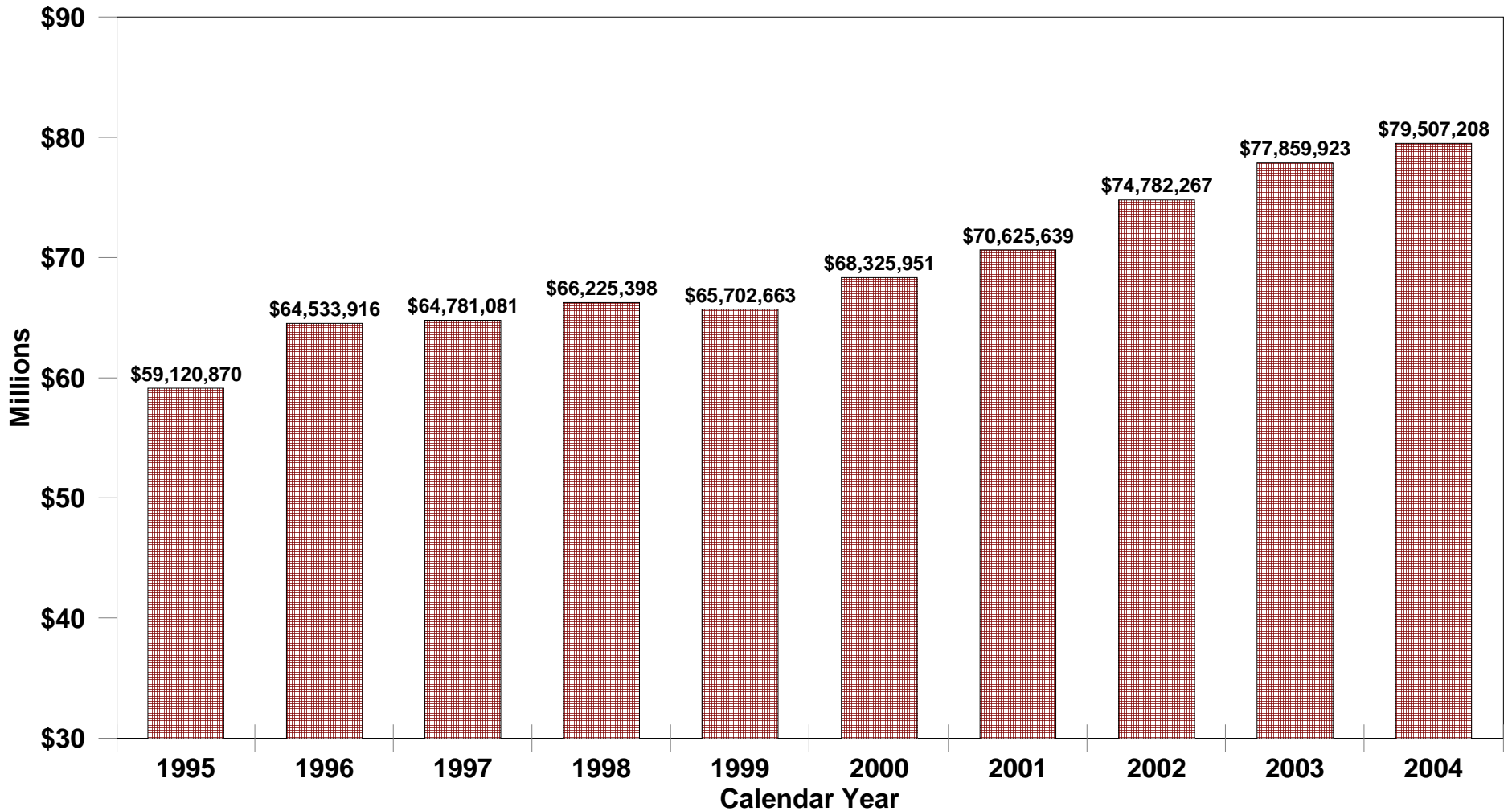


Indirect Care Payroll Tax Expense

# Nursing Facilities

## Incontinence & Other Supplies Expense

(1995 - 2004)

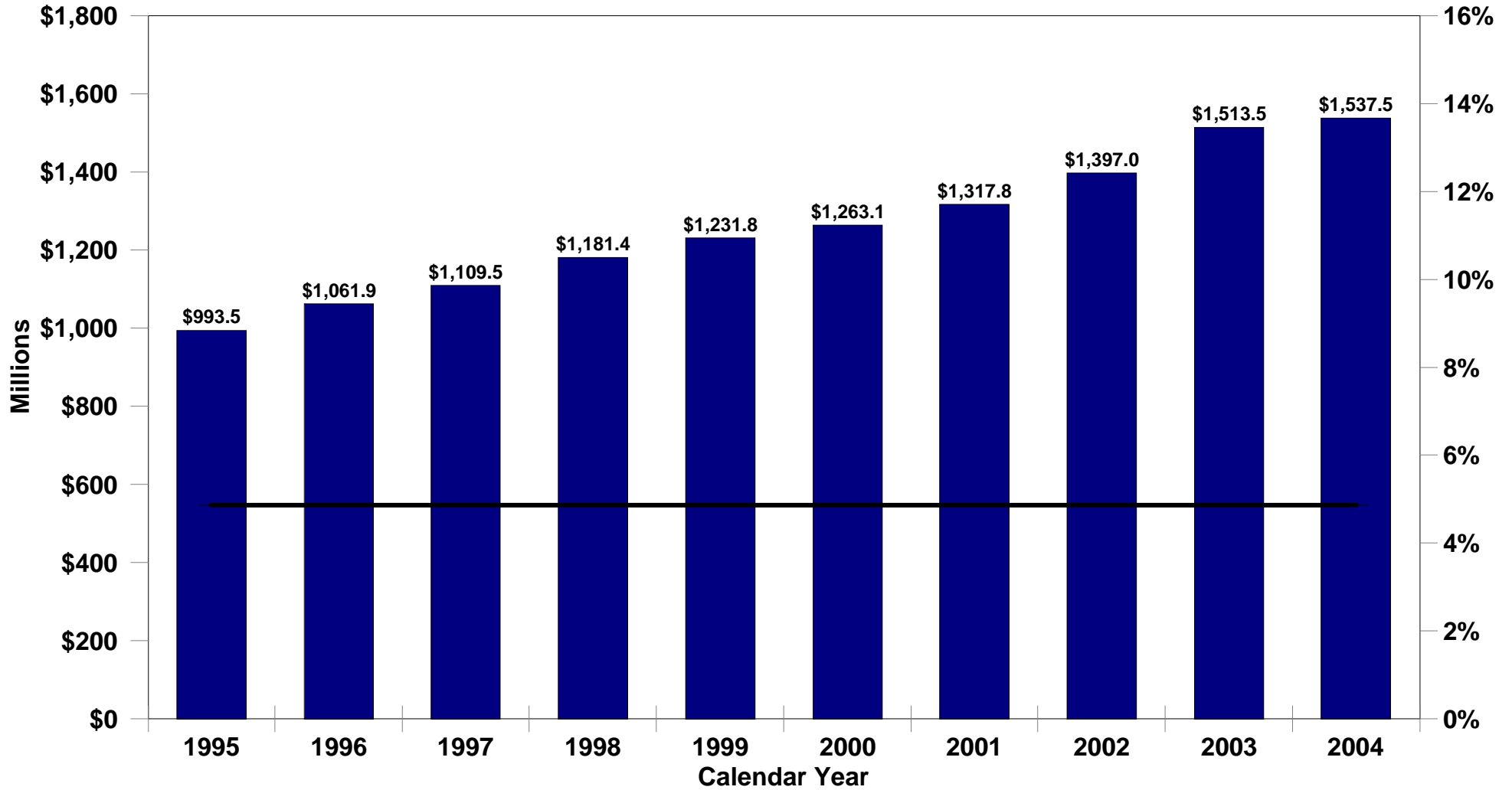


Incontinence & Other Supply Expense

# Nursing Facilities

## Indirect Care Expense

(1995 - 2004)



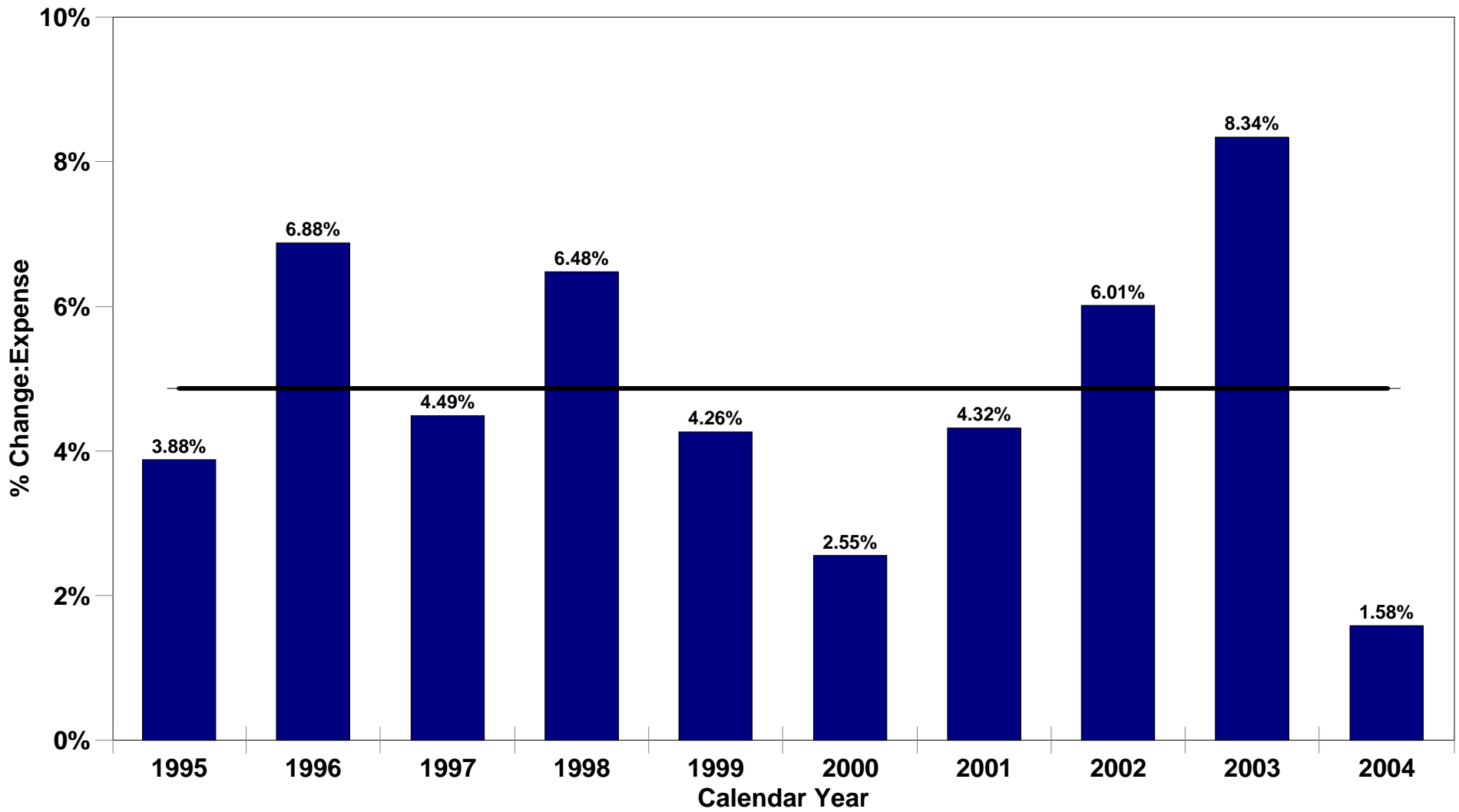
 Indirect Care Expense

 Compound Annual Growth Rate=4.86%

# Nursing Facilities

## Indirect Care Expense

(1995 - 2004)



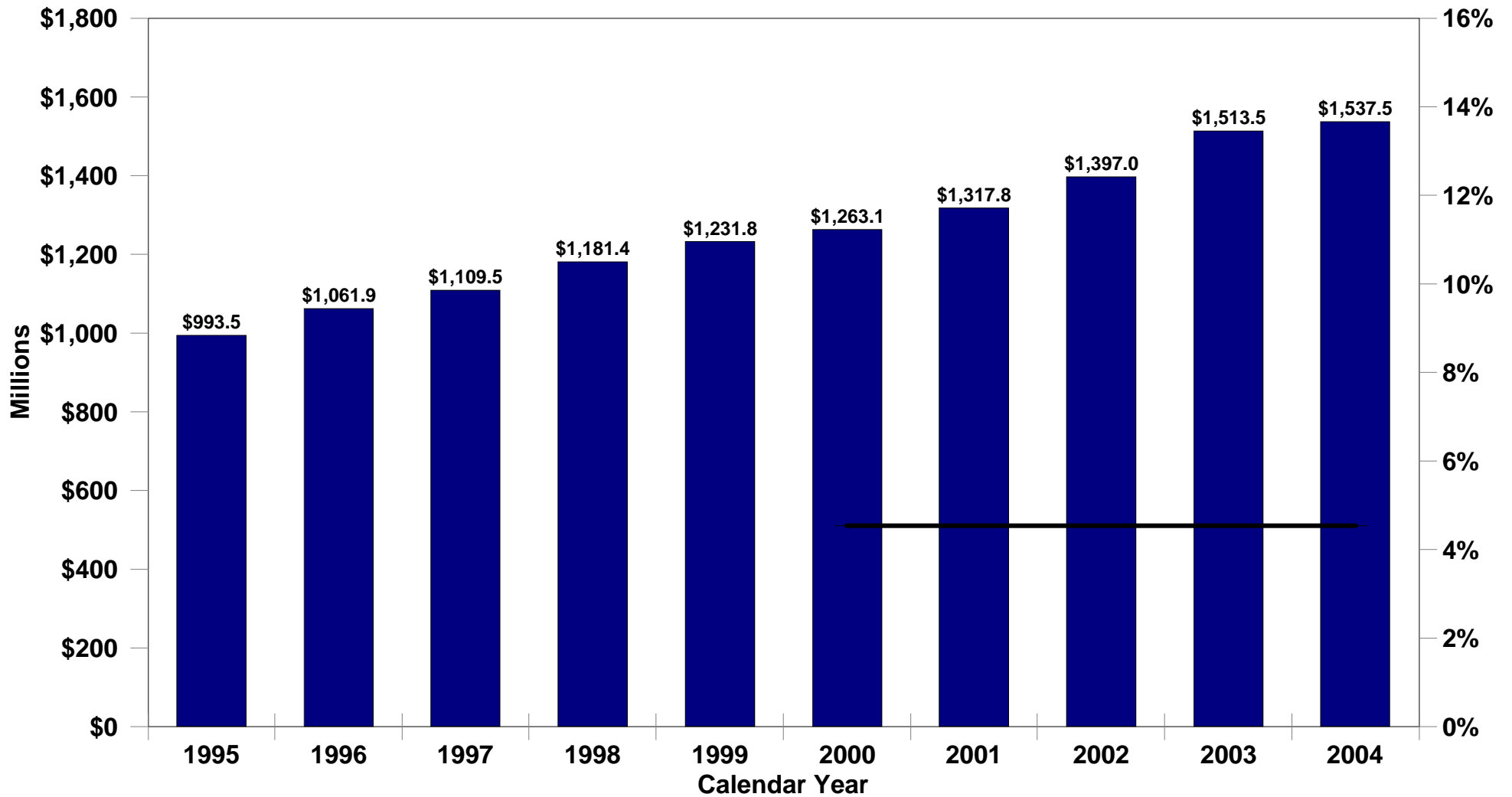
 % Change

 Compound Annual Growth Rate=4.86%

# Nursing Facilities

## Indirect Care Expense

(1995 - 2004)



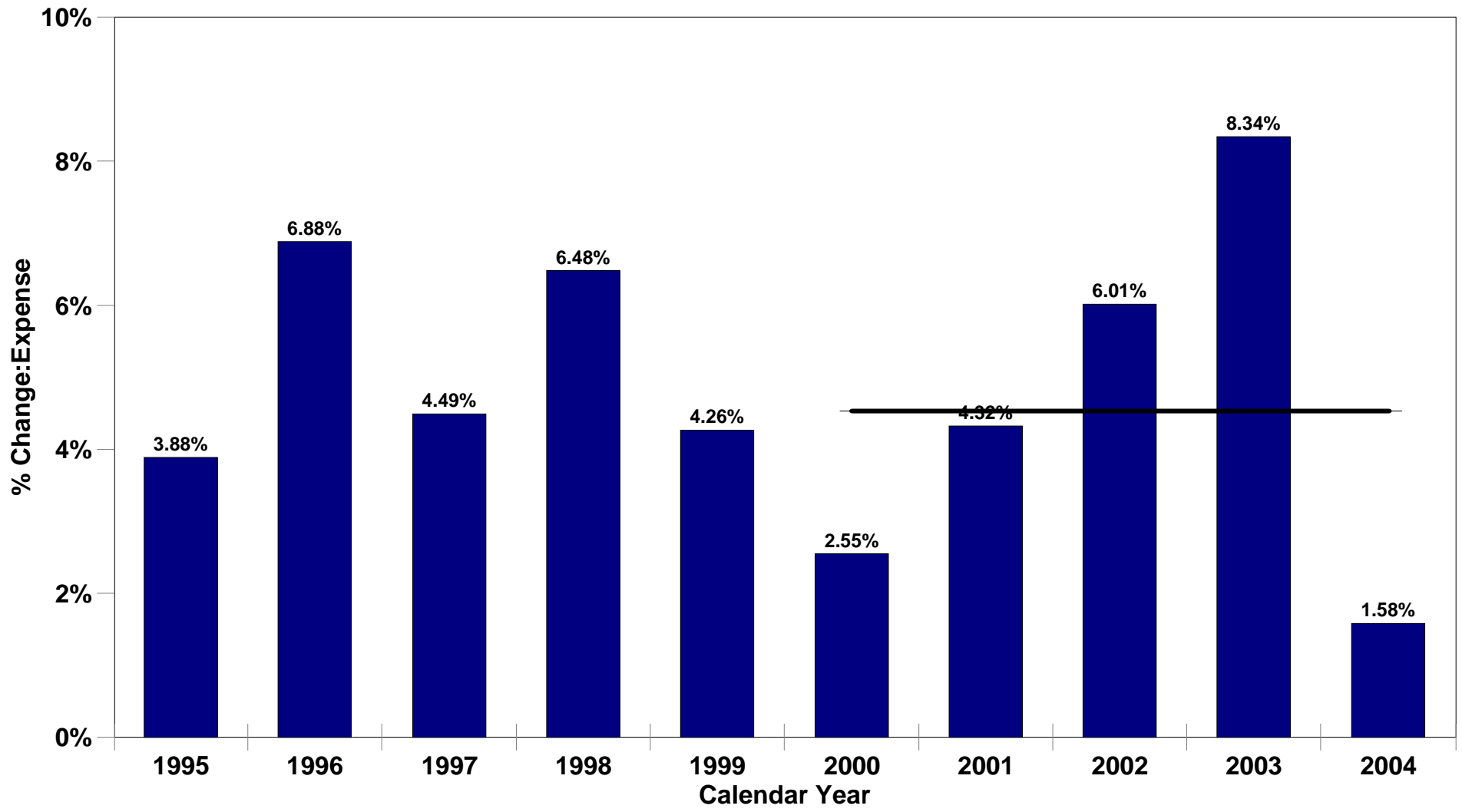
■ Indirect Care Expense

— Compound Annual Growth Rate=4.53%

# Nursing Facilities

## Indirect Care Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=4.53%

# Capital Cost Center

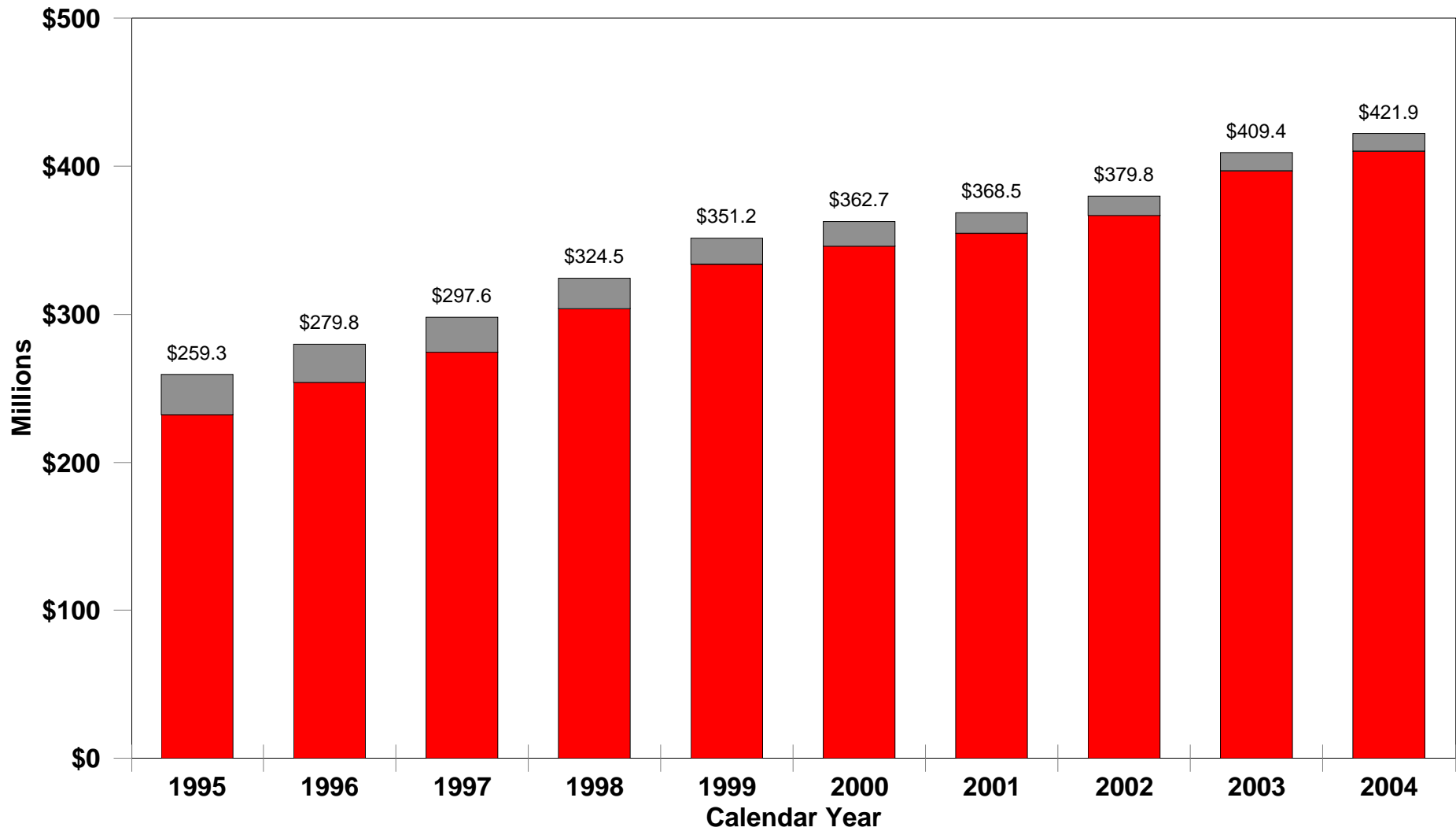
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- < **Cost of Ownership**
- < **Renovation**

# Nursing Facilities

## Capital Filed Expense

(1995 - 2004)



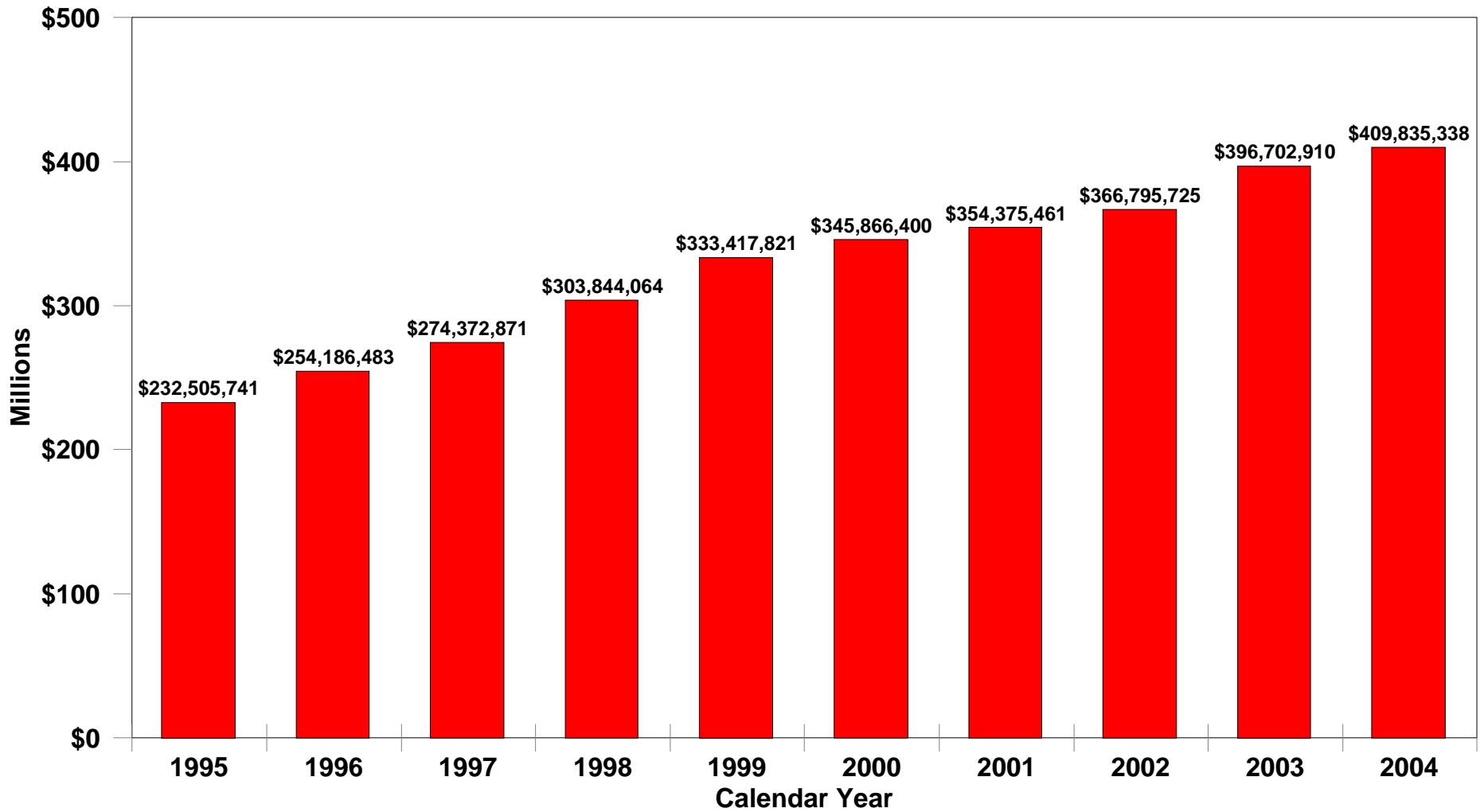
Cost of Ownership



Renovations

# Nursing Facilities Ownership Expense

(1995 - 2004)

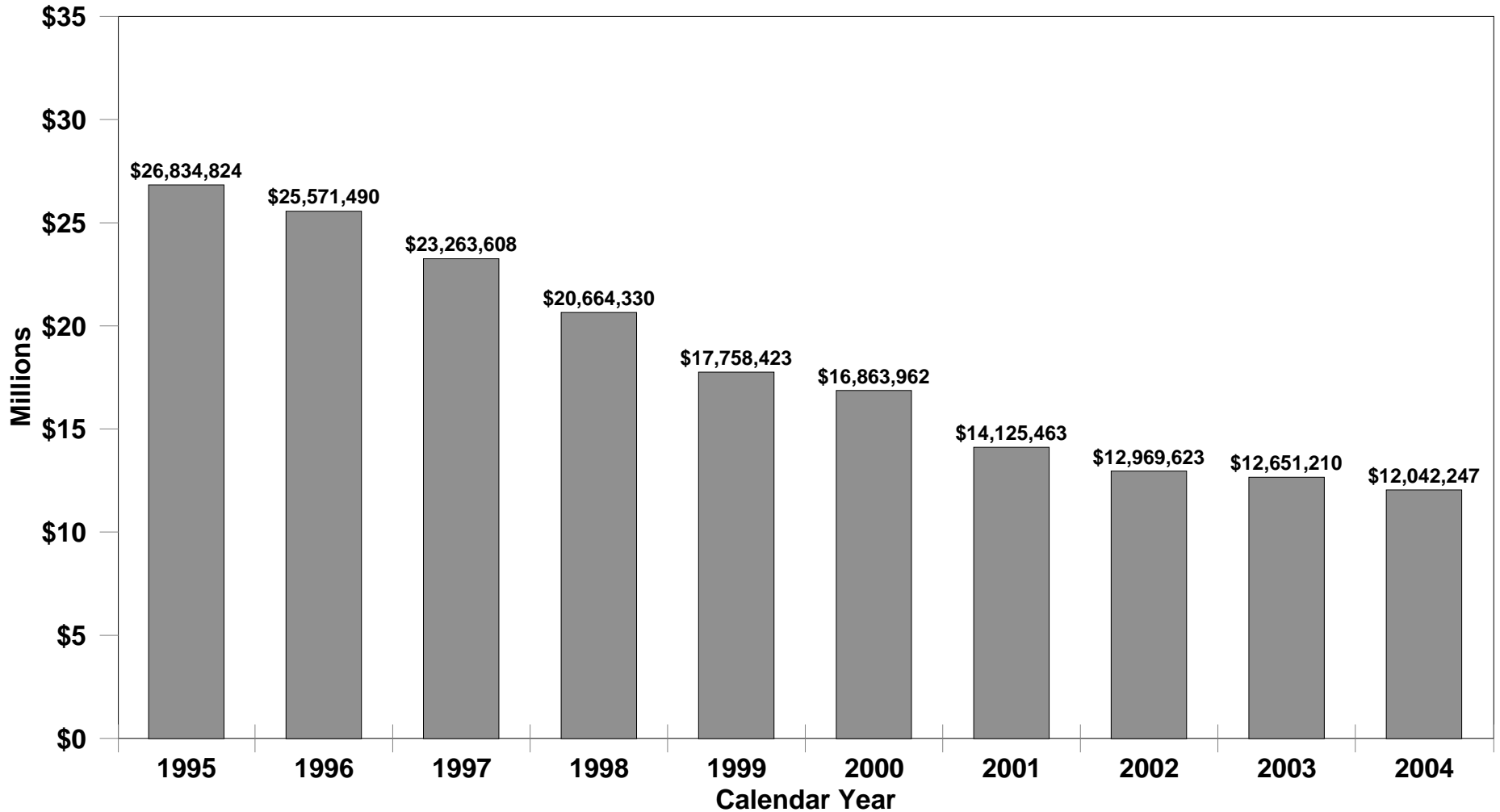


Ownership Expense

# Nursing Facilities

## Renovation Expense

(1995 - 2004)

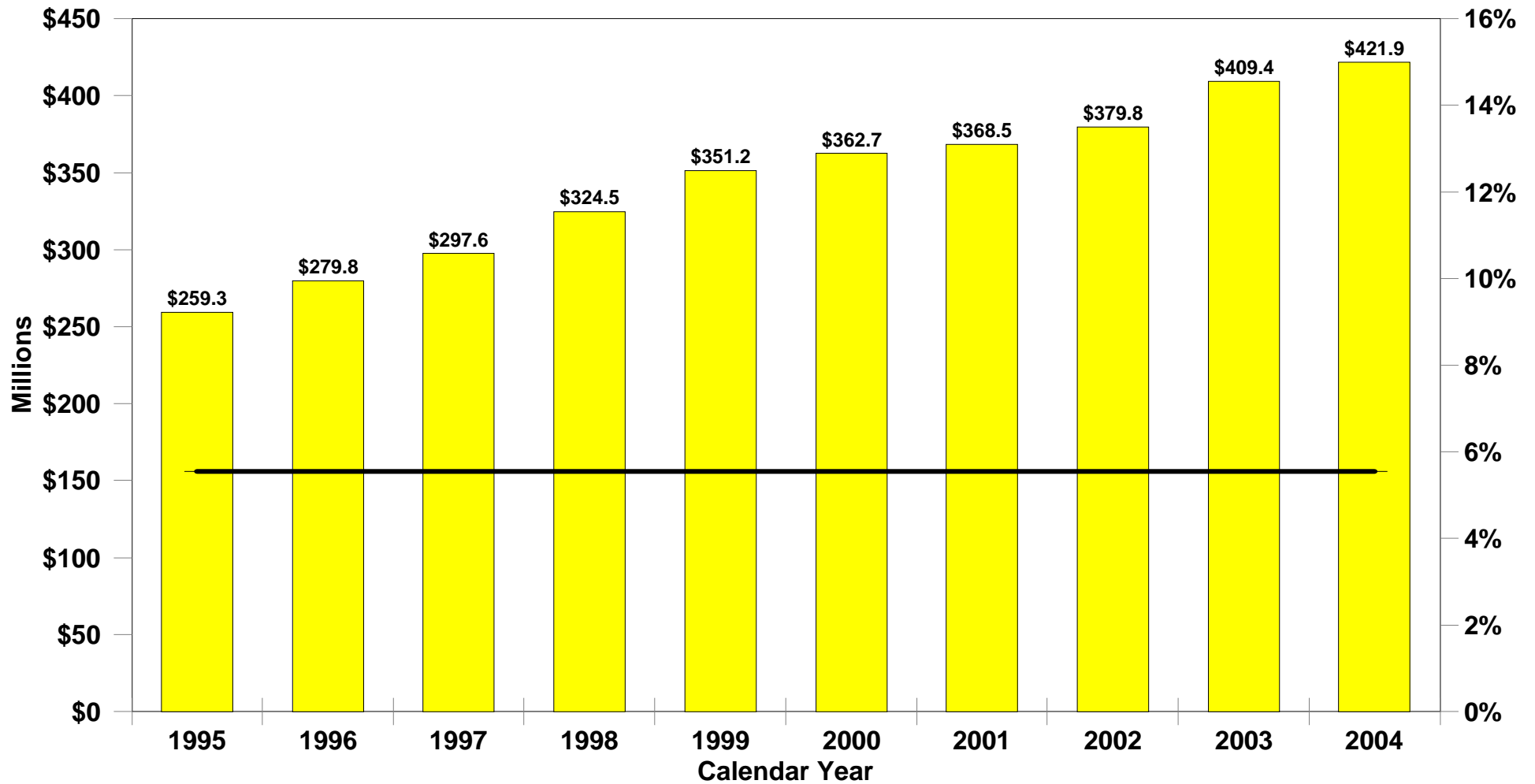


Renovation Expense

# Nursing Facilities

## Capital Expense

(1995 - 2004)



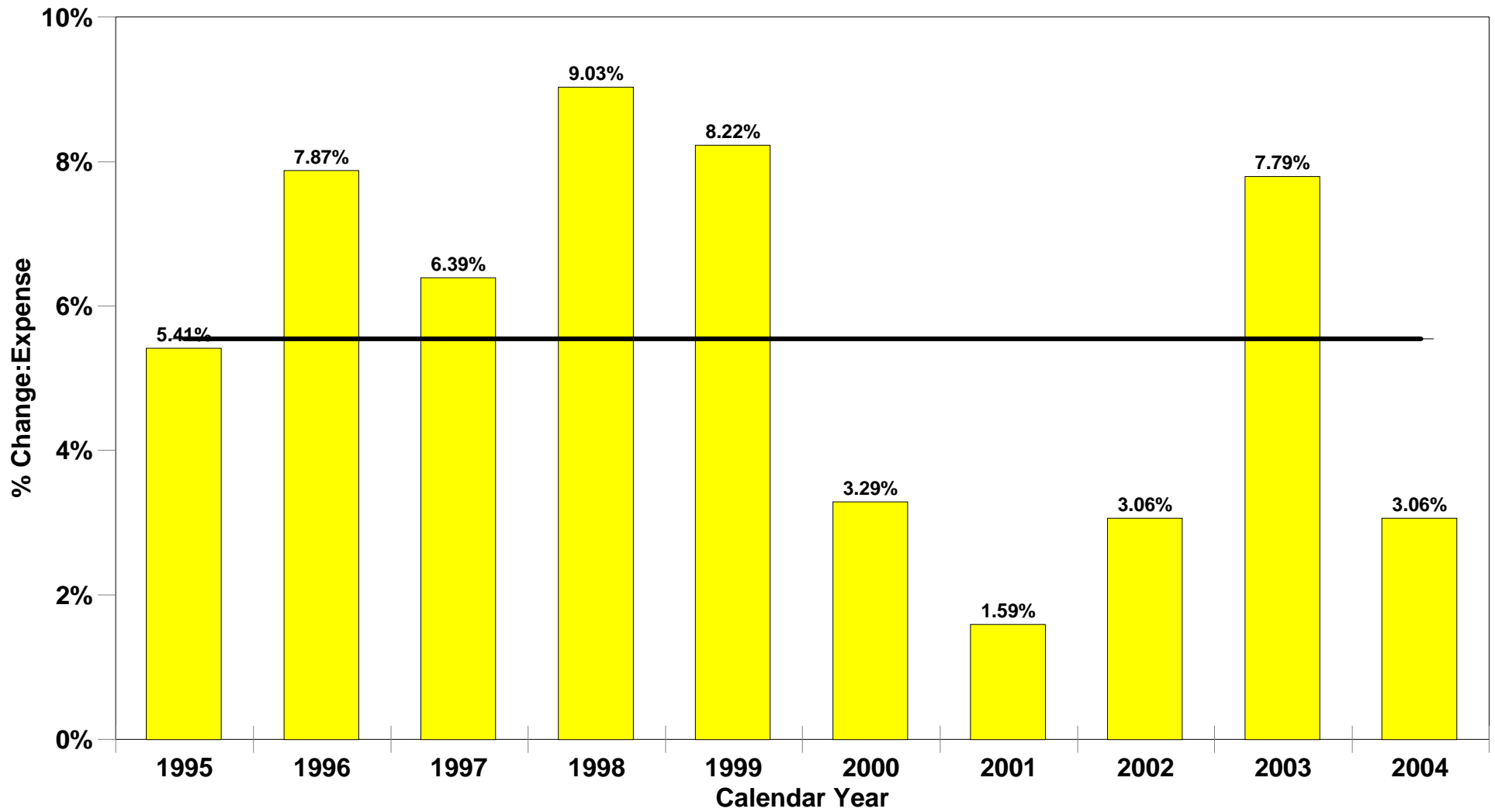
 Capital Expense


 Compound Annual Growth Rate=5.54%

# Nursing Facilities

## Capital Expense

(1995 - 2004)



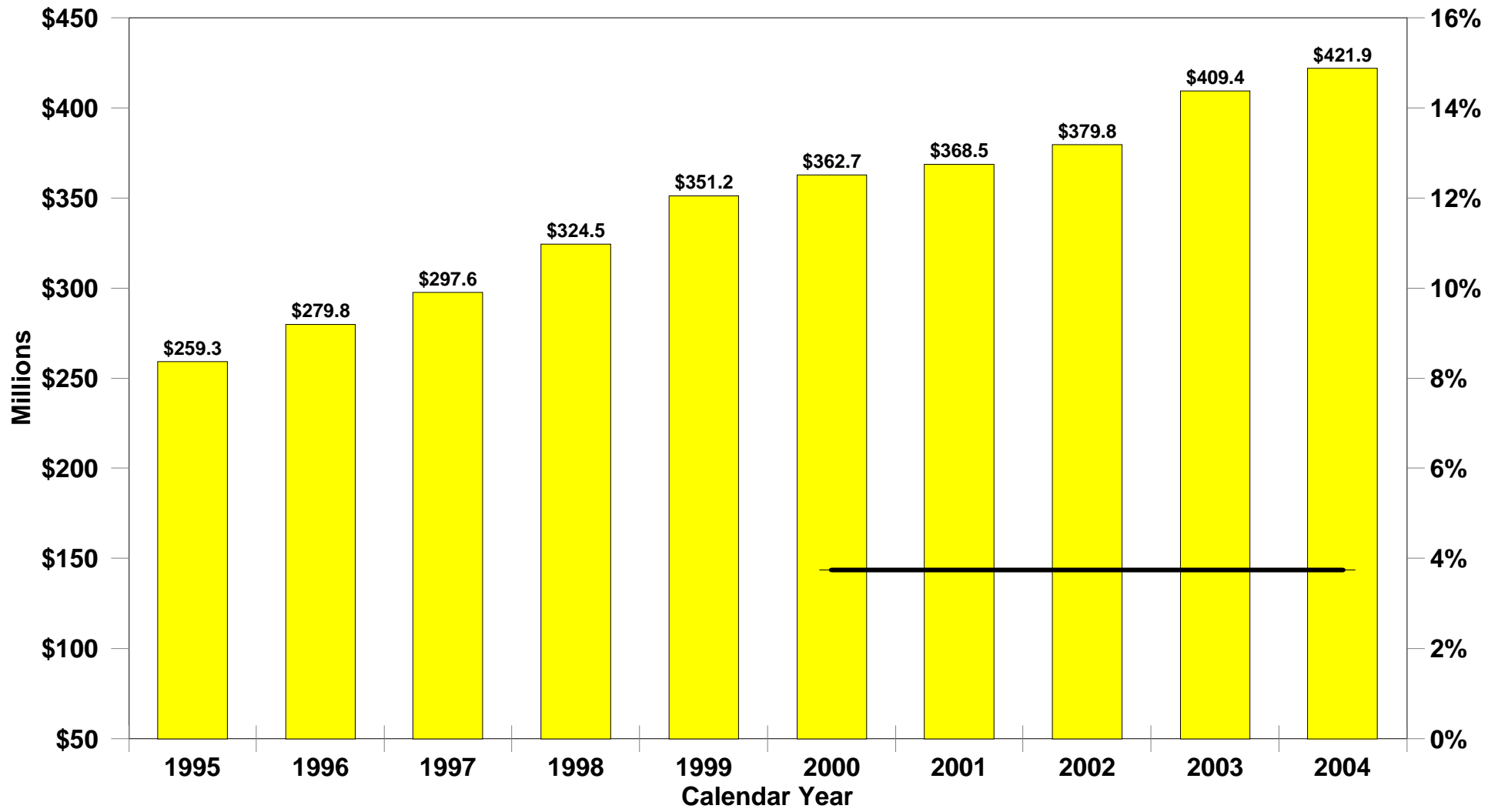
 % Change

 Compound Annual Growth Rate=5.54%

# Nursing Facilities

## Capital Expense

(1995 - 2004)



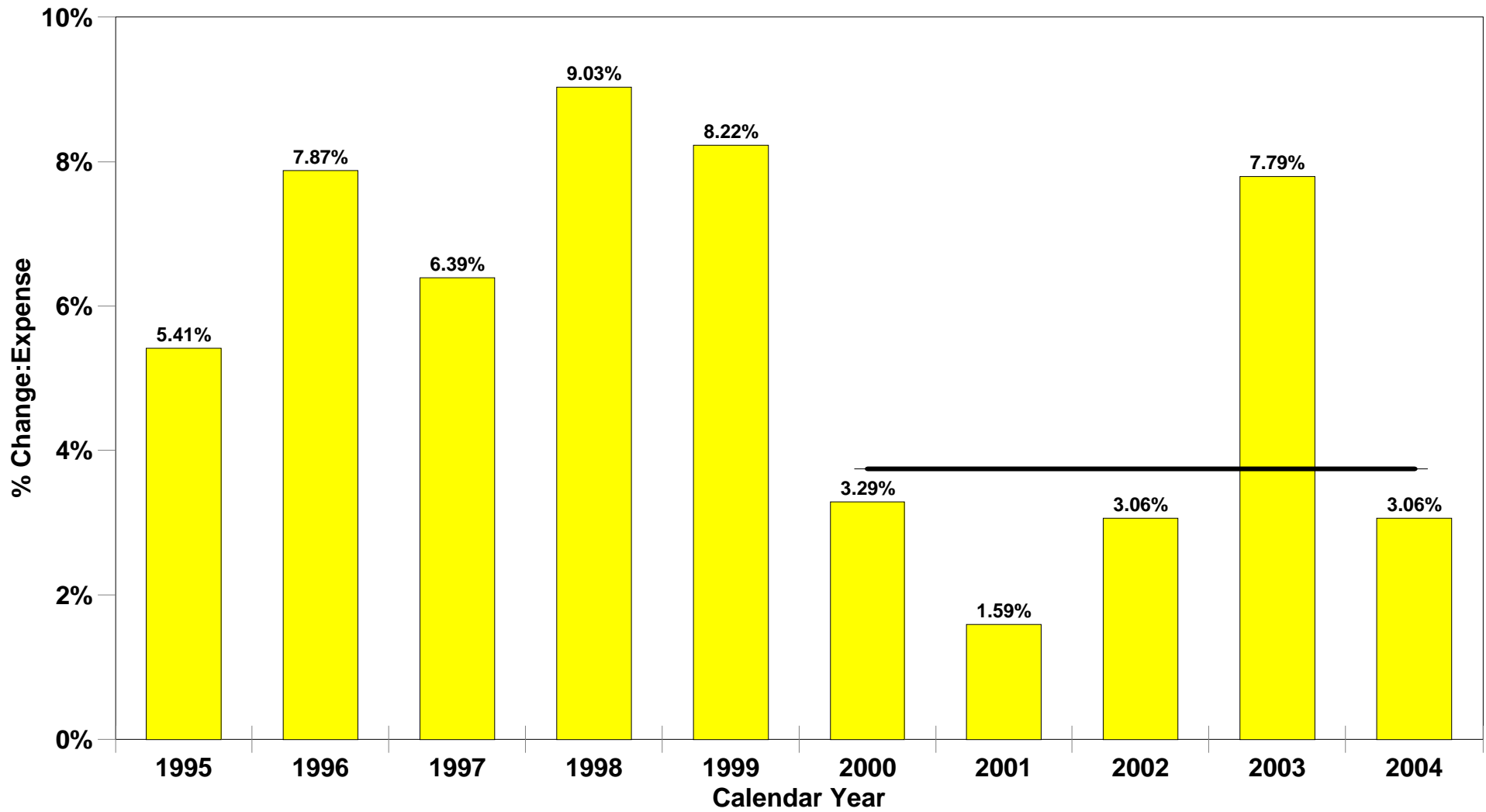
 Capital Expense


 Compound Annual Growth Rate=3.74%

# Nursing Facilities

## Capital Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=3.74%

# Protected Cost Center

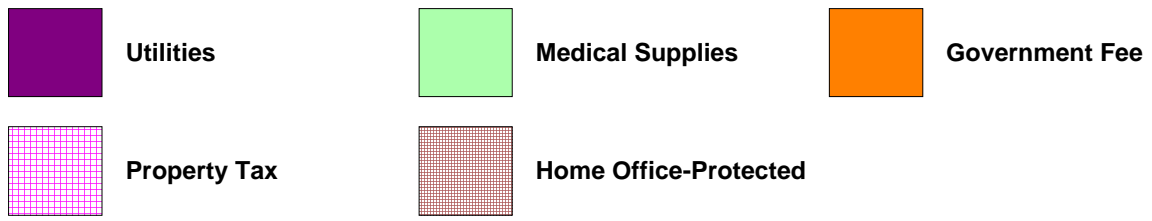
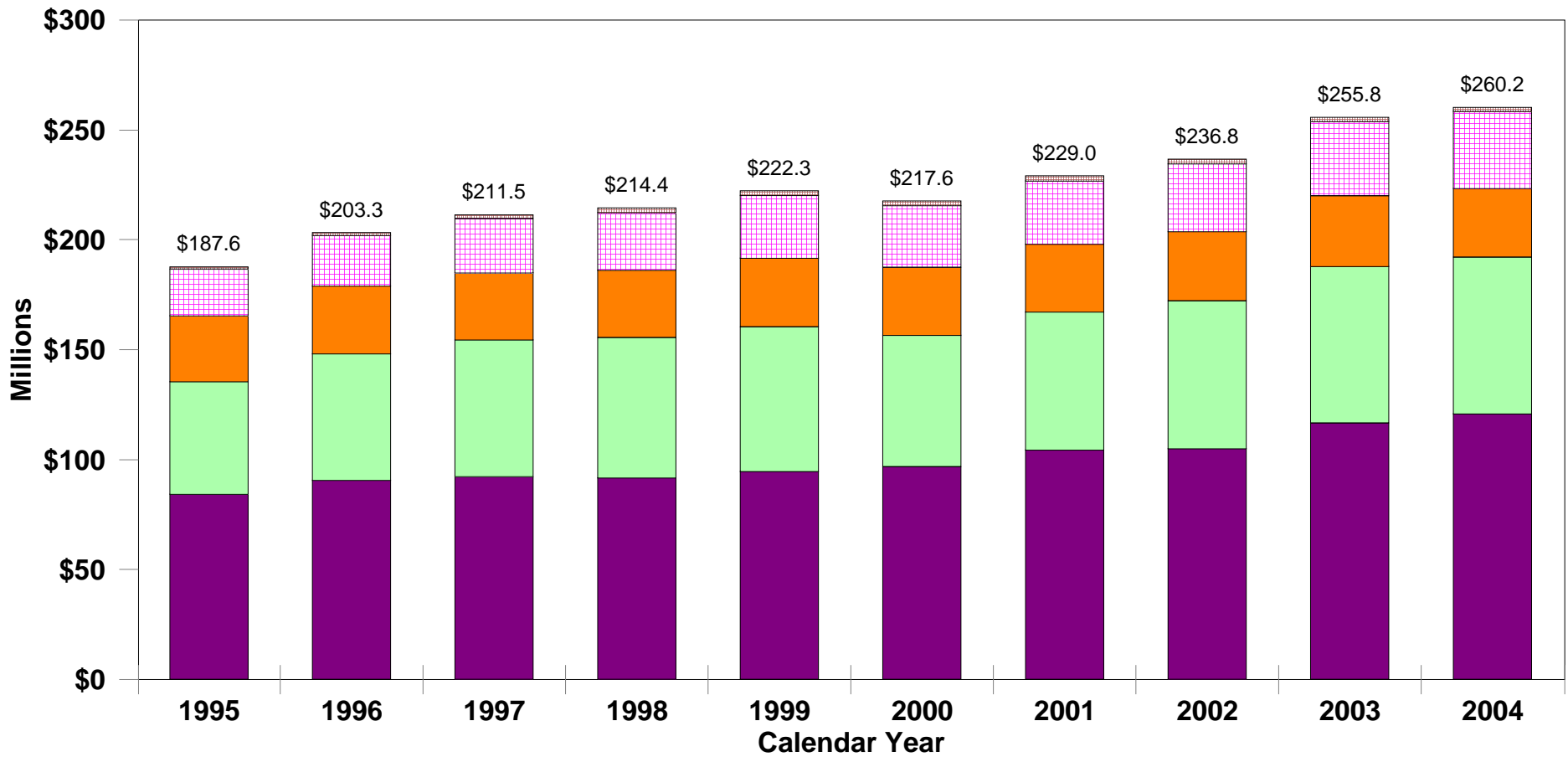
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- < **Utilities**
- < **Medical Supplies**
- < **Government Fees**
- < **Property Taxes**
- < **Home Office - Protected**

# Nursing Facilities

## Protected Filed Expense

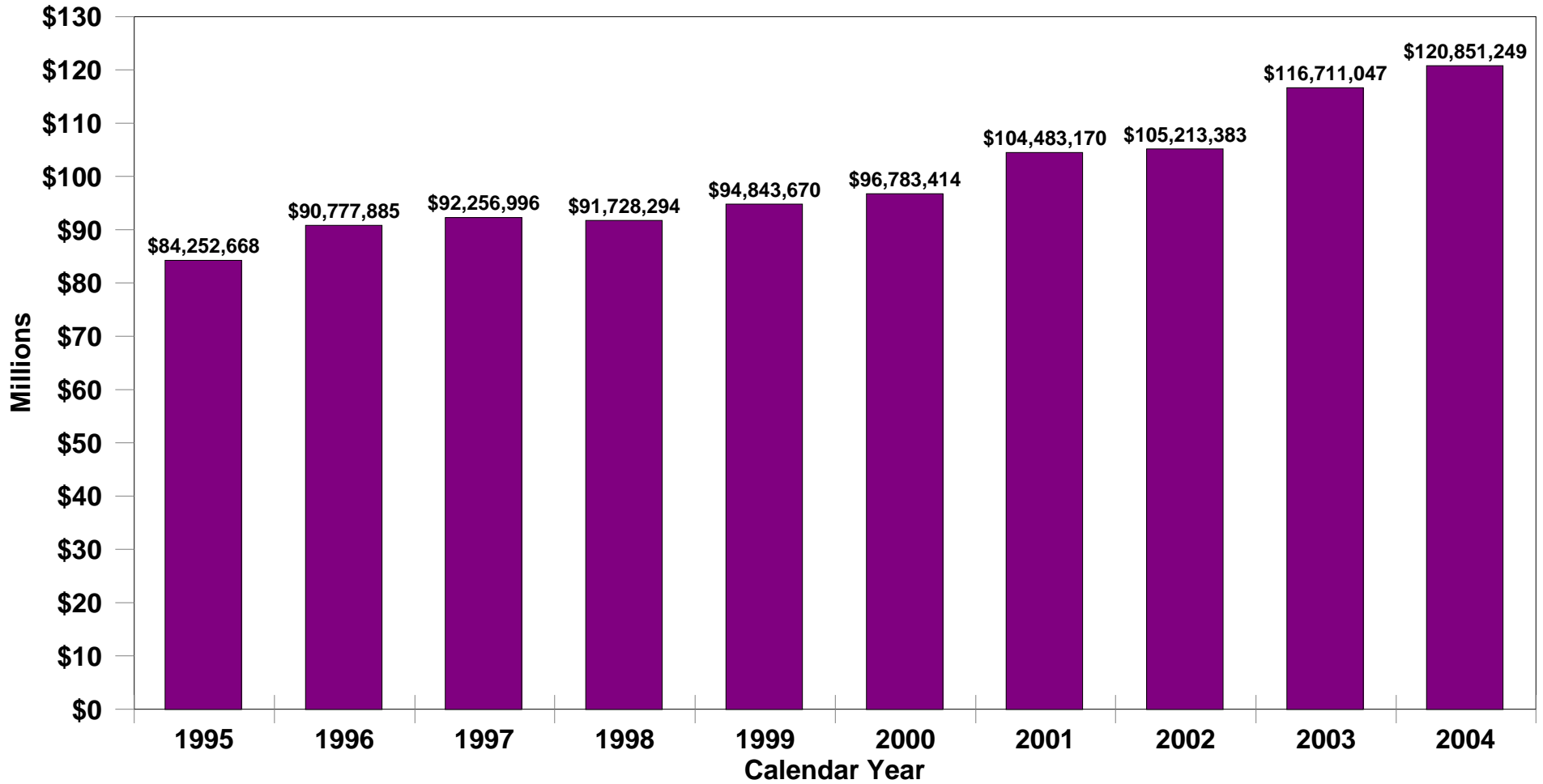
(1995 - 2004)



# Nursing Facilities

## Utilities Expense

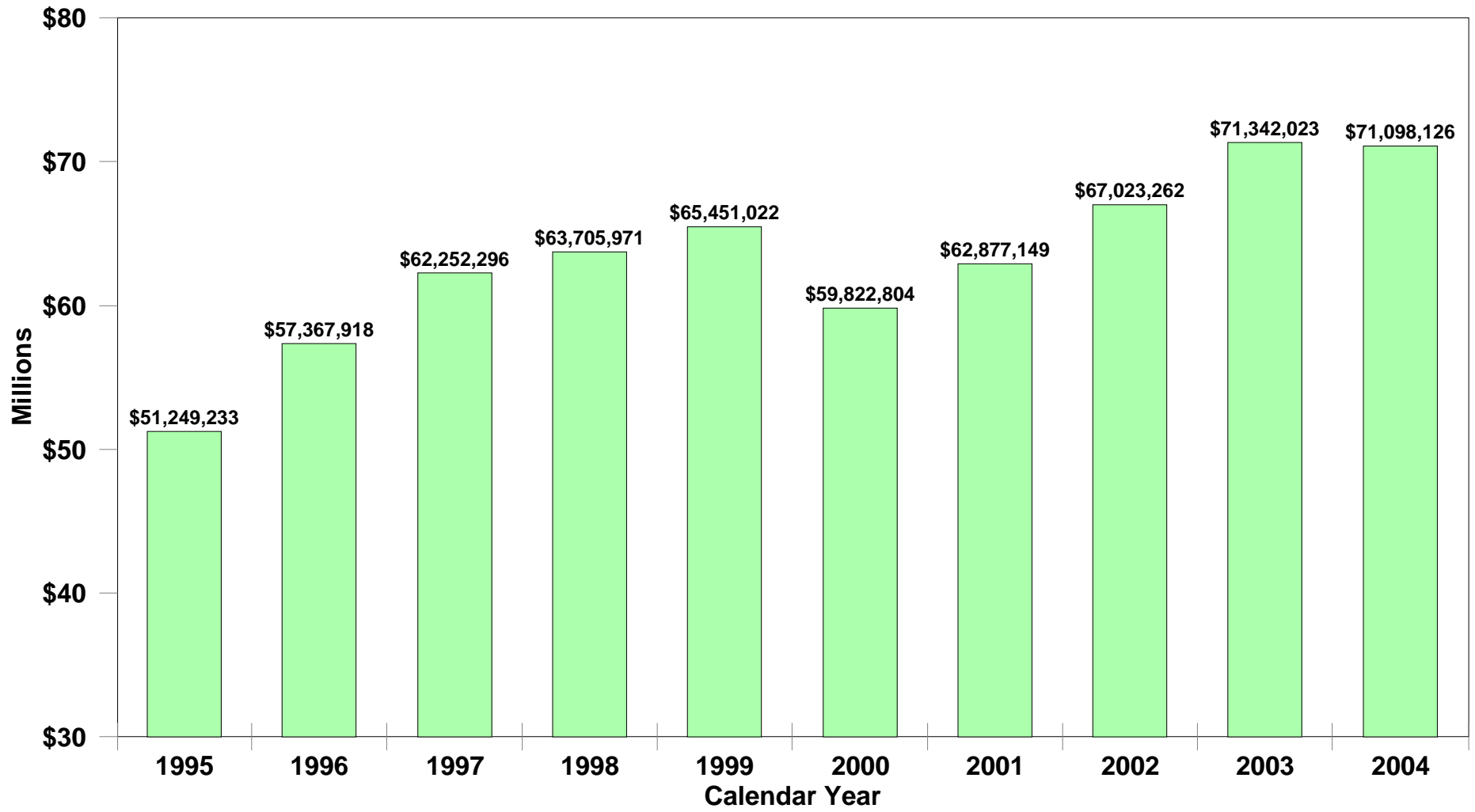
(1995 - 2004)



Utilities Expense

# Nursing Facilities Medical Supplies Expense

(1995 - 2004)

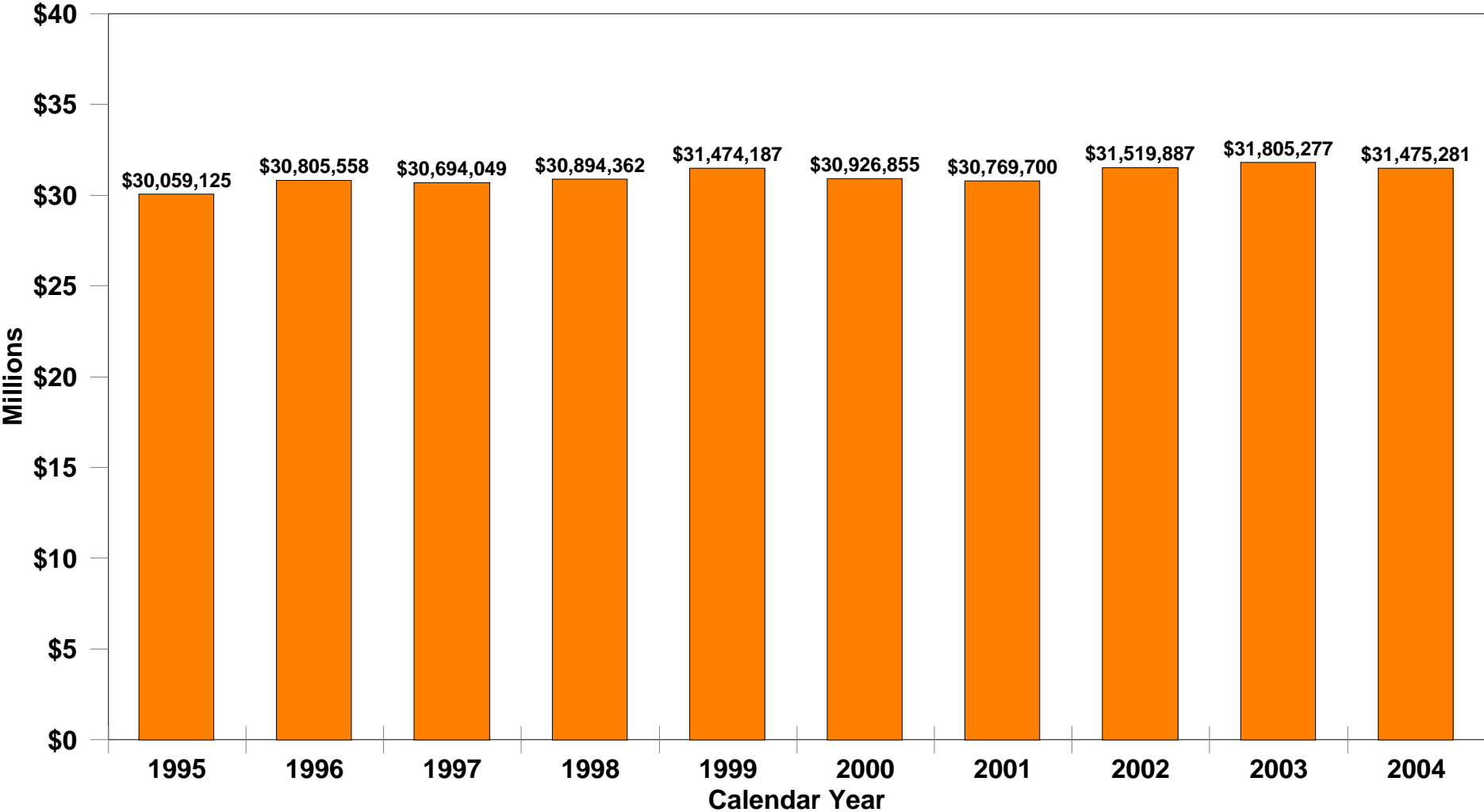


 Medical Supplies Expense

# Nursing Facilities

## Government Fee Expense

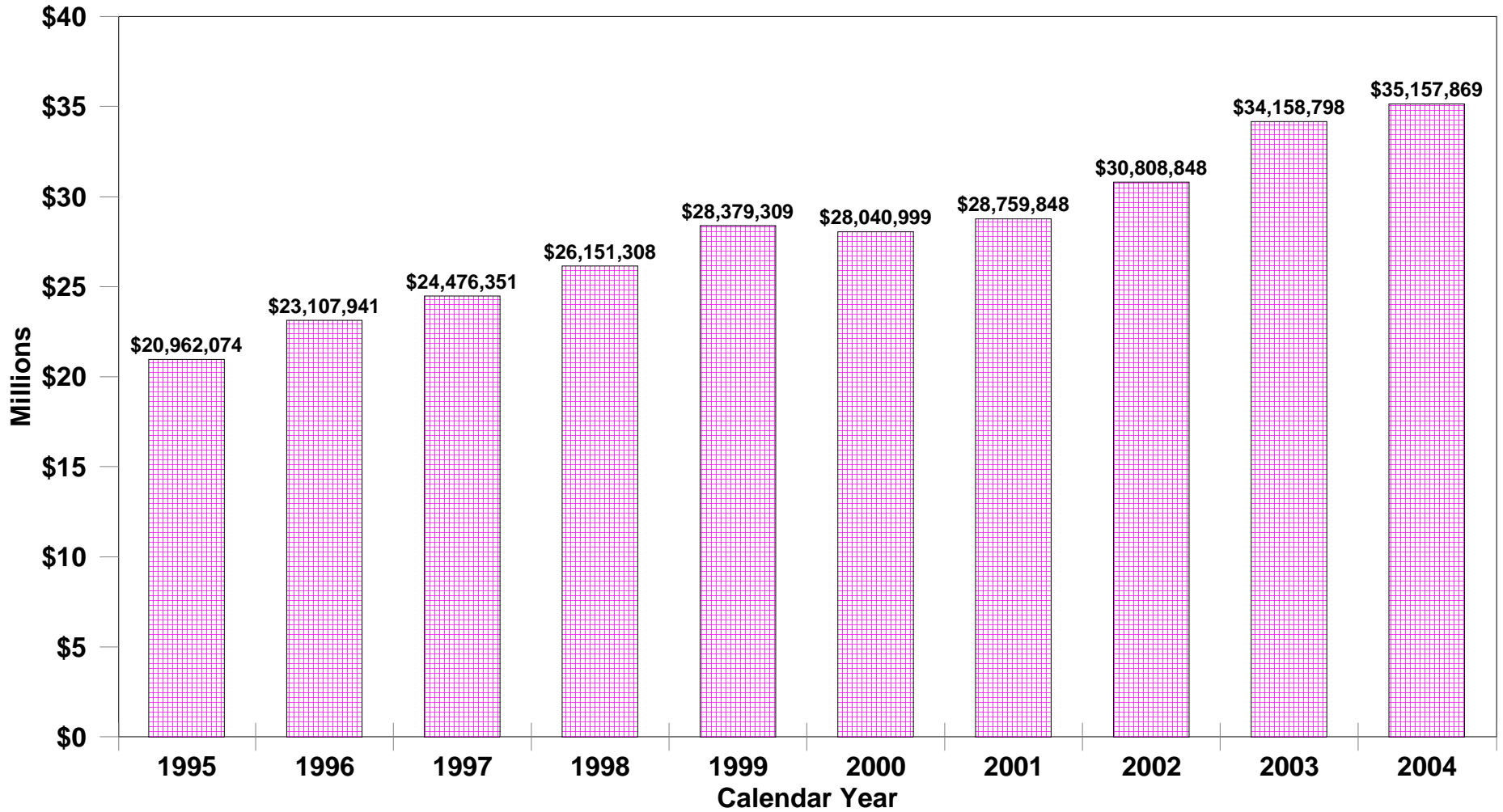
(1995 - 2004)



 Government Fee Expense

# Nursing Facilities Property Tax Expense

(1995 - 2004)

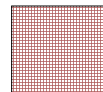
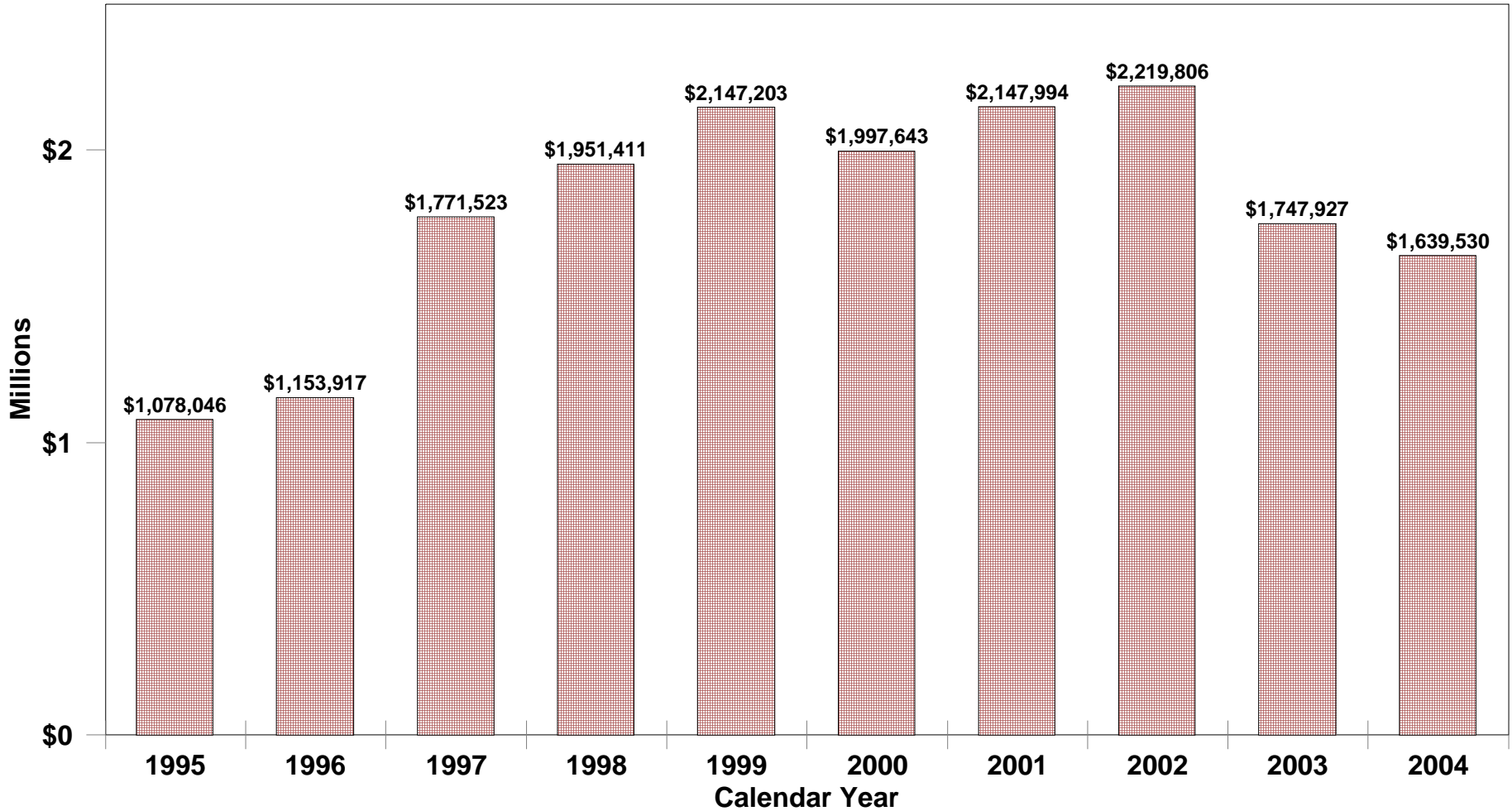


 Property Tax Expense

# Nursing Facilities

## Home Office: Protected Expense

(1995 - 2004)

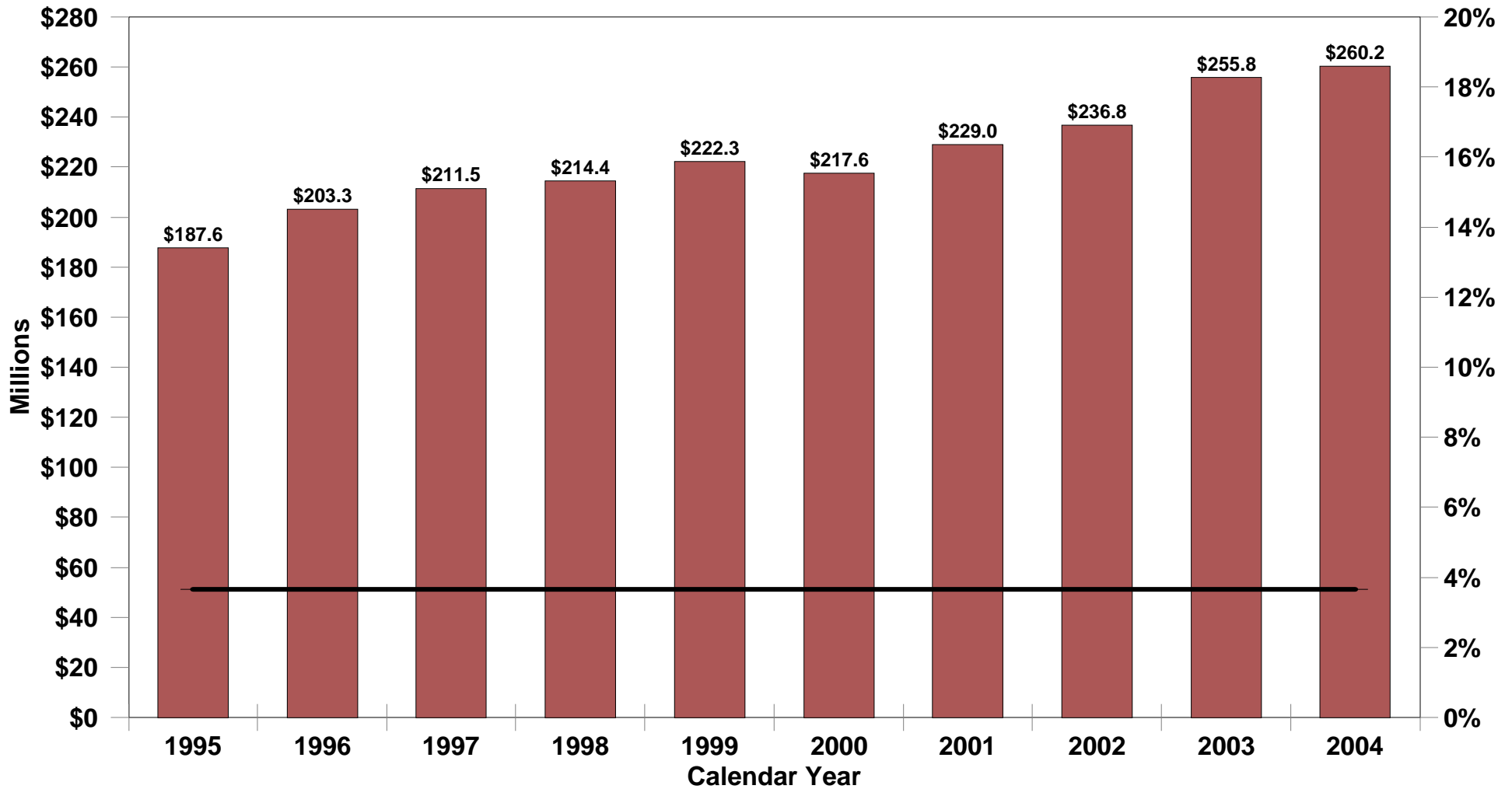


Home Office: Protected Expense

# Nursing Facilities

## Protected Expense

(1995 - 2004)



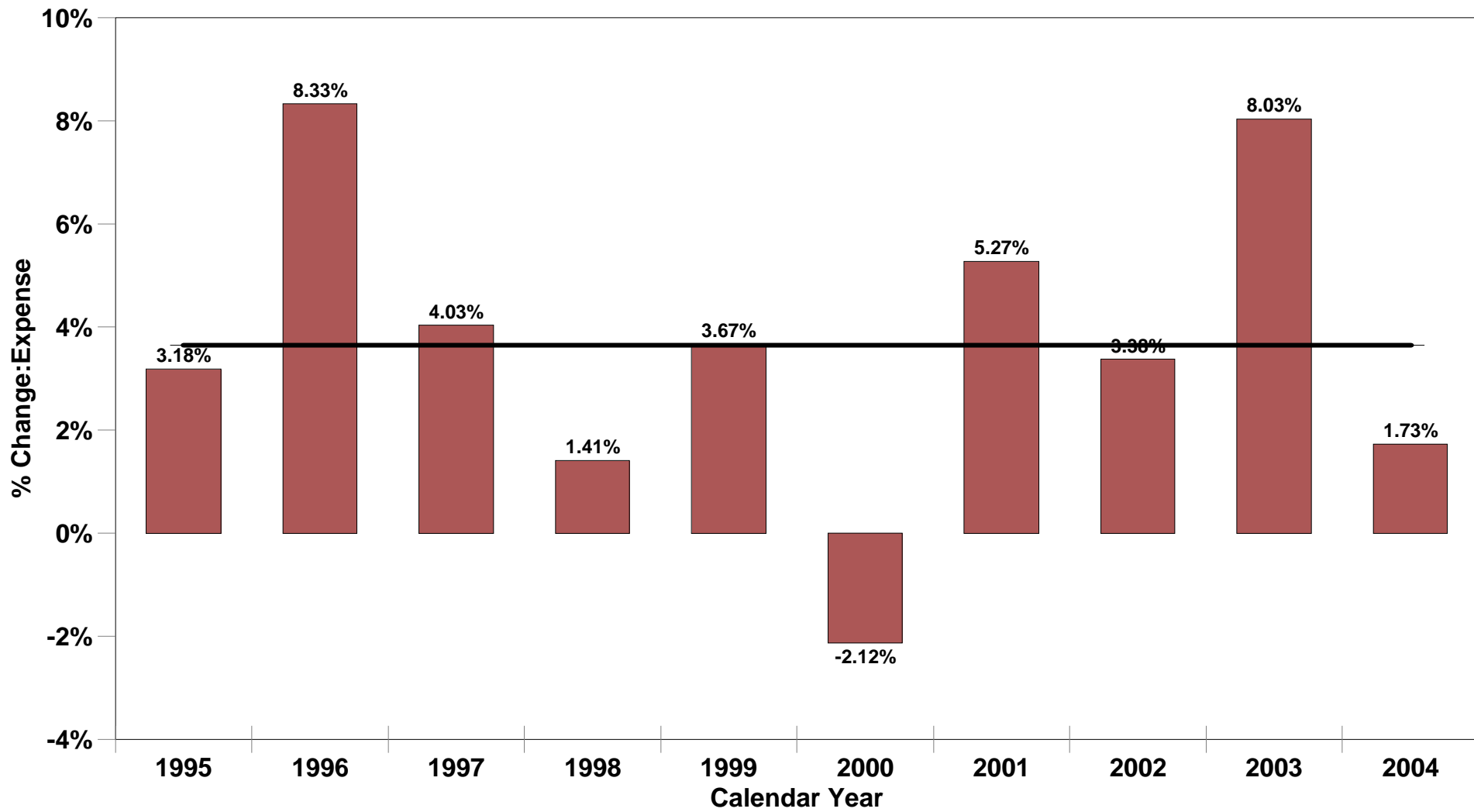
 Protected Expense


 Compound Annual Growth Rate=3.65%

# Nursing Facilities

## Protected Expense

(1995 - 2004)

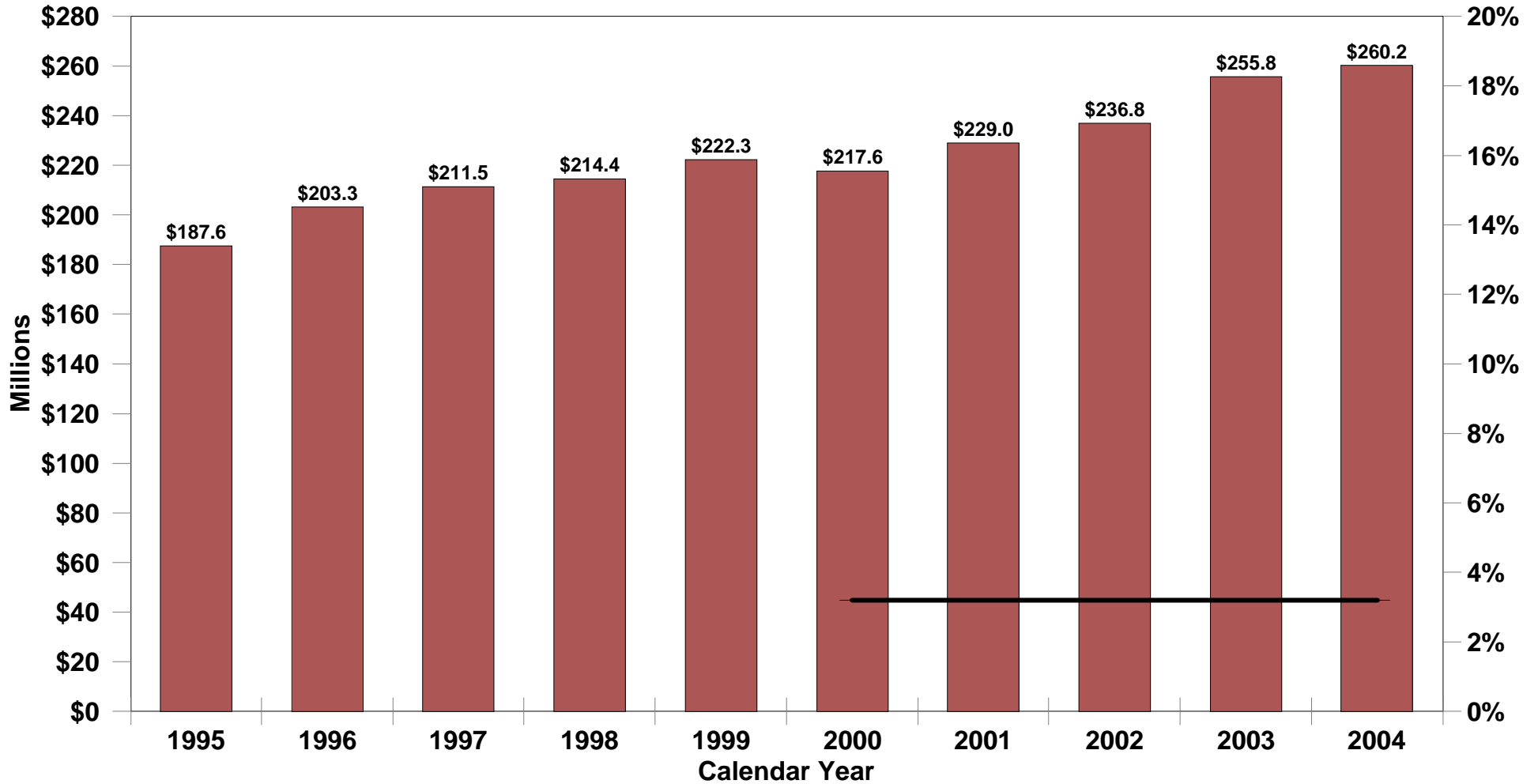


 % Change

 Compound Annual Growth Rate=3.65%

# Nursing Facilities Protected Expense

(1995 - 2004)

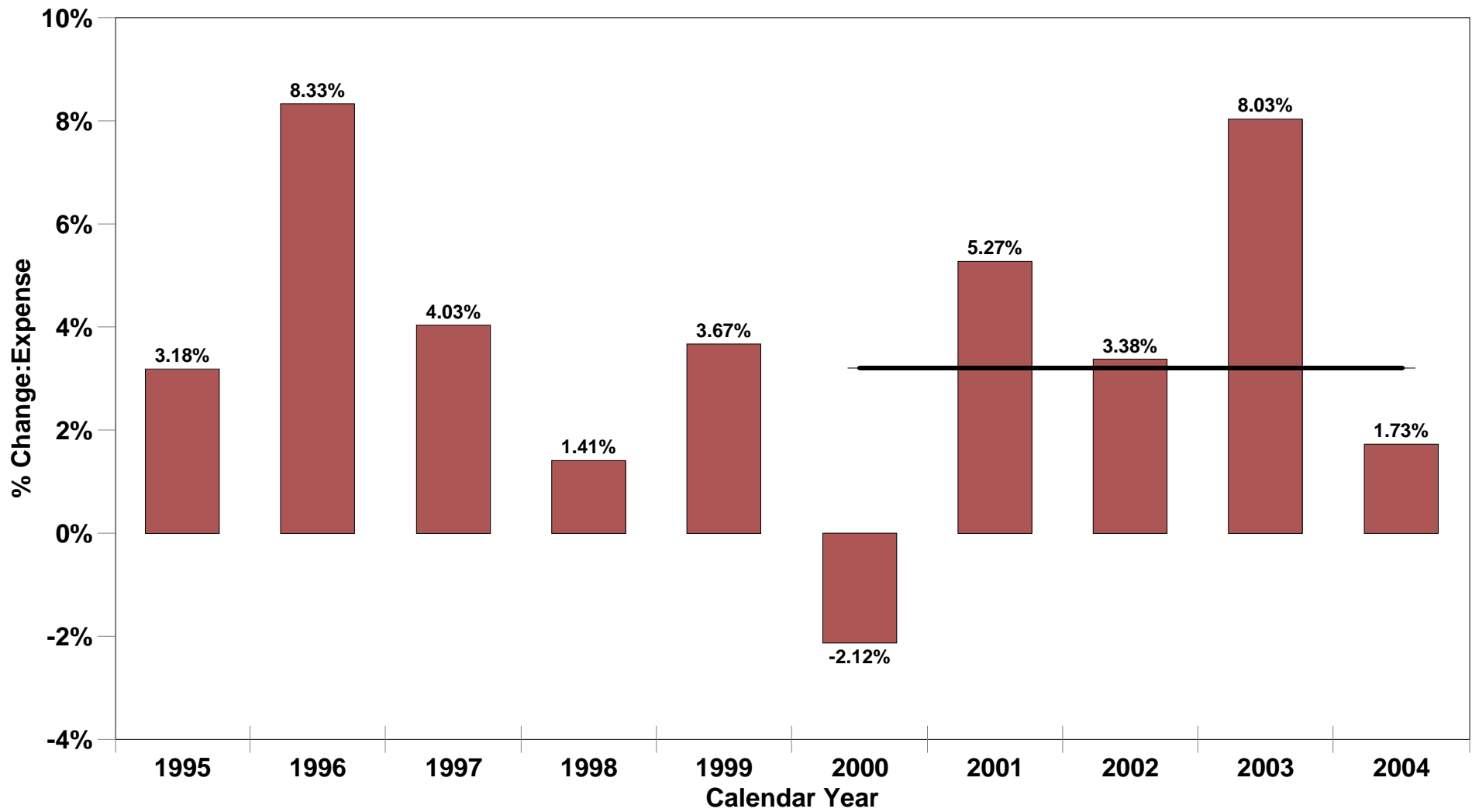


 Protected Expense

 Compound Annual Growth Rate=3.20%

# Nursing Facilities Protected Expense

(1995 - 2004)



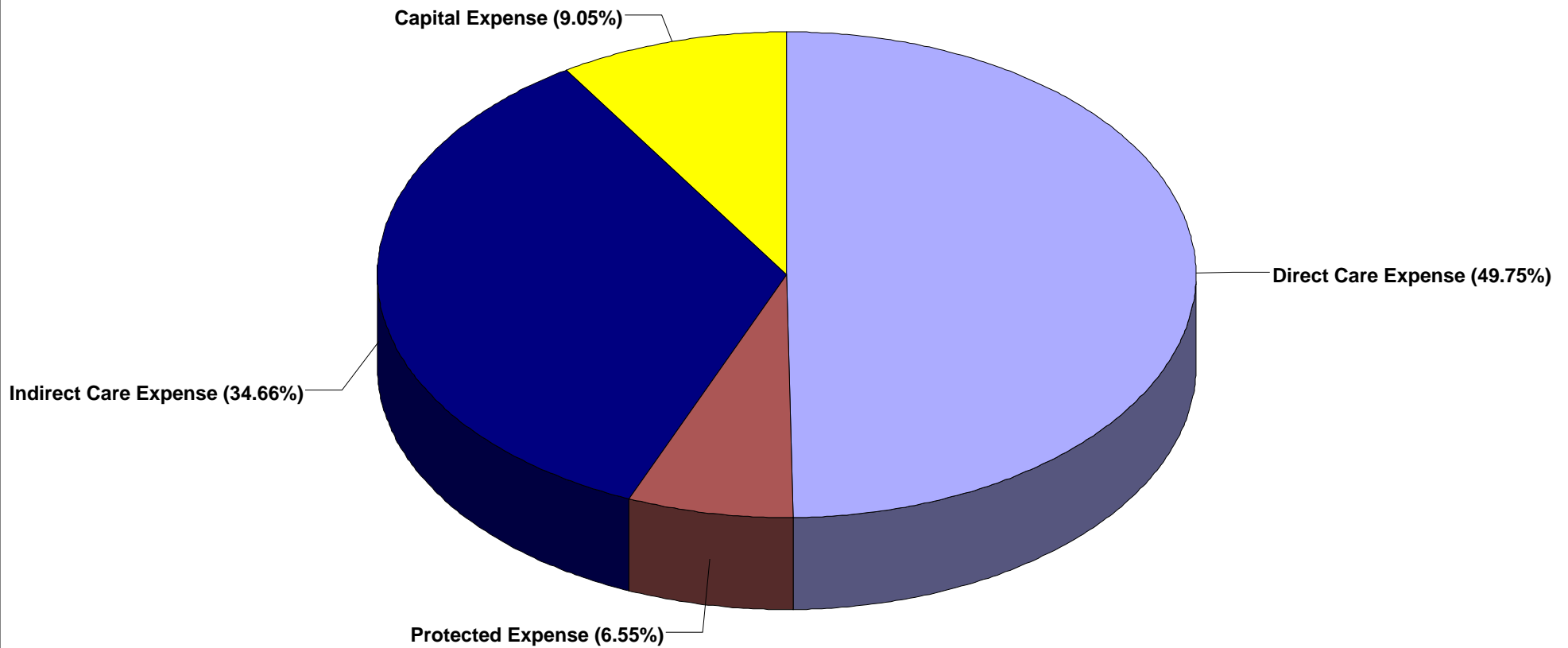
 % Change

 Compound Annual Growth Rate=3.20%

# Nursing Facilities

## Percent of Total Filed Cost

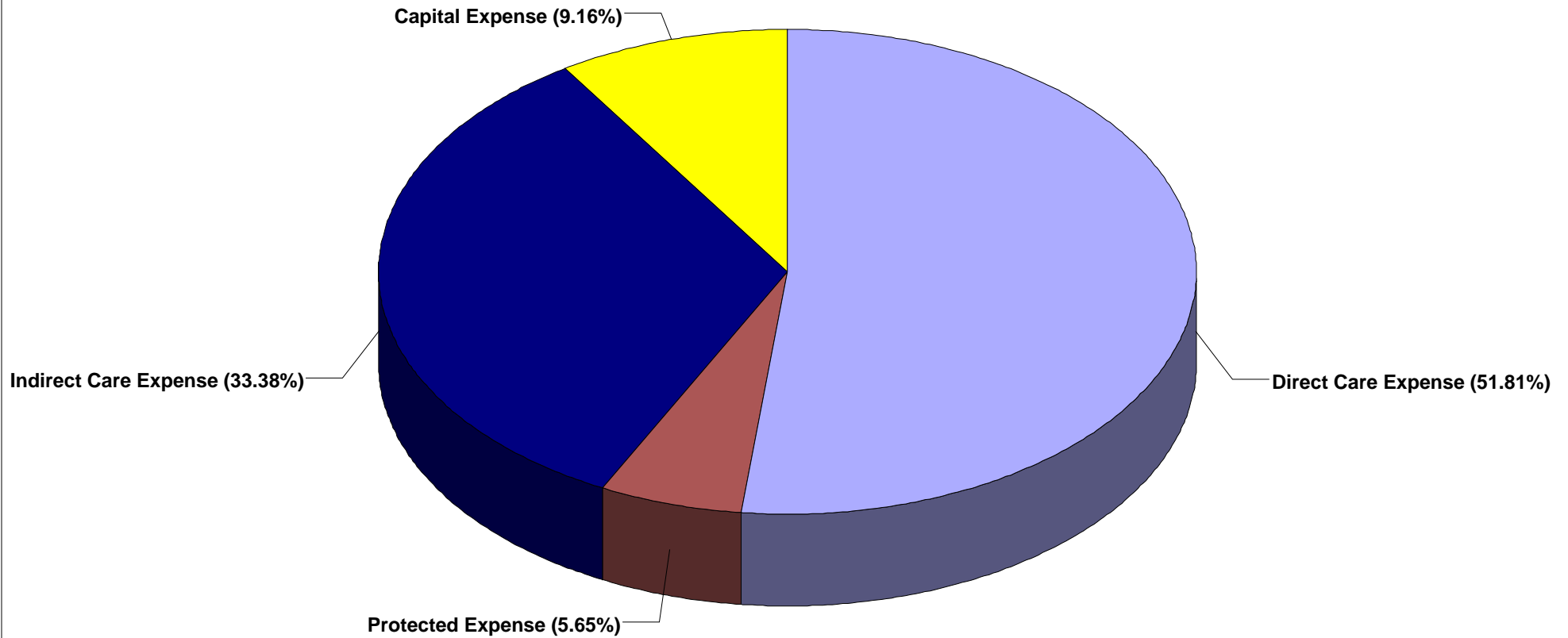
(Cost Centers 1995)



# Nursing Facilities

## Percent of Total Filed Cost

(Cost Centers 2004)



# Per Diem Trends

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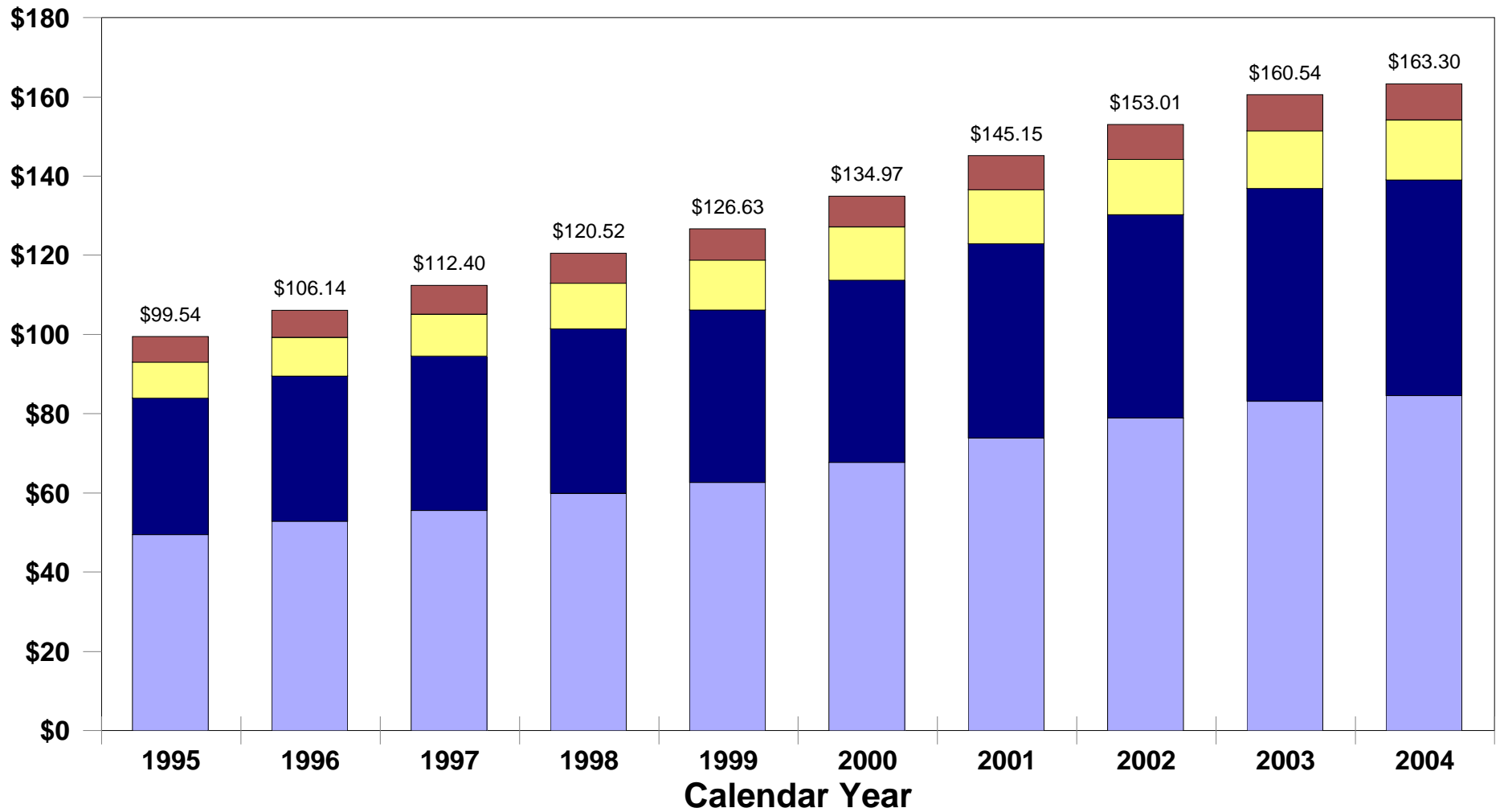
- < **Total Per Diem**
- < **Direct Care Cost Center**
- < **Indirect Care Cost Center**
- < **Capital Cost Center**
- < **Protected Cost Center**

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

# Nursing Facilities

## Total Cost Per Diem

(1995 - 2004)



Direct



Indirect



Capital

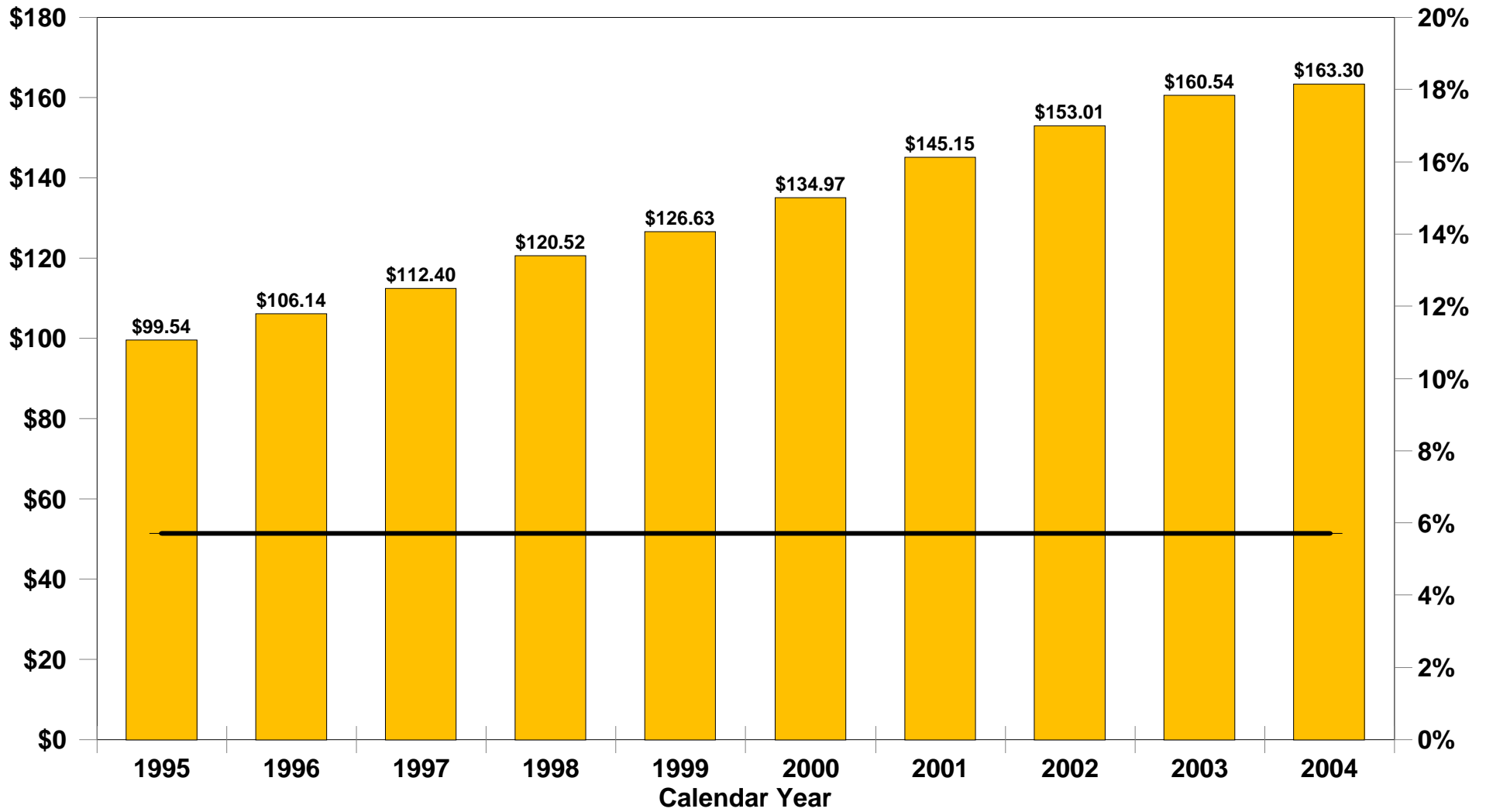


Protected

# Nursing Facilities

## Total Expense Per Diem

(1995 - 2004)



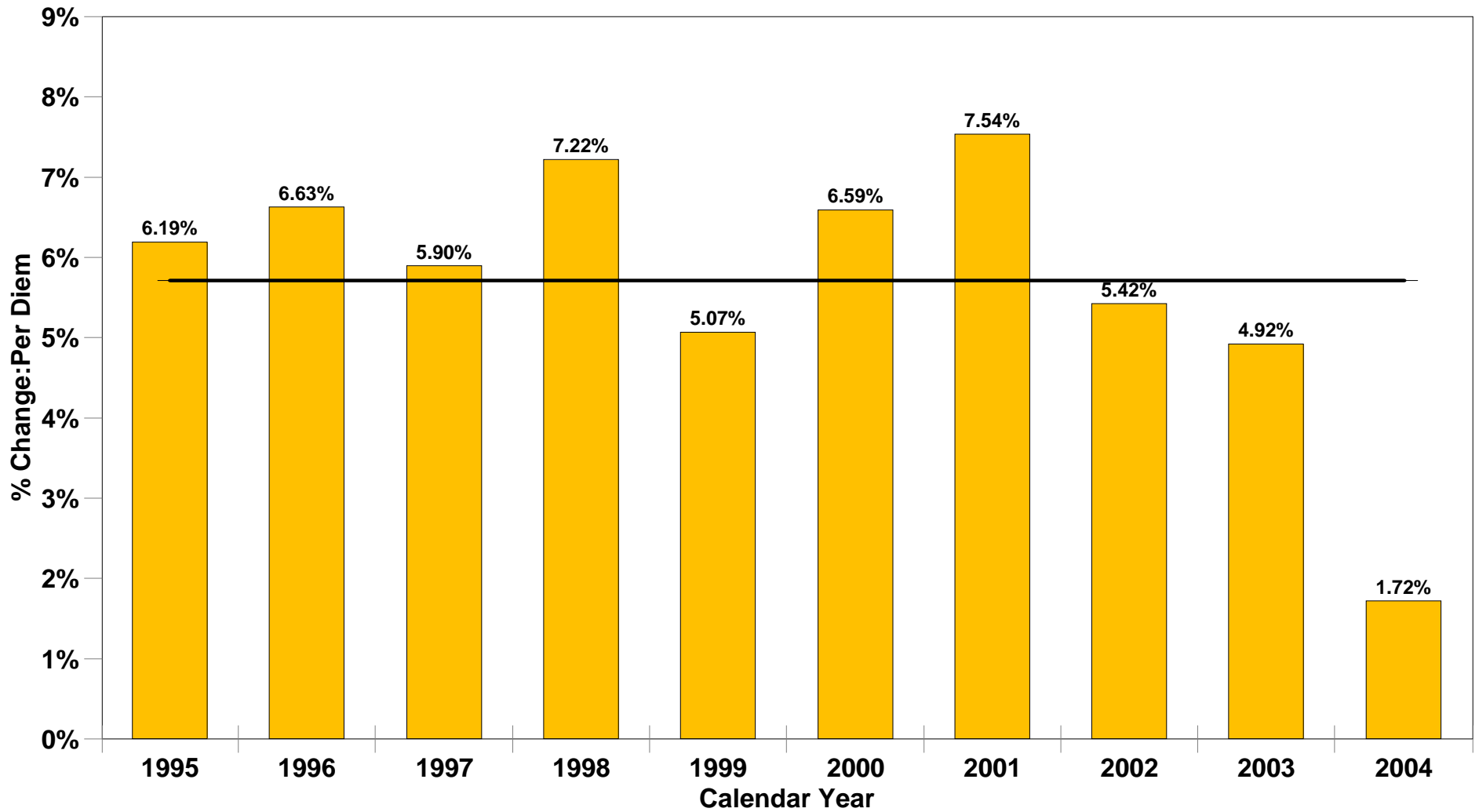
 Total Per Diem

 Compound Annual Growth Rate=5.71%

# Nursing Facilities

## Total Expense Per Diem

(1995 - 2004)



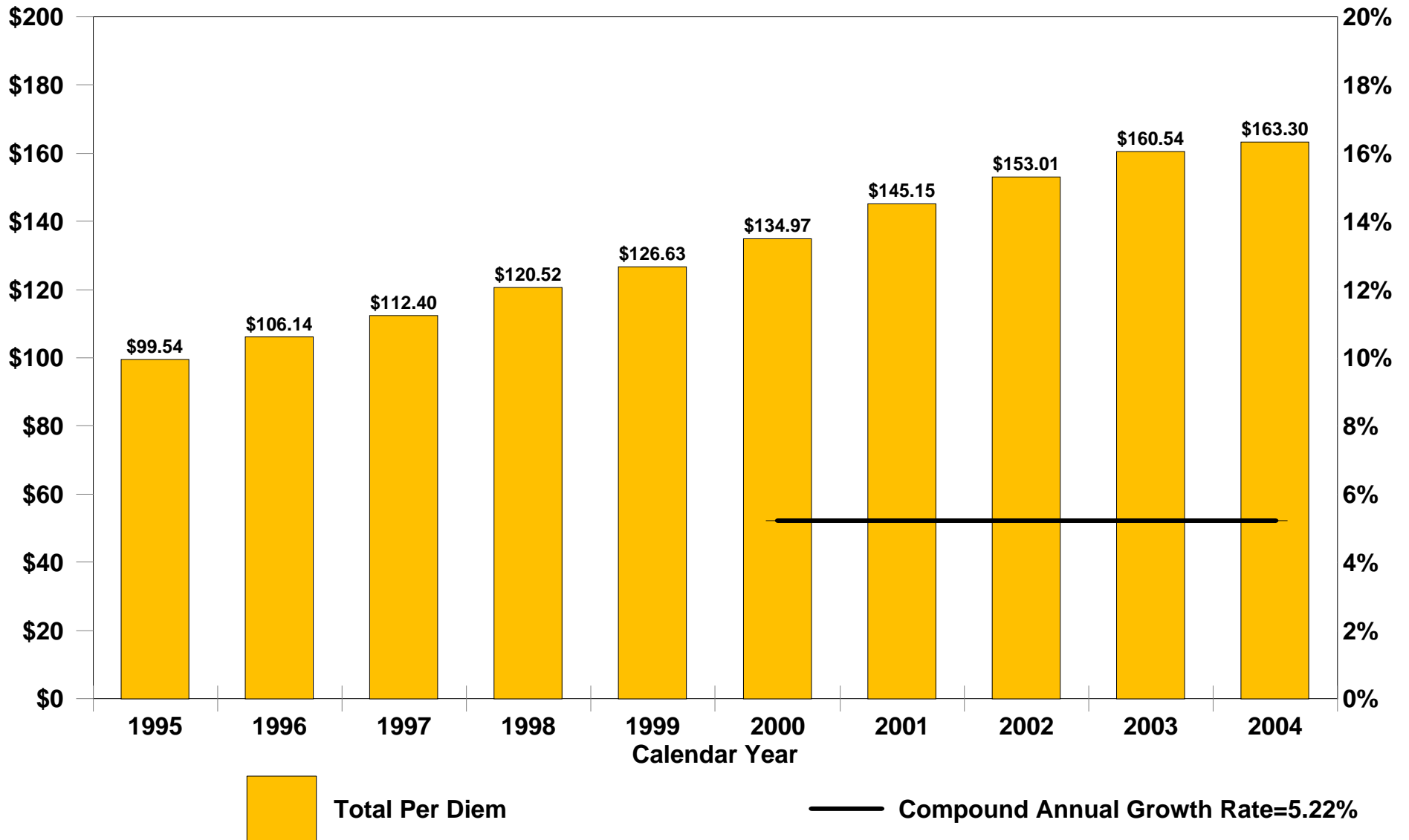
 % Change

 Compound Annual Growth Rate=5.71%

# Nursing Facilities

## Total Expense Per Diem

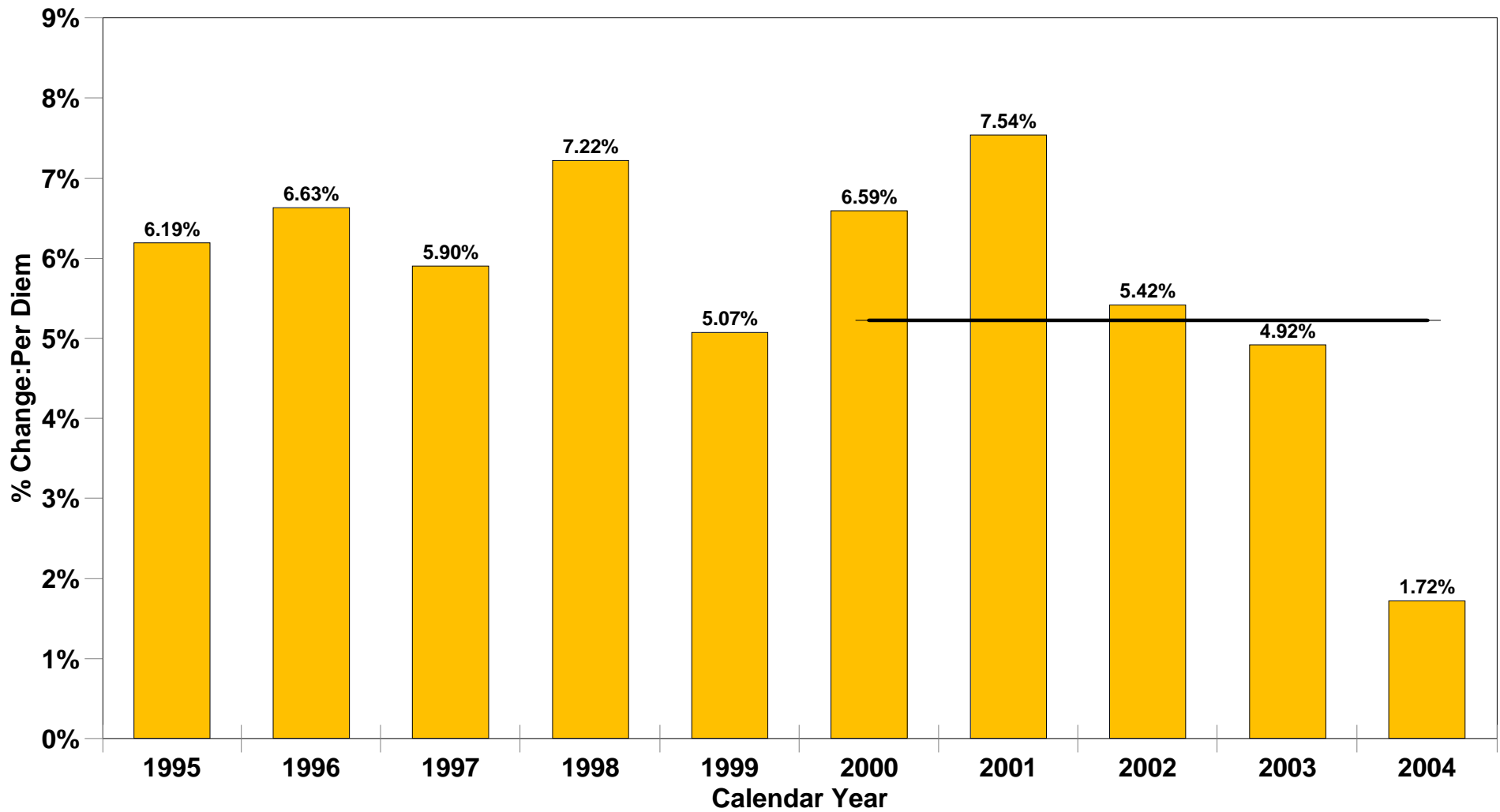
(1995 - 2004)




# Nursing Facilities

## Total Expense Per Diem

(1995 - 2004)



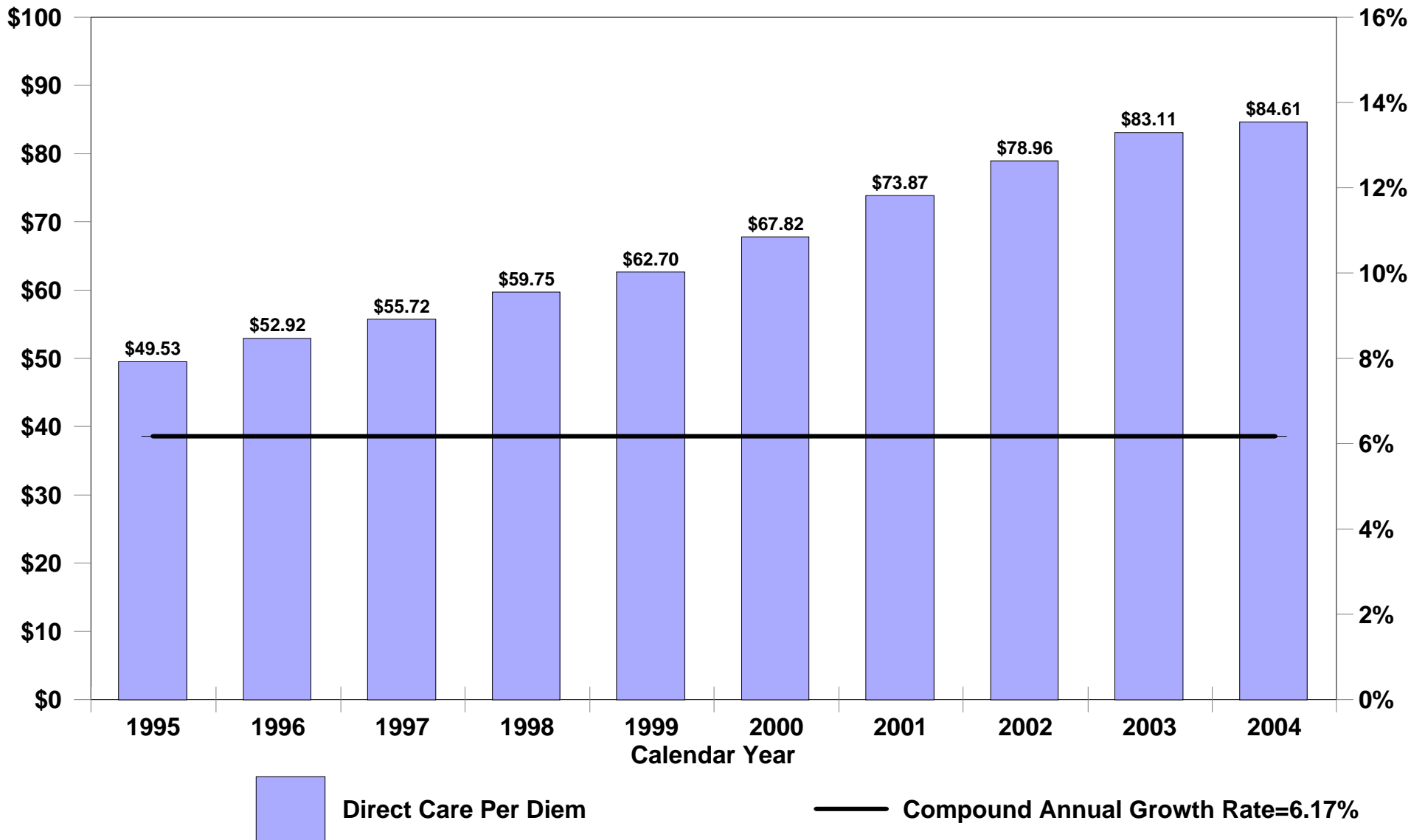
 % Change

 Compound Annual Growth Rate=5.22%

# Nursing Facilities

## Direct Care Expense Per Diem

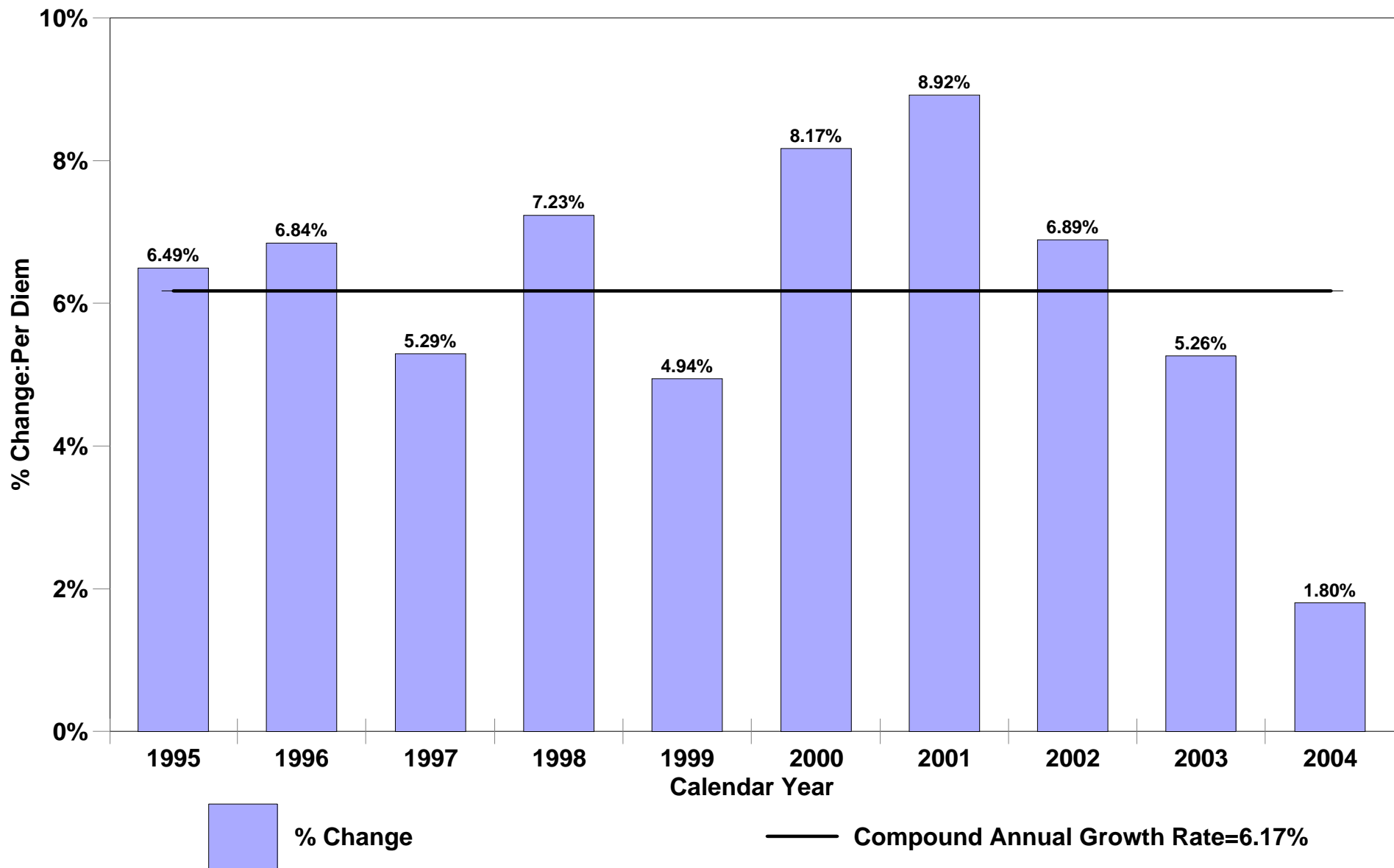
(1995 - 2004)



# Nursing Facilities

## Direct Care Expense Per Diem

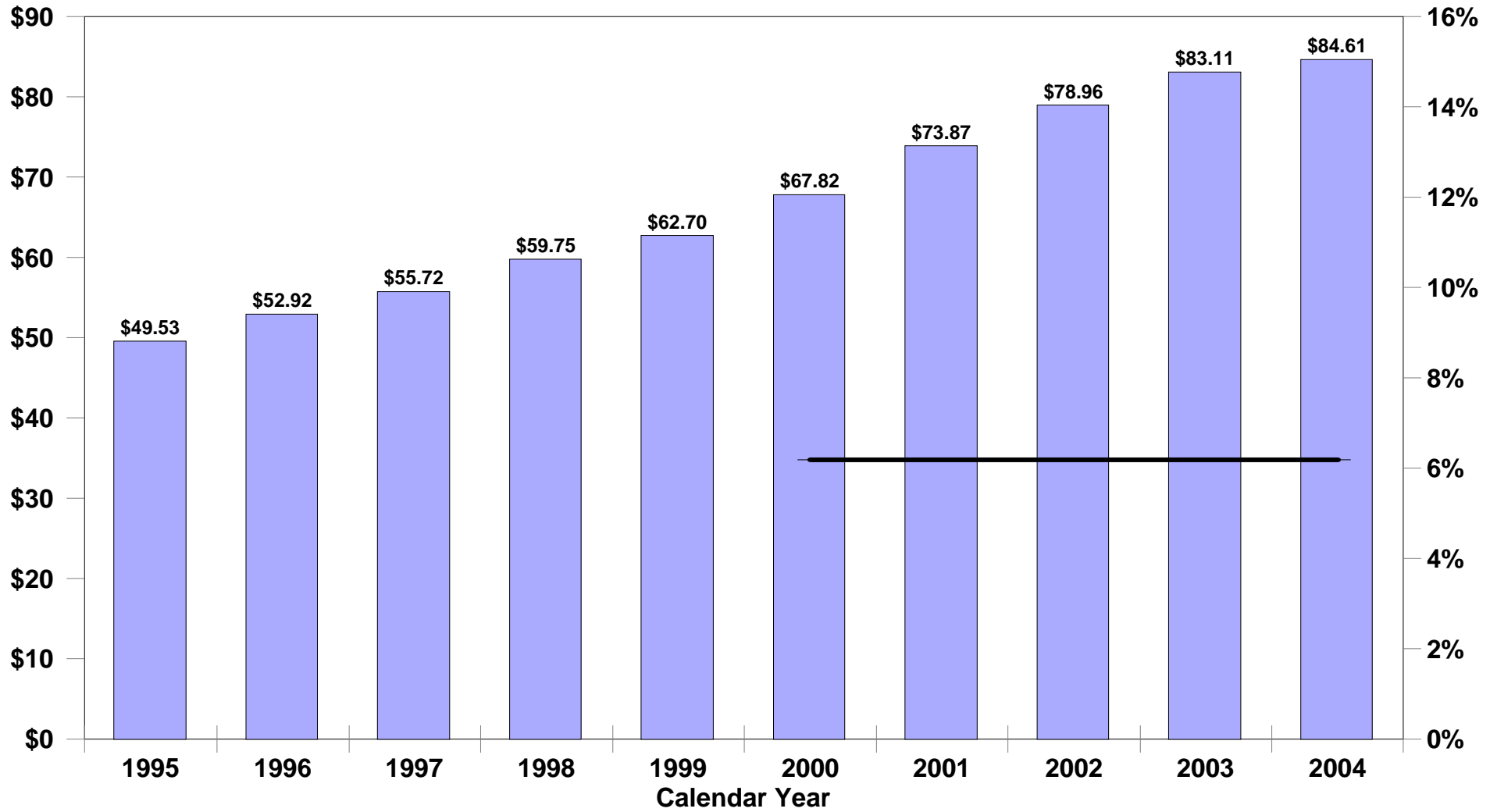
(1995 - 2004)



# Nursing Facilities

## Direct Care Expense Per Diem

(1995 - 2004)



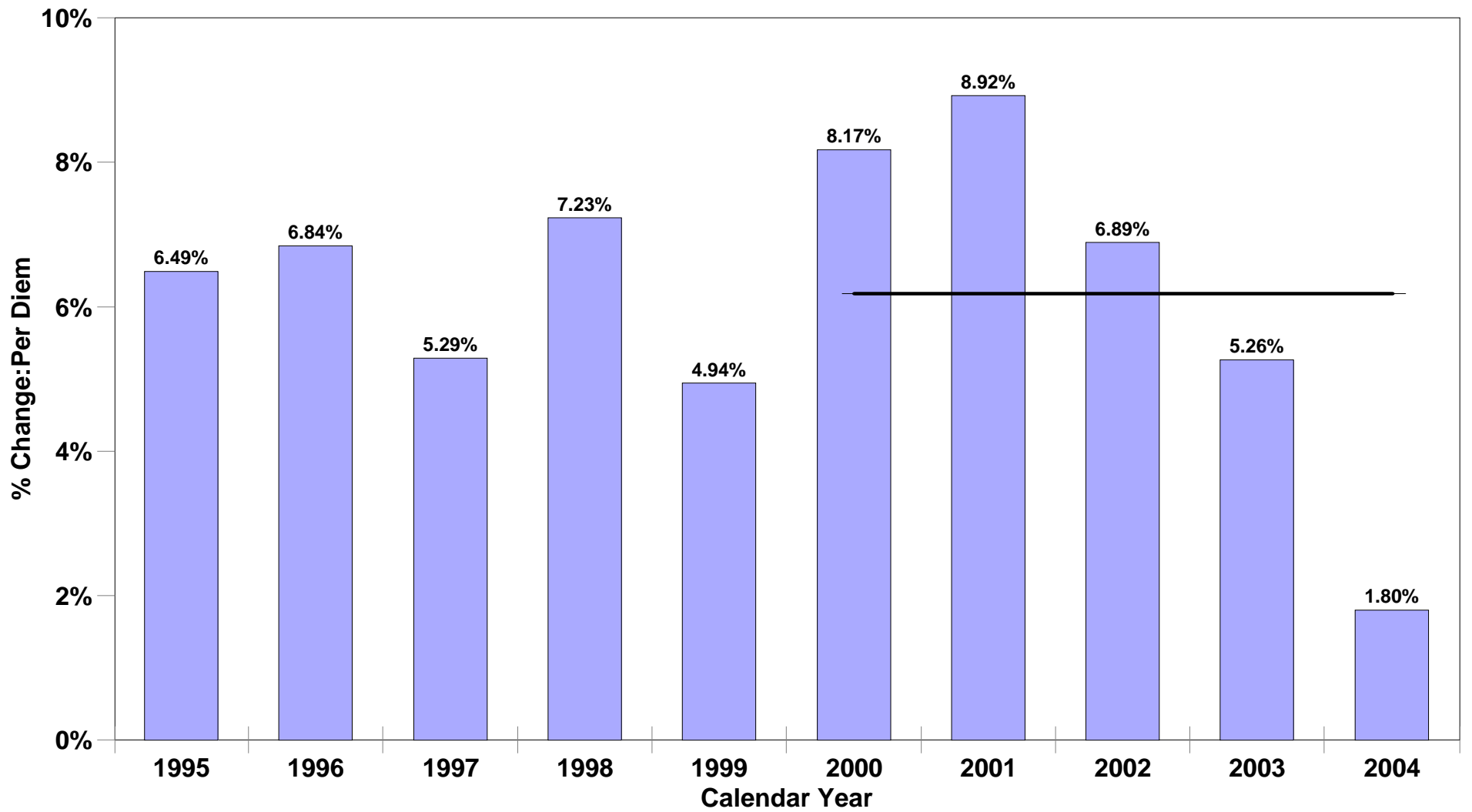
Direct Care Per Diem


Compound Annual Growth Rate=6.18%

# Nursing Facilities

## Direct Care Expense Per Diem

(1995 - 2004)



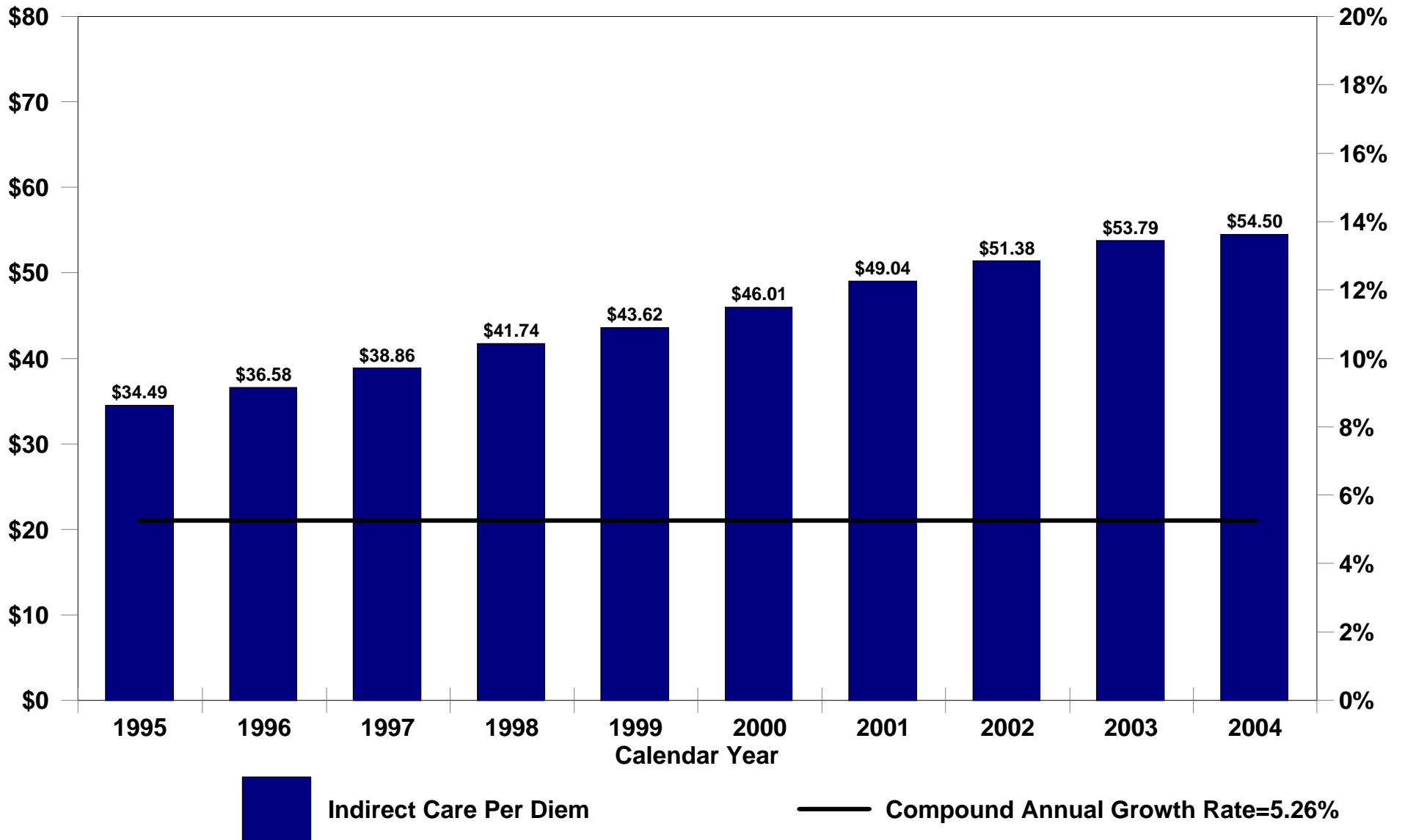
 % Change

 Compound Annual Growth Rate=6.18%

# Nursing Facilities

## Indirect Care Expense Per Diem

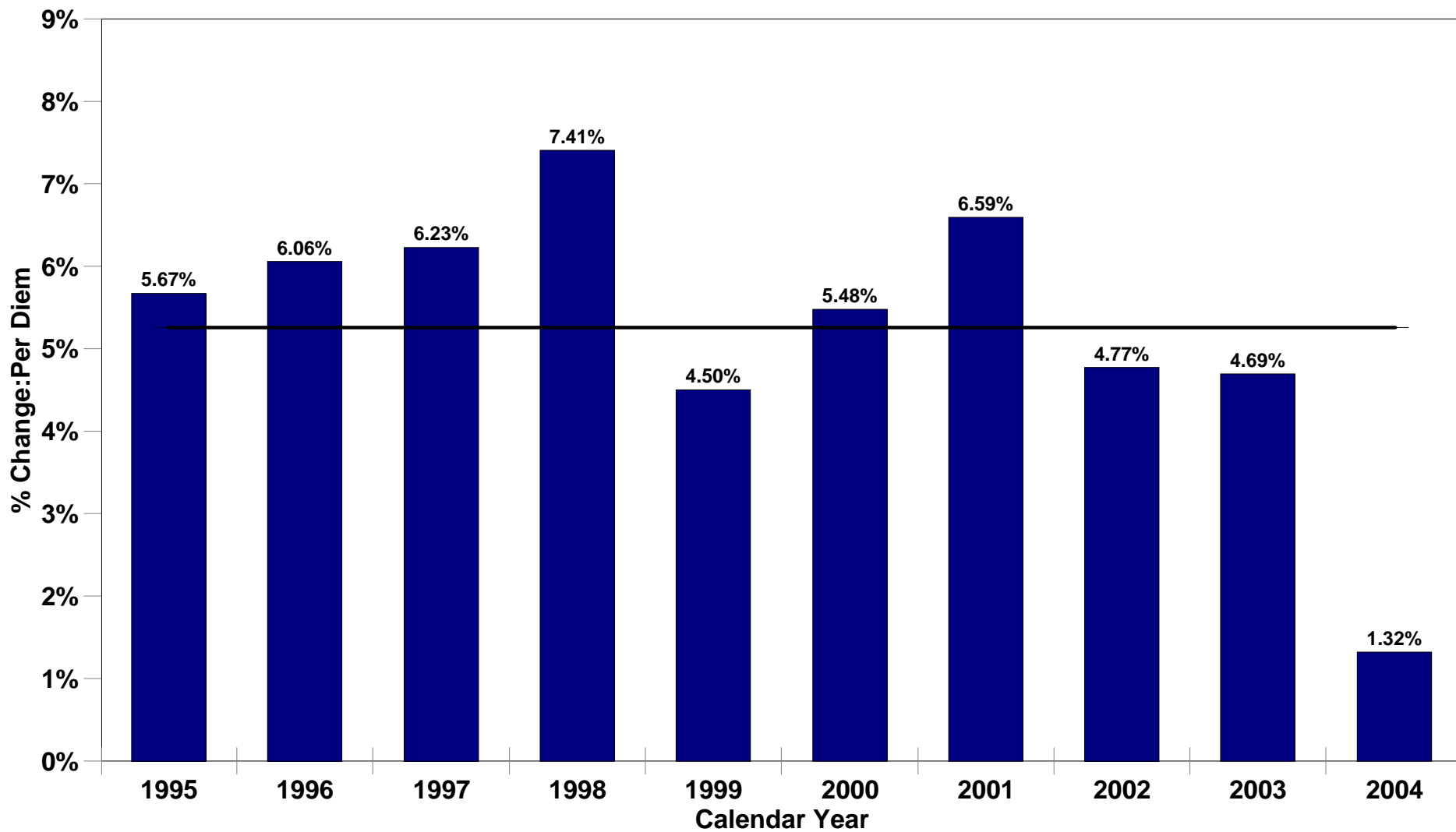
(1995 - 2004)



# Nursing Facilities

## Indirect Care Expense Per Diem

(1995 - 2004)



% Change

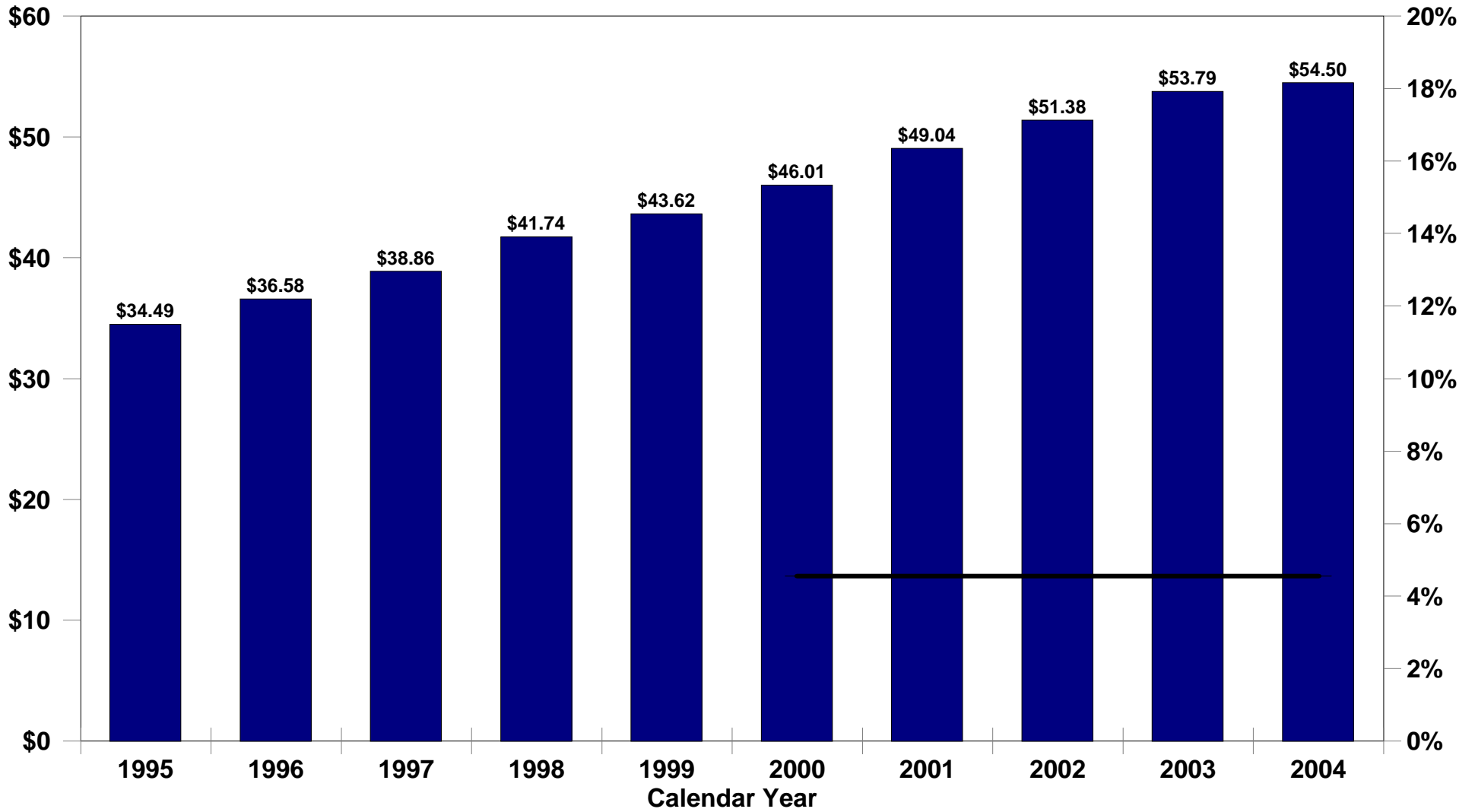


Compound Annual Growth Rate=5.26%

# Nursing Facilities

## Indirect Care Expense Per Diem

(1995 - 2004)



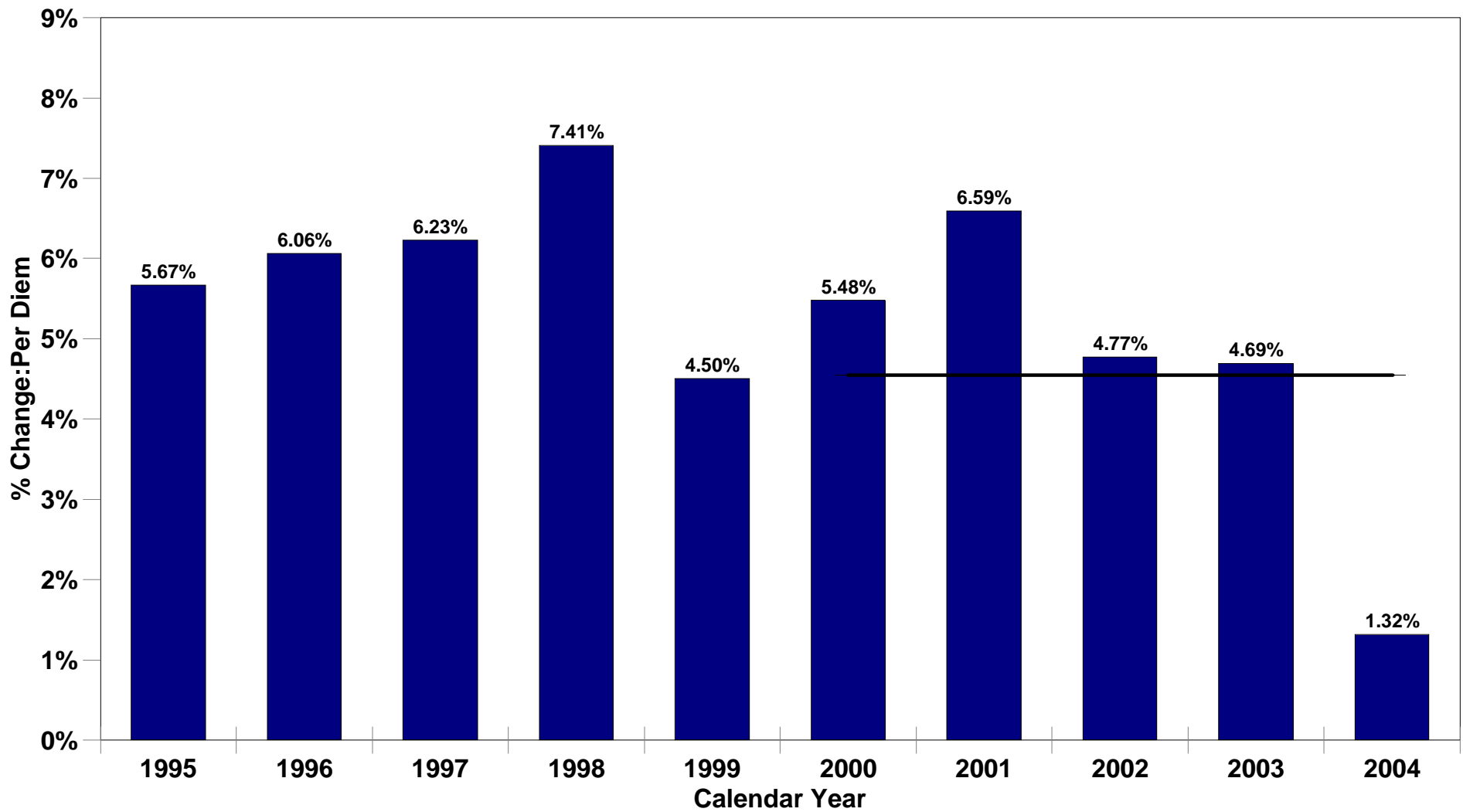
Indirect Care Per Diem

Compound Annual Growth Rate=4.55%

# Nursing Facilities

## Indirect Care Expense Per Diem

(1995 - 2004)



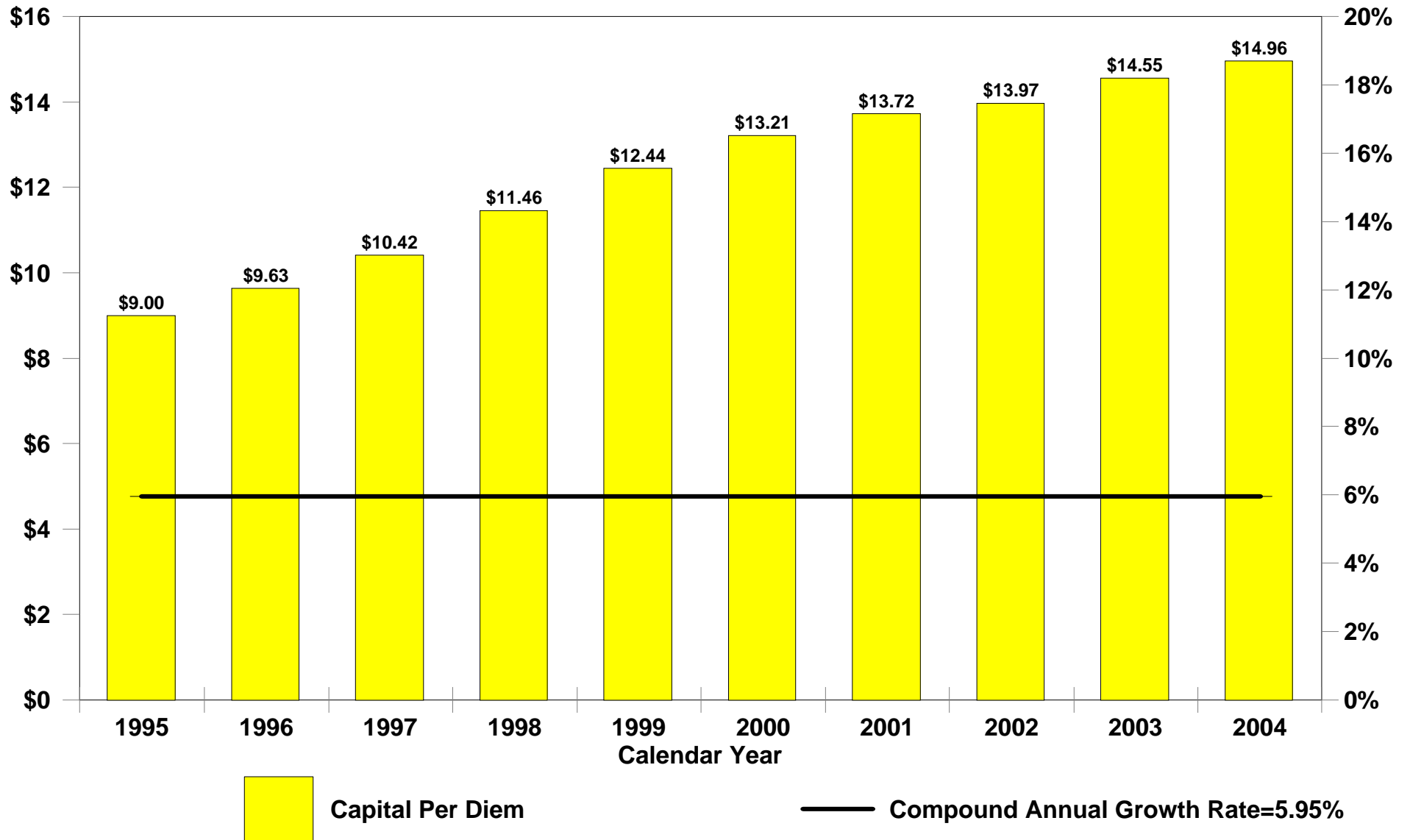
 % Change

 Compound Annual Growth Rate=4.55%

# Nursing Facilities

## Capital Expense Per Diem

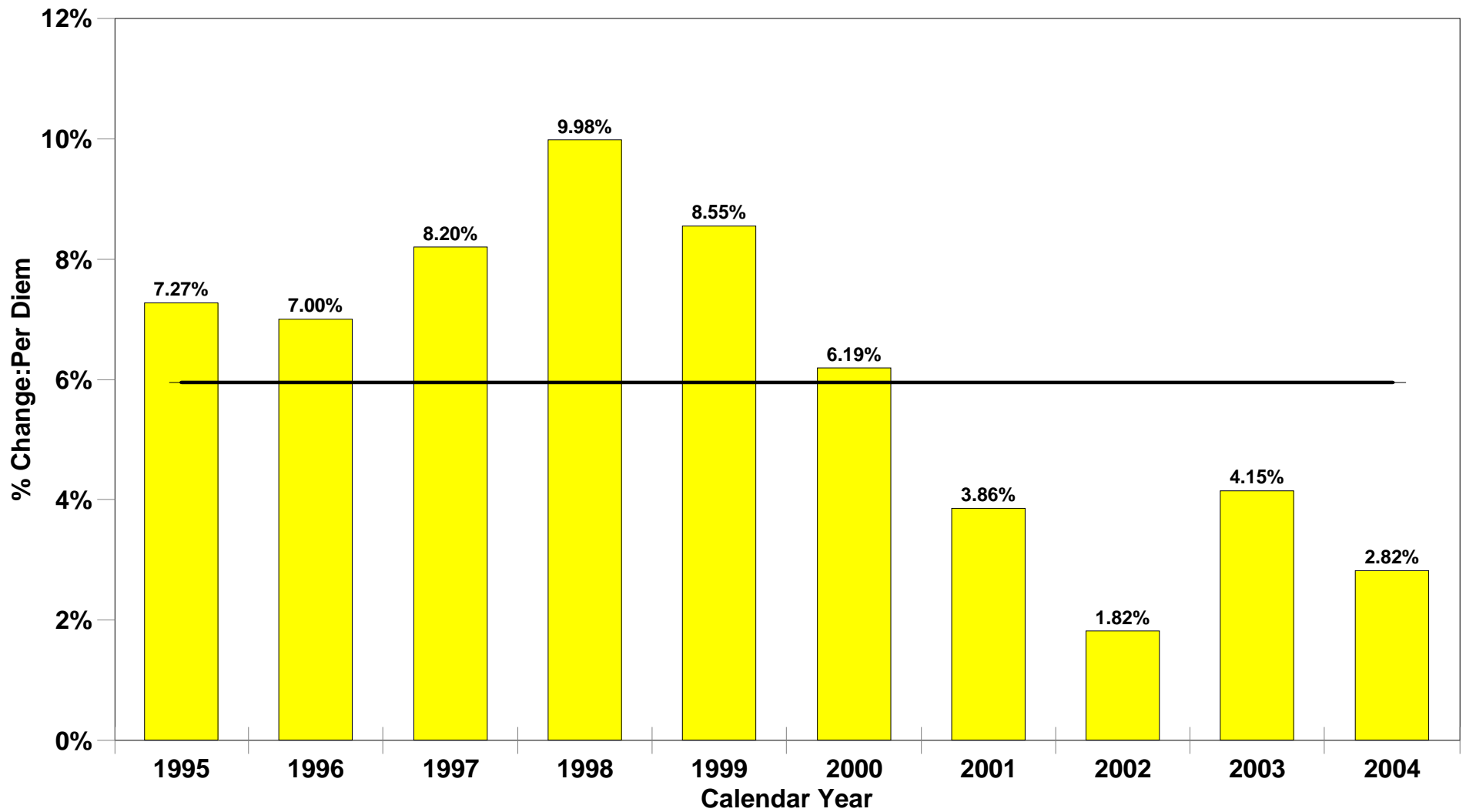
(1995- 2004)




# Nursing Facilities

## Capital Expense Per Diem

(1995 - 2004)



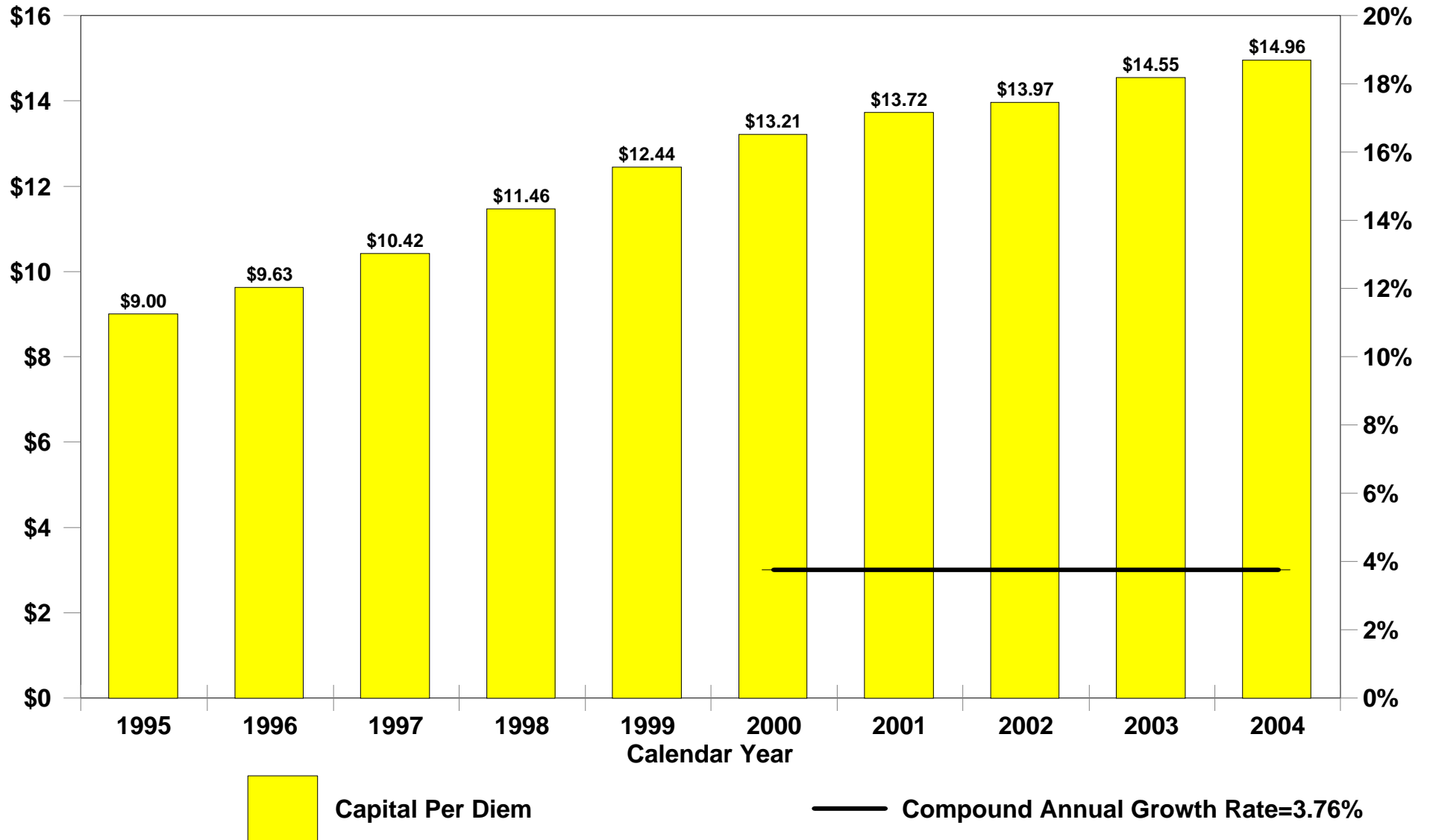
 % Change

 Compound Annual Growth Rate=5.95%

# Nursing Facilities

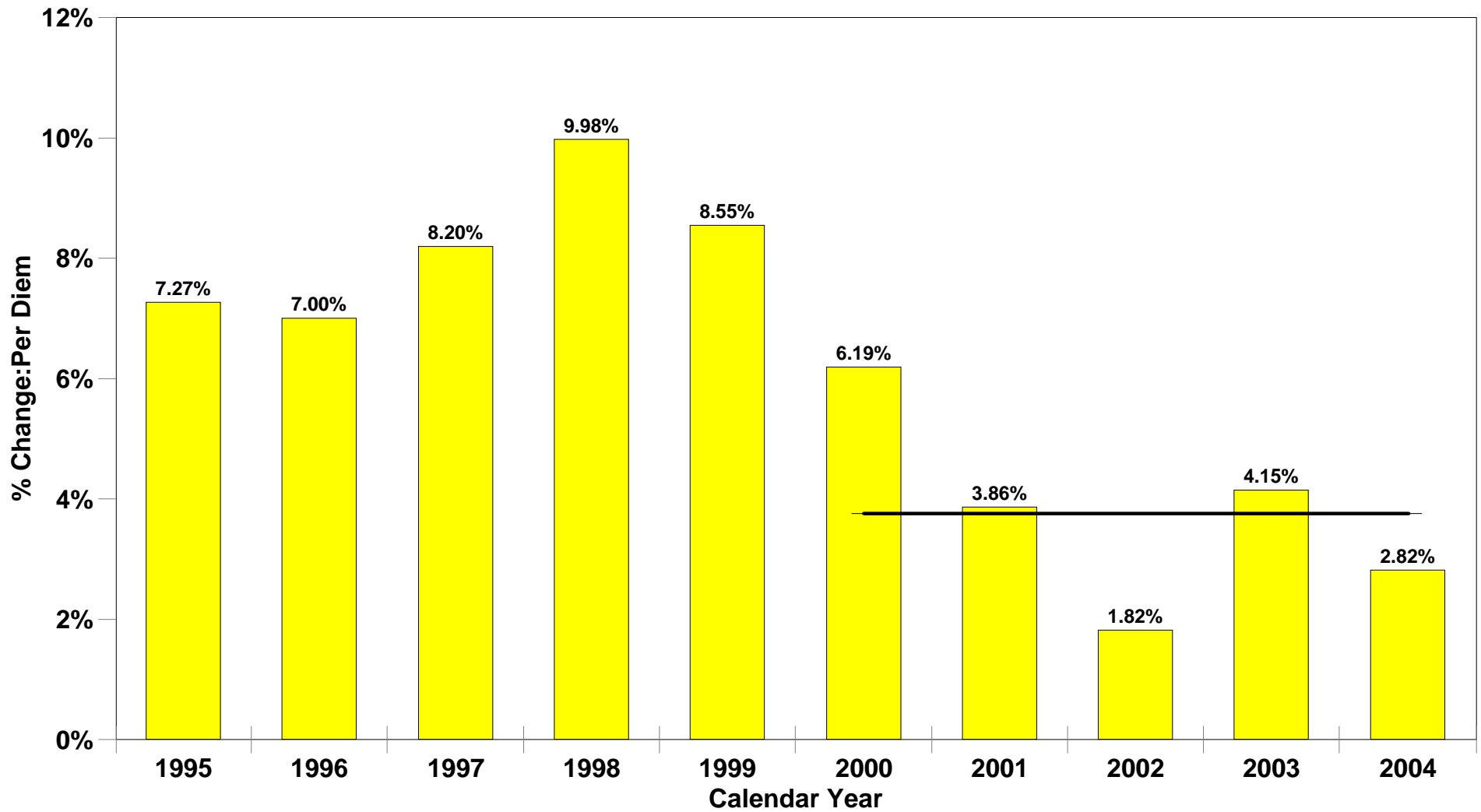
## Capital Expense Per Diem


(1995 - 2004)



# Nursing Facilities Capital Expense Per Diem

(1995 - 2004)



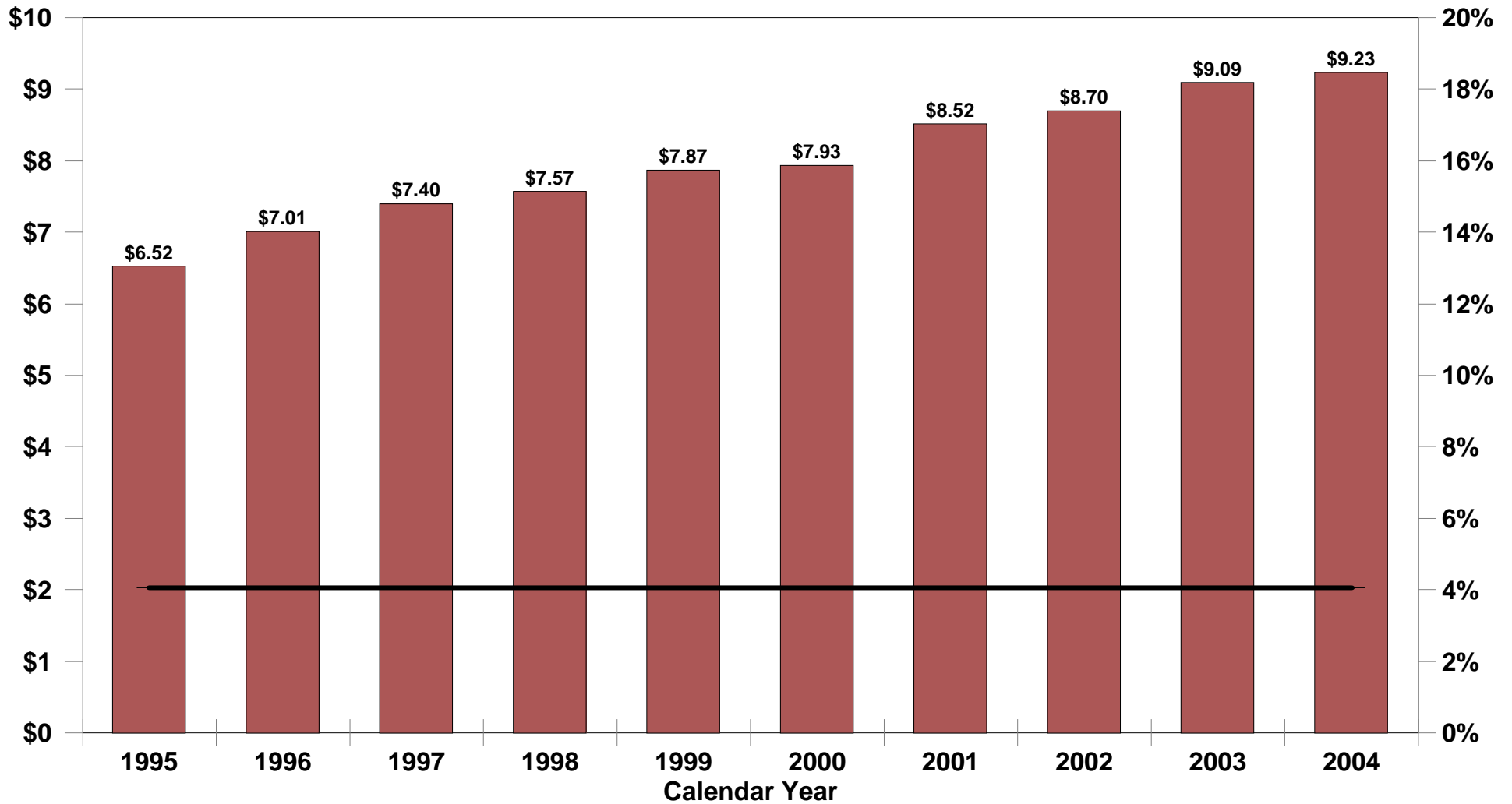
 % Change

 Compound Annual Growth Rate=3.76%

# Nursing Facilities

## Protected Expense Per Diem

(1995 - 2004)



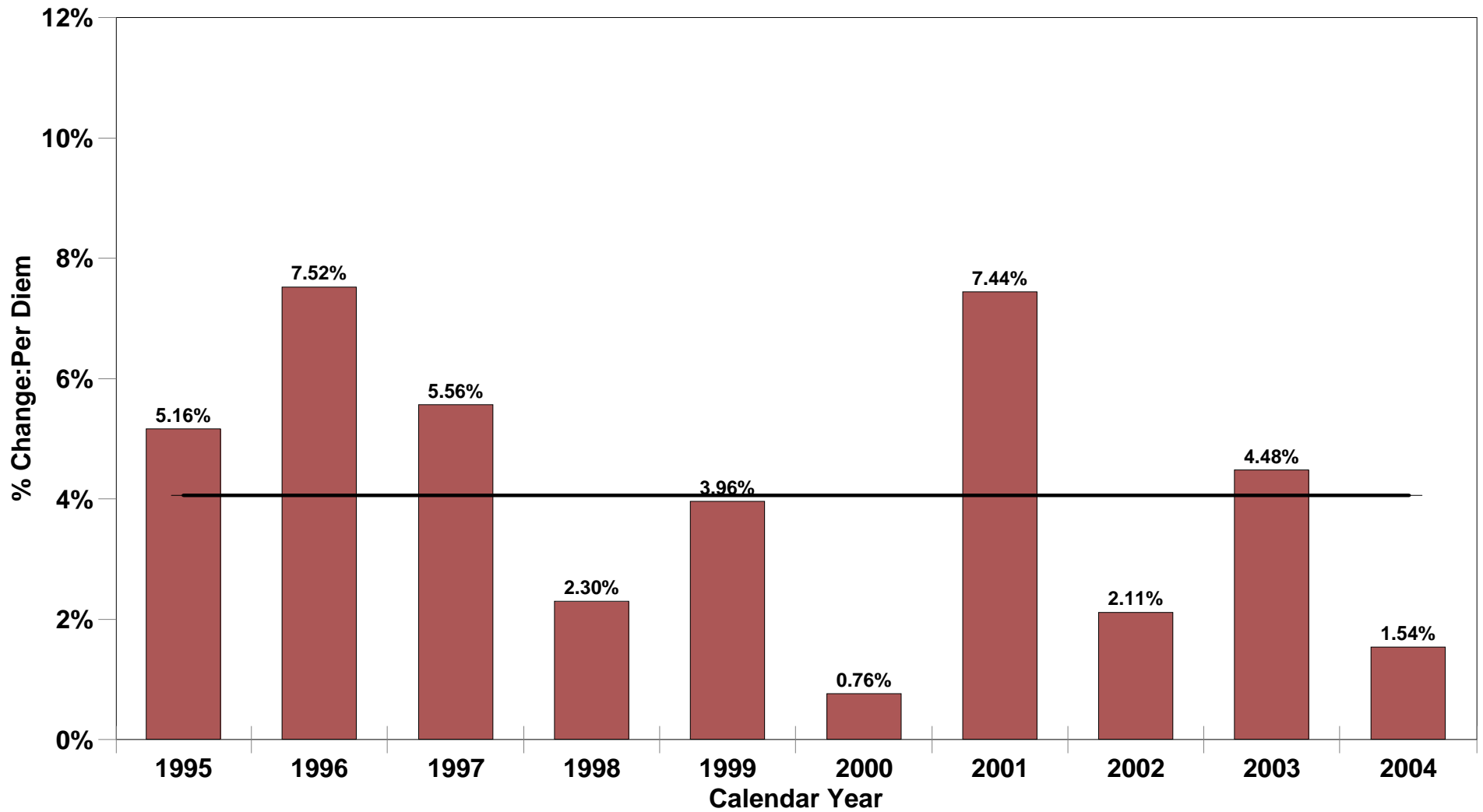
Protected Per Diem


Compound Annual Growth Rate=4.06%

# Nursing Facilities

## Protected Expense Per Diem

(1995 - 2004)



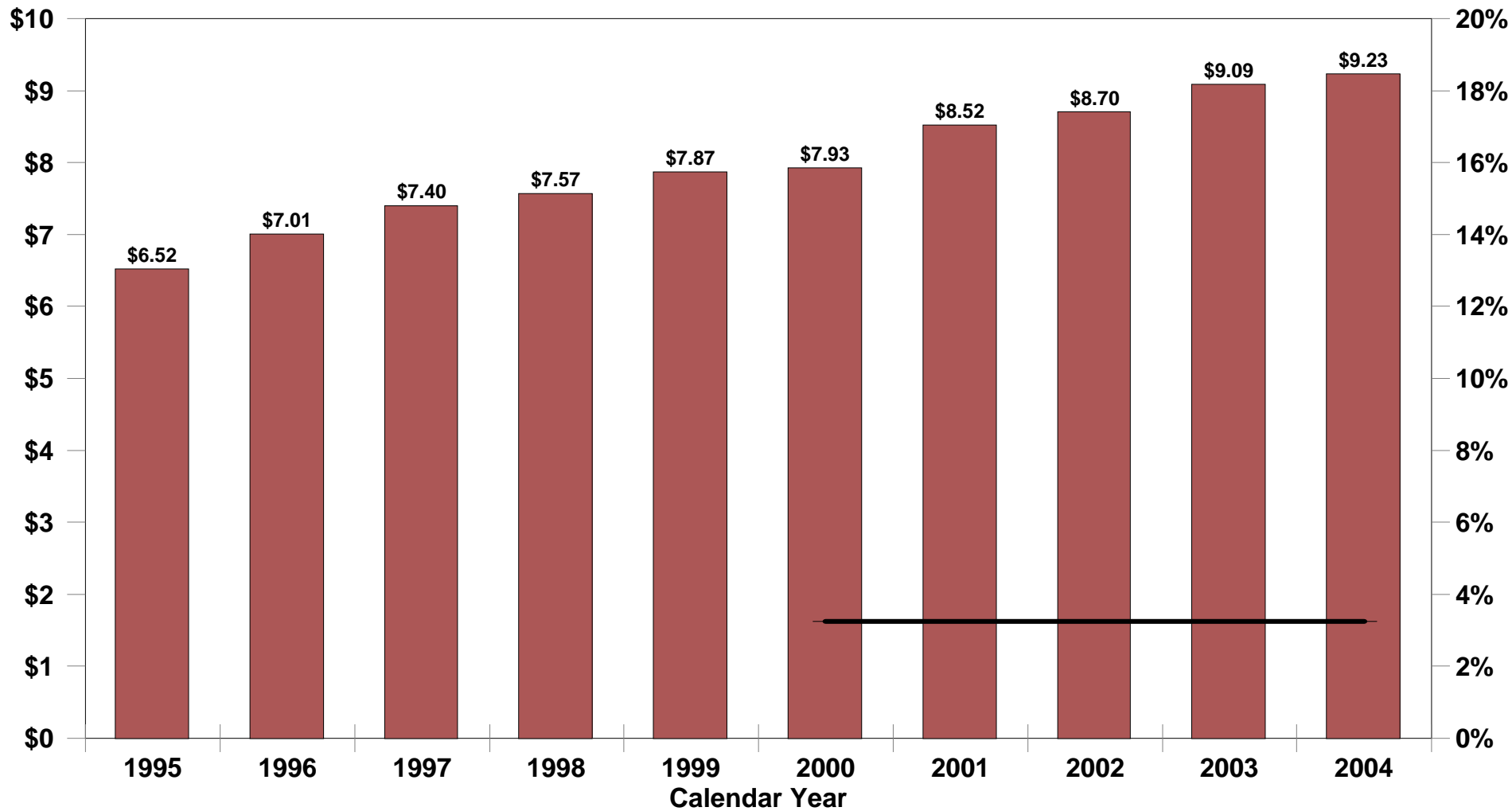
 % Change

 Compound Annual Growth Rate=4.06%

# Nursing Facilities

## Protected Expense Per Diem

(1995 - 2004)



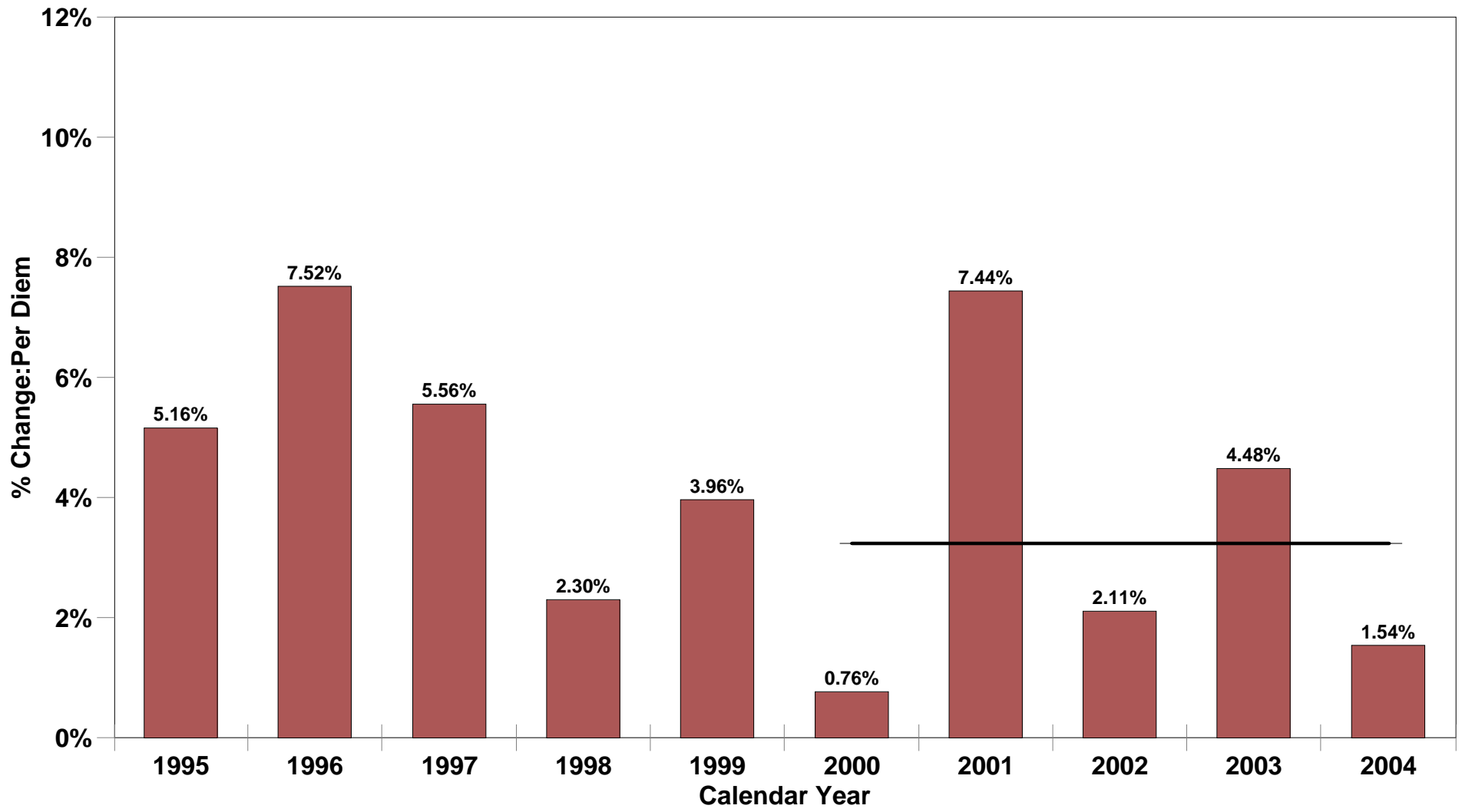
Protected Per Diem

Compound Annual Growth Rate=3.24%

# Nursing Facilities

## Protected Expense Per Diem

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=3.24%

# Facility Information

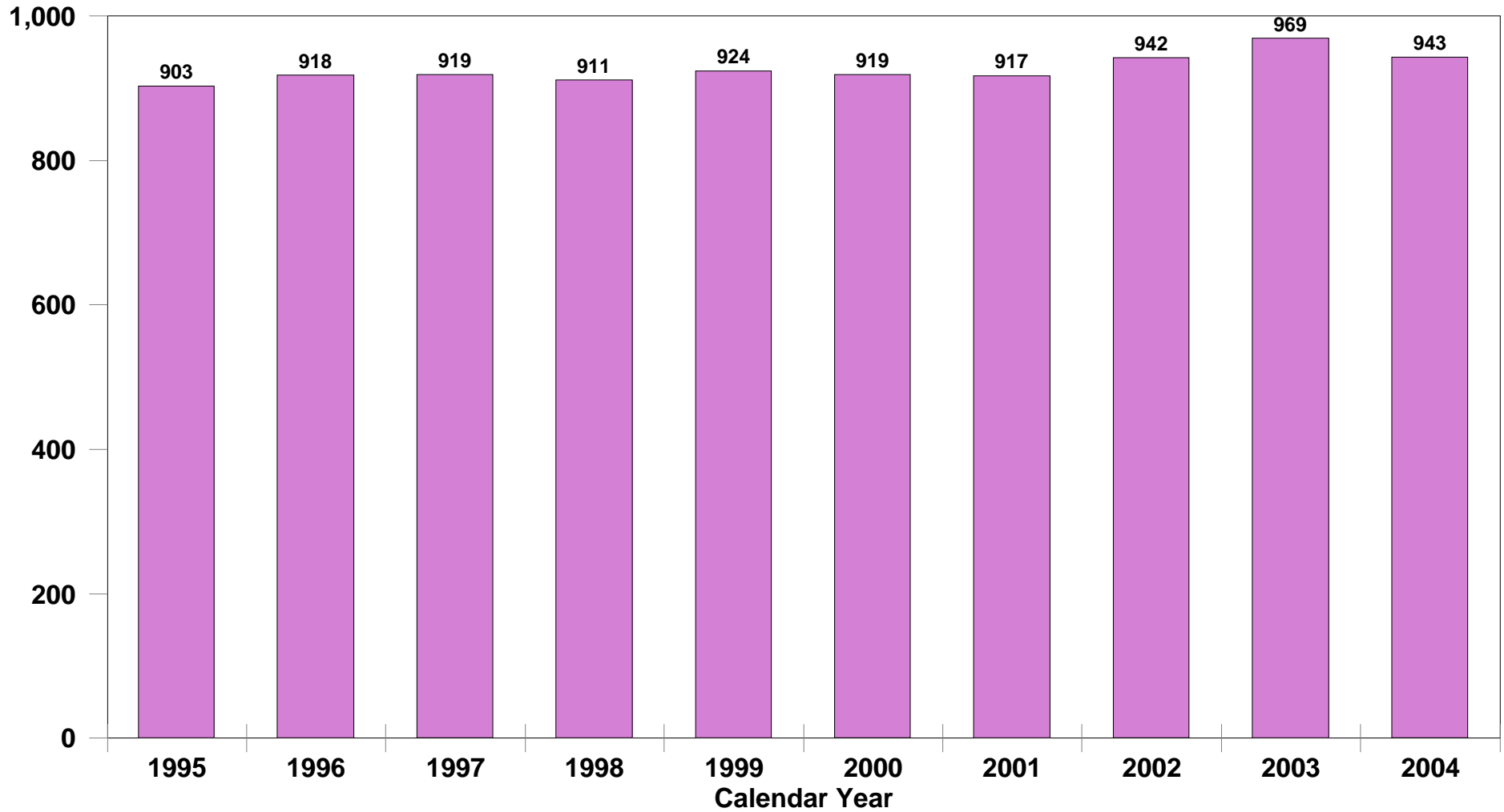
---

- < **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**

# Nursing Facilities

## Number of Facilities

(1995 - 2004)

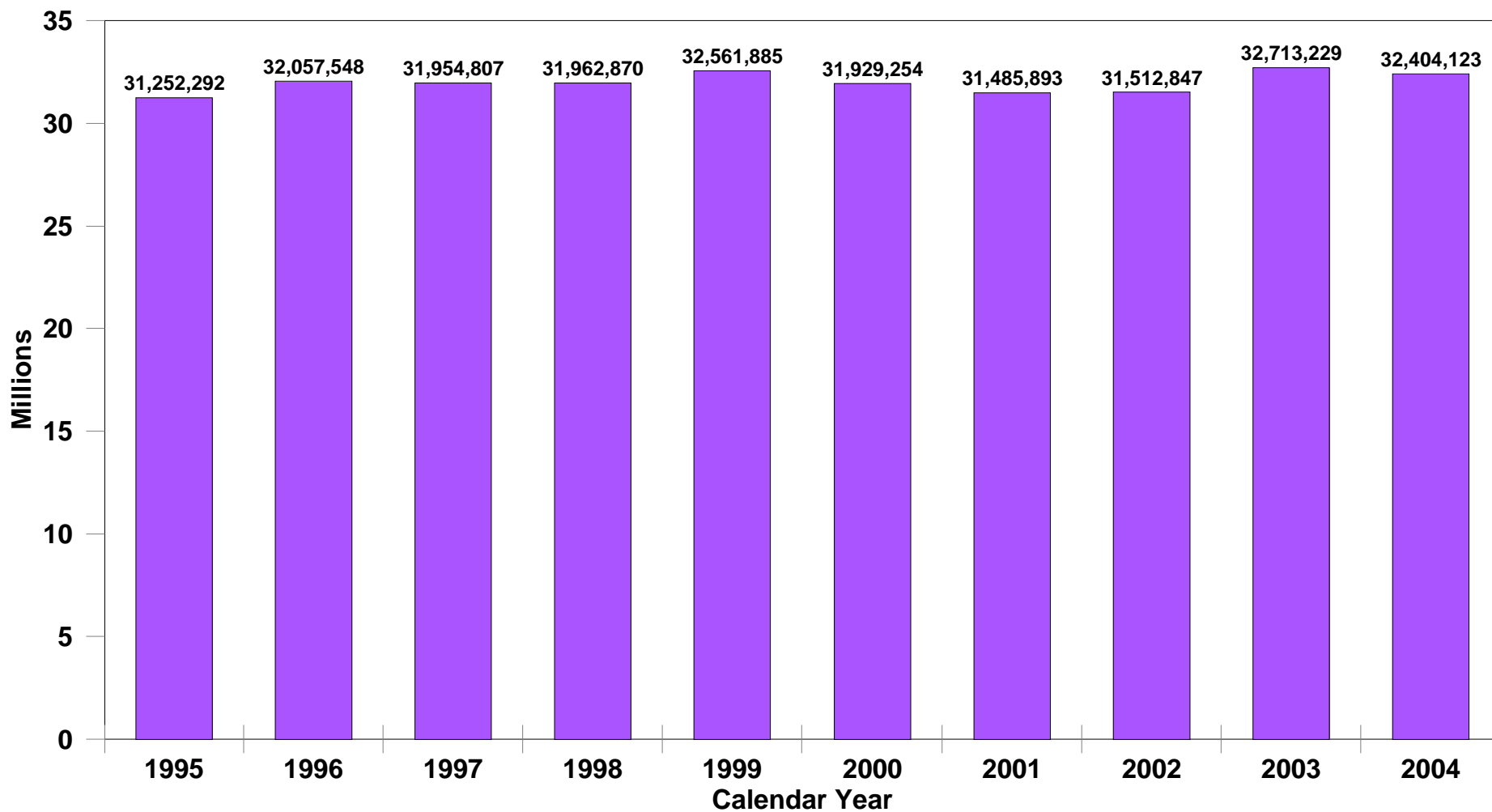


Number of Facilities

# Nursing Facilities

## Bed Days Available

(1995 - 2004)

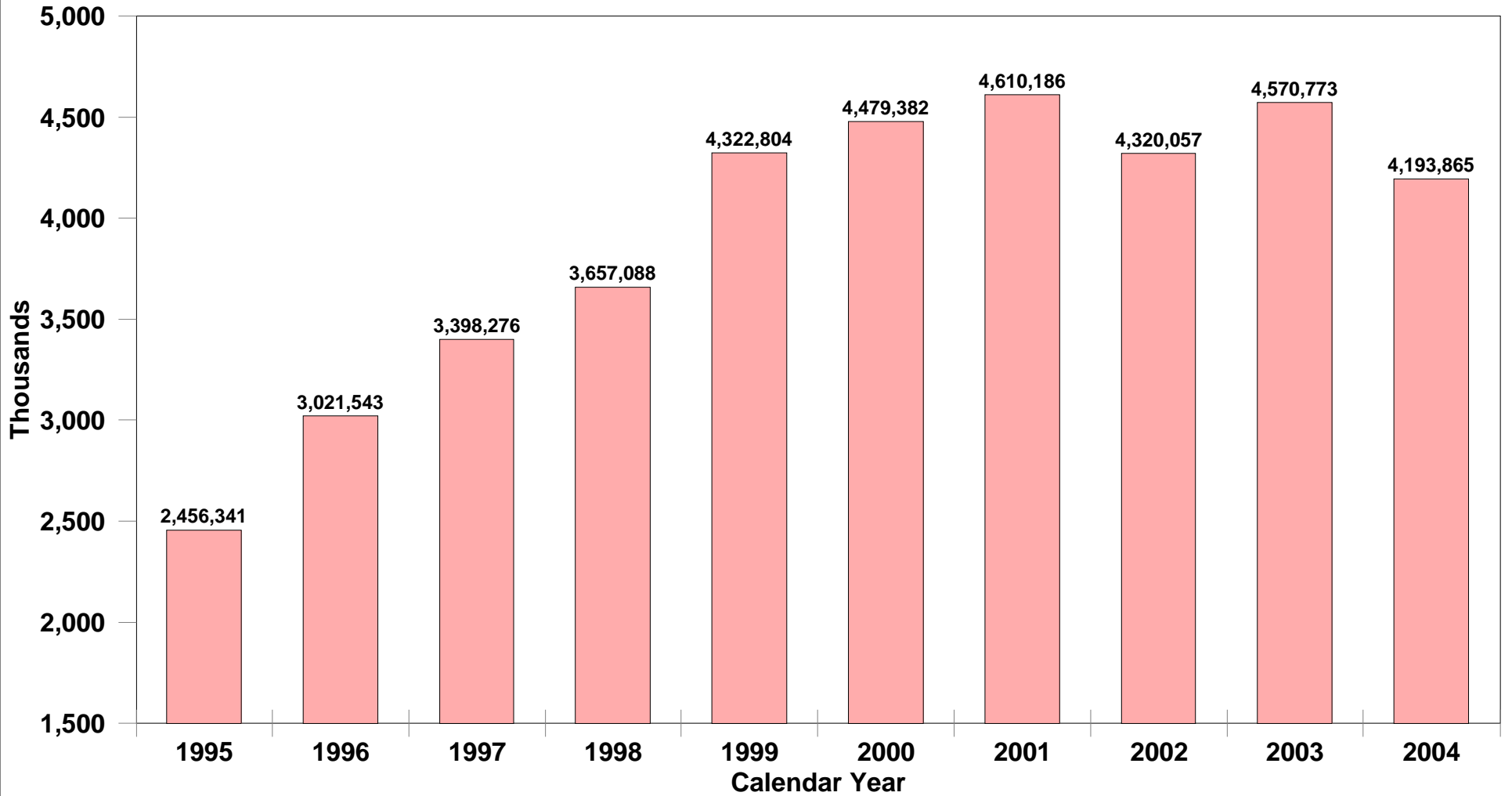


Bed Days Available

# Nursing Facilities

## Vacant Bed Days Available

(1995 - 2004)

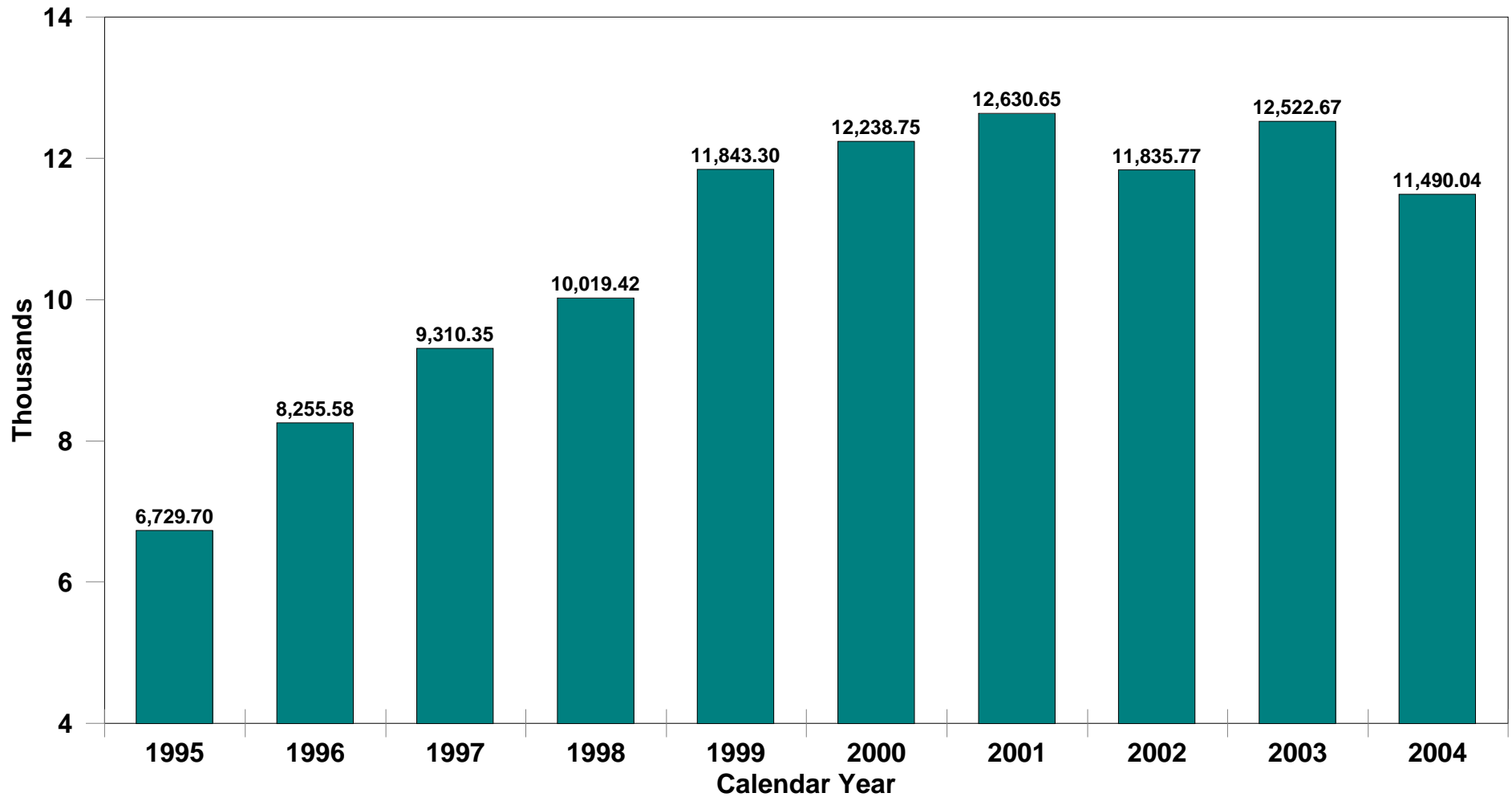


 Vacant Beds Available

# Nursing Facilities

## Estimated Vacant Beds

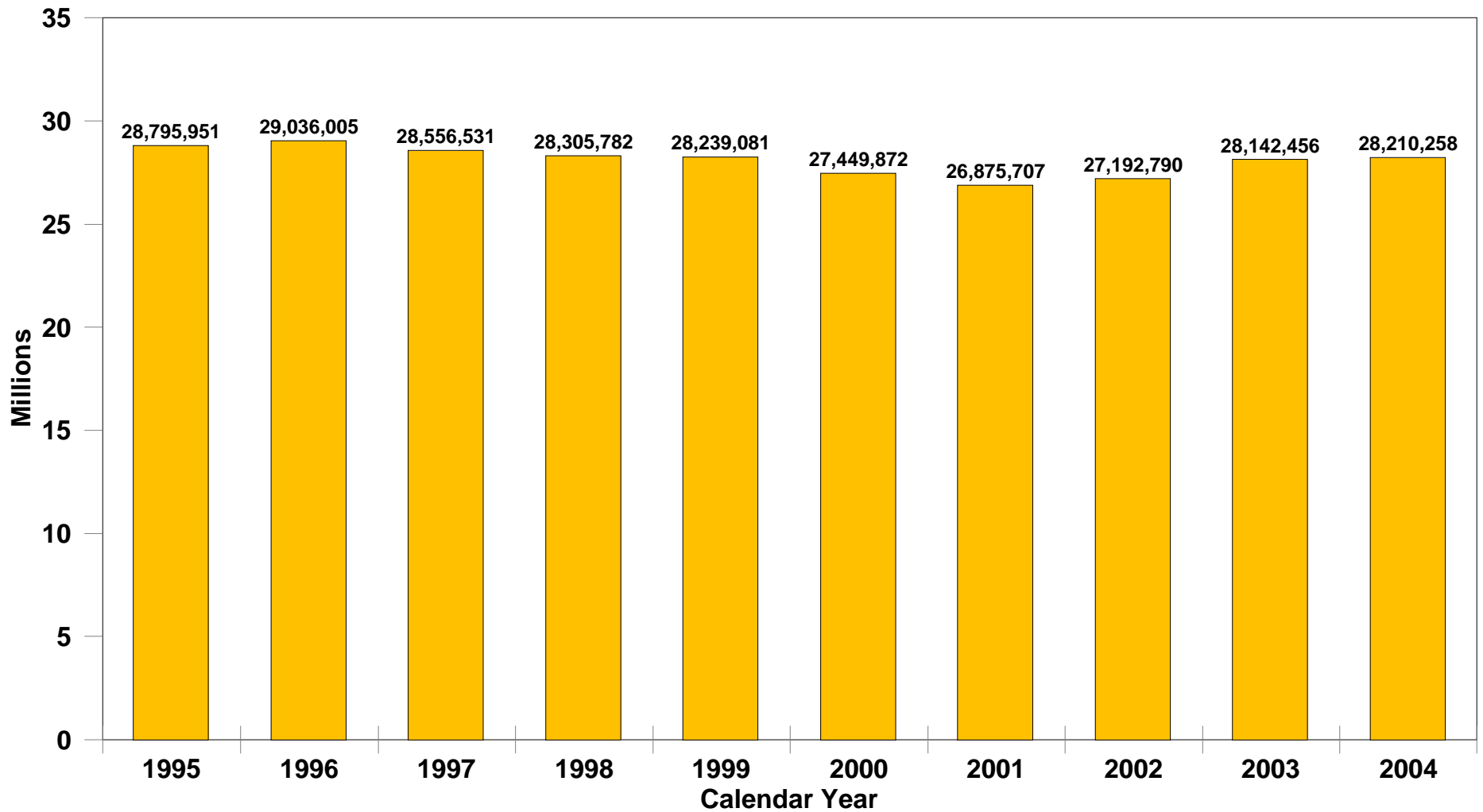
(1995 - 2004)



Estimated Vacant Beds

# Nursing Facilities Inpatient Days

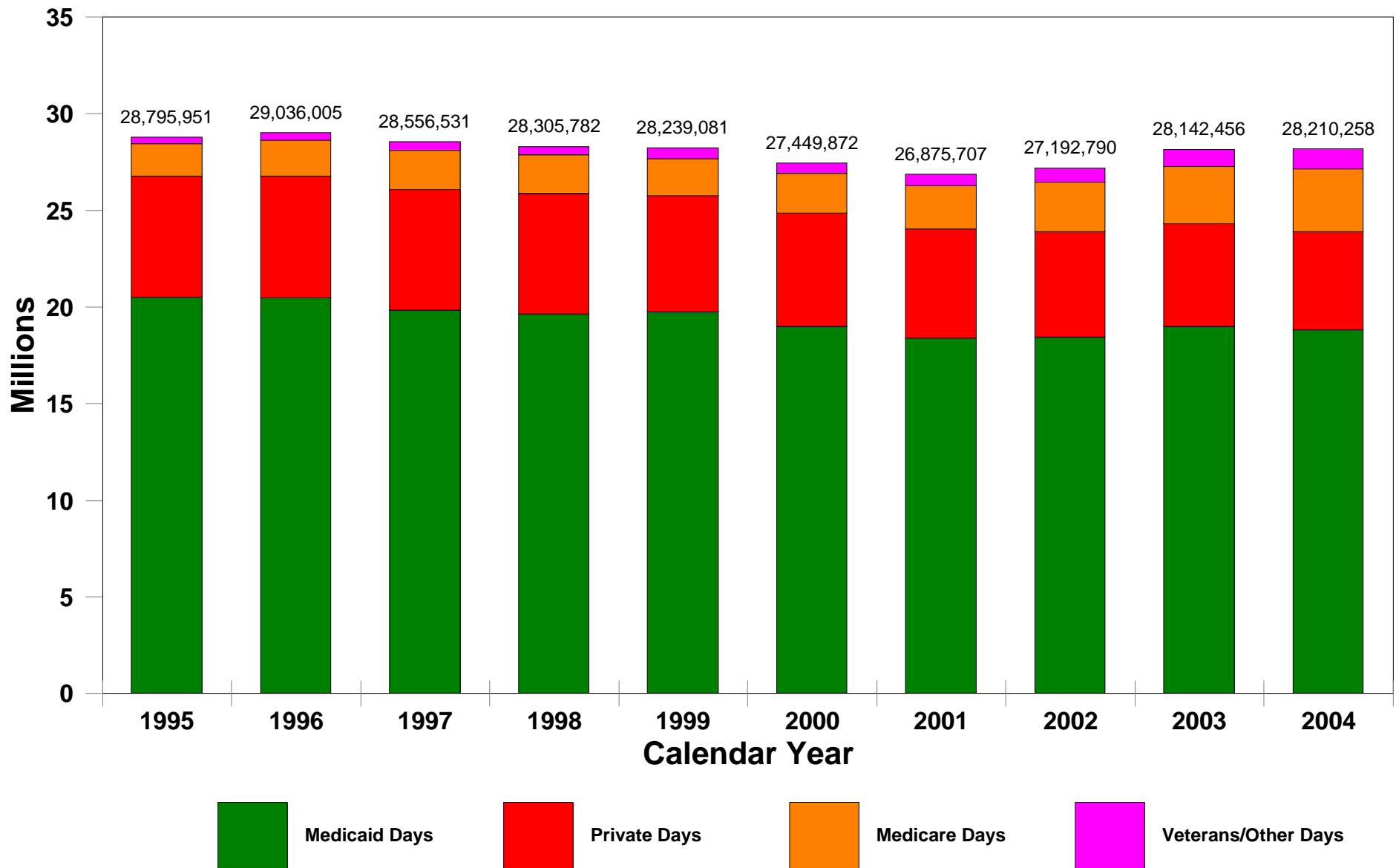
(1995 - 2004)



 Inpatient Days

# Nursing Facilities Inpatient Days

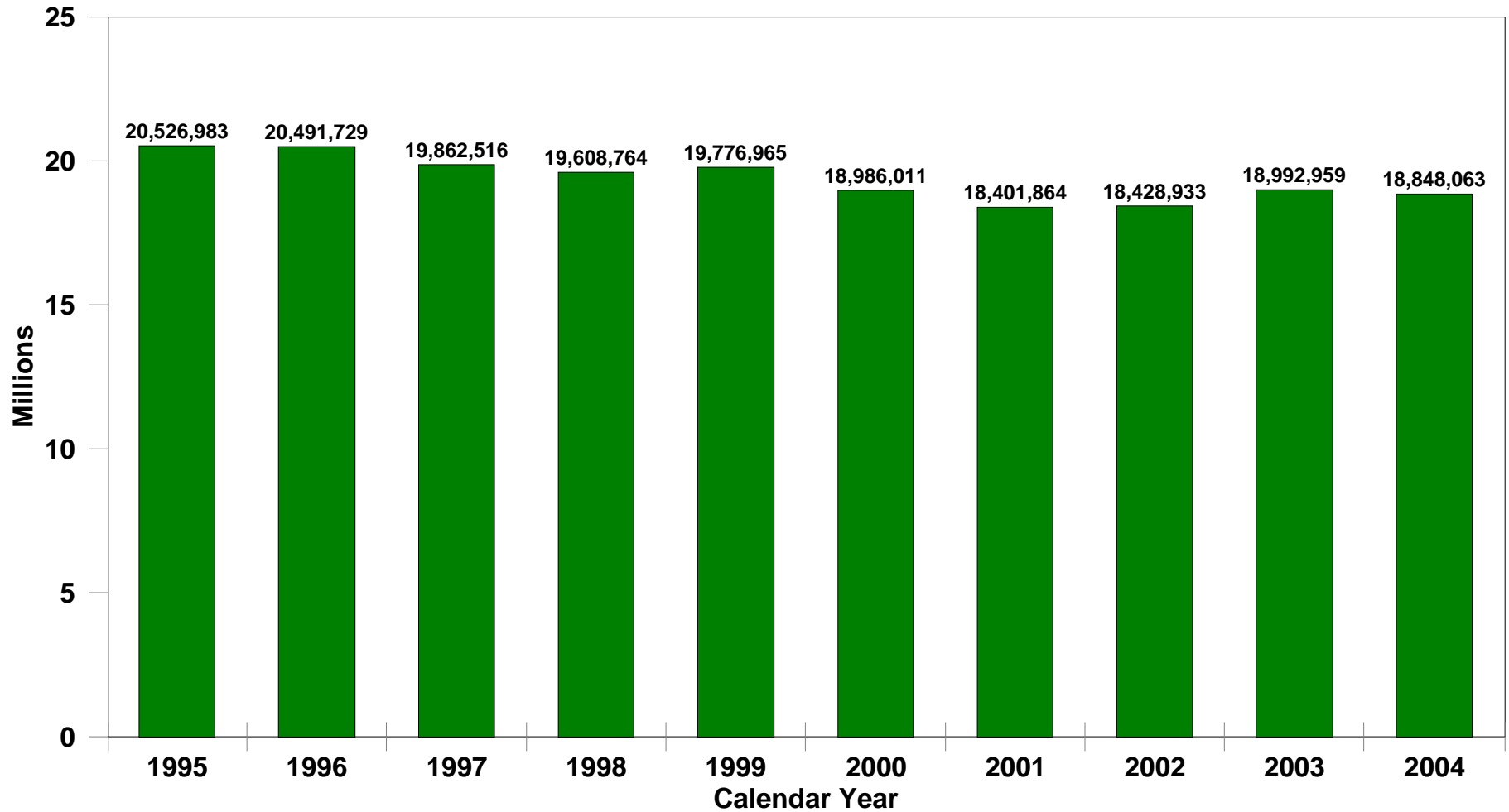
(1995 - 2004)



# Nursing Facilities

## Medicaid Days

(1995 - 2004)

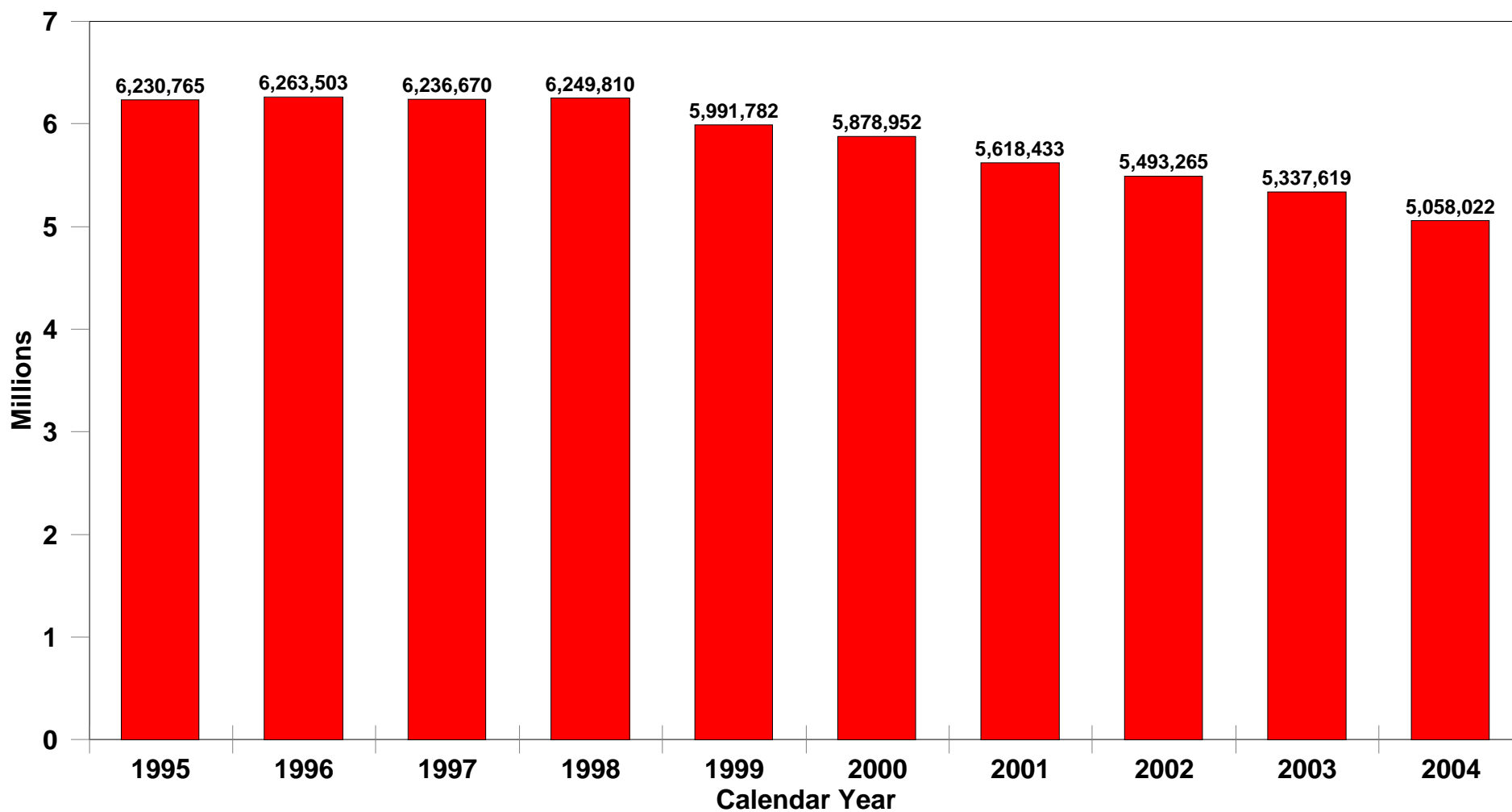


 Medicaid Days

# Nursing Facilities

## Private Days

(1995 - 2004)

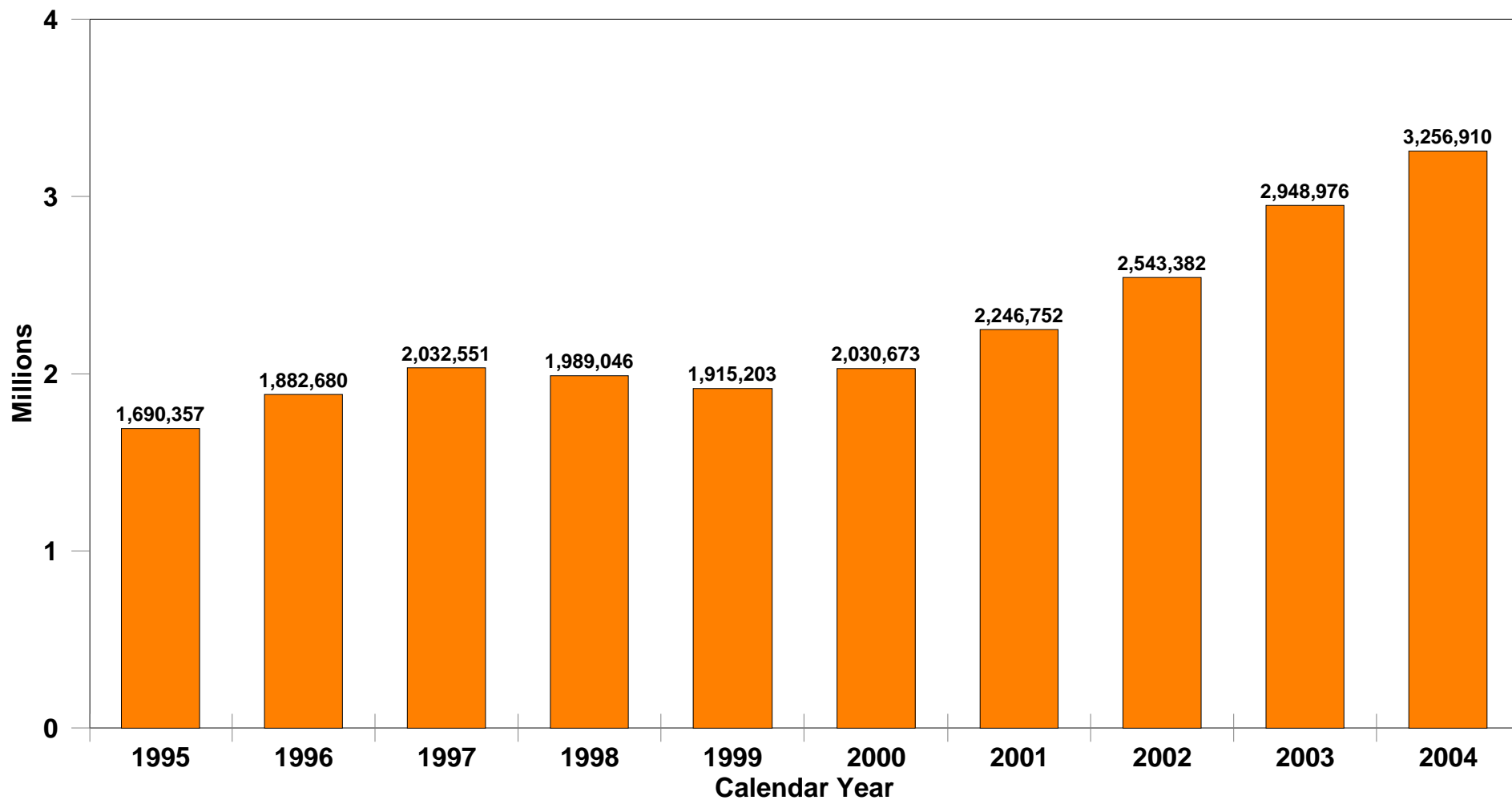


 Private Days

# Nursing Facilities

## Medicare Days

(1995 - 2004)

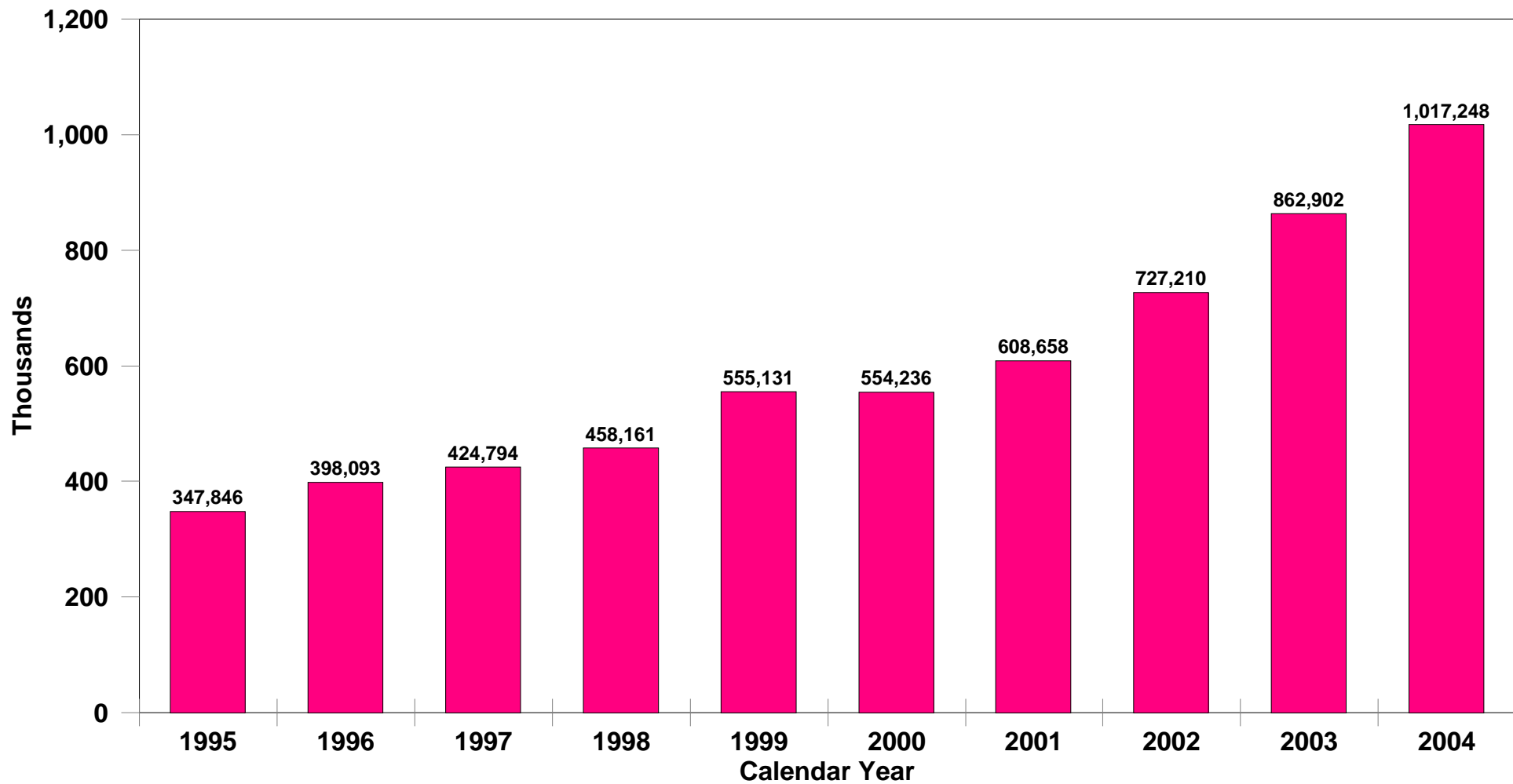


 Medicare

# Nursing Facilities

## Veterans/Other Days

(1995 - 2004)



Veteran/Other Days

# Utilization - Trends

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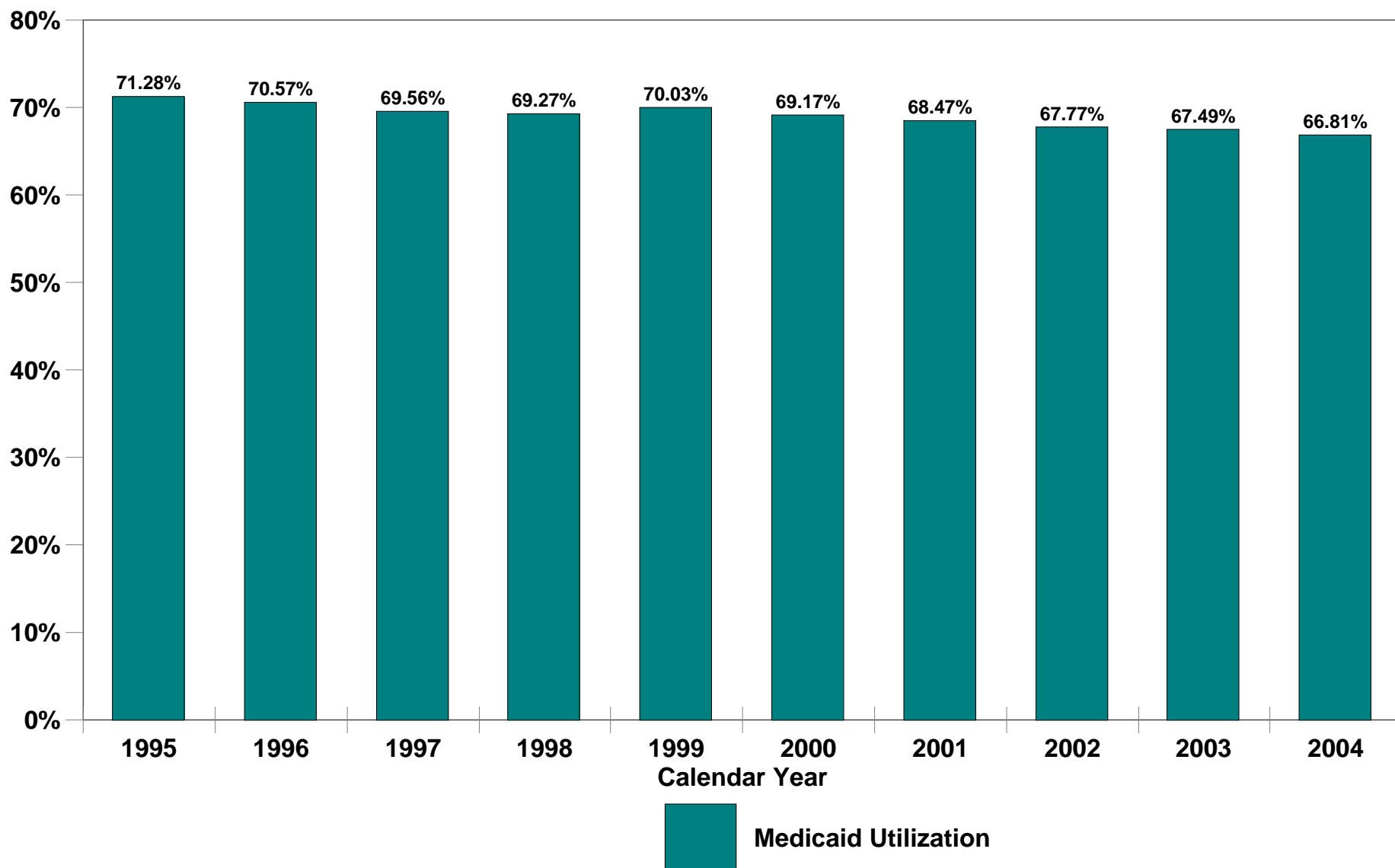
## Cost Report

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

# Nursing Facilities

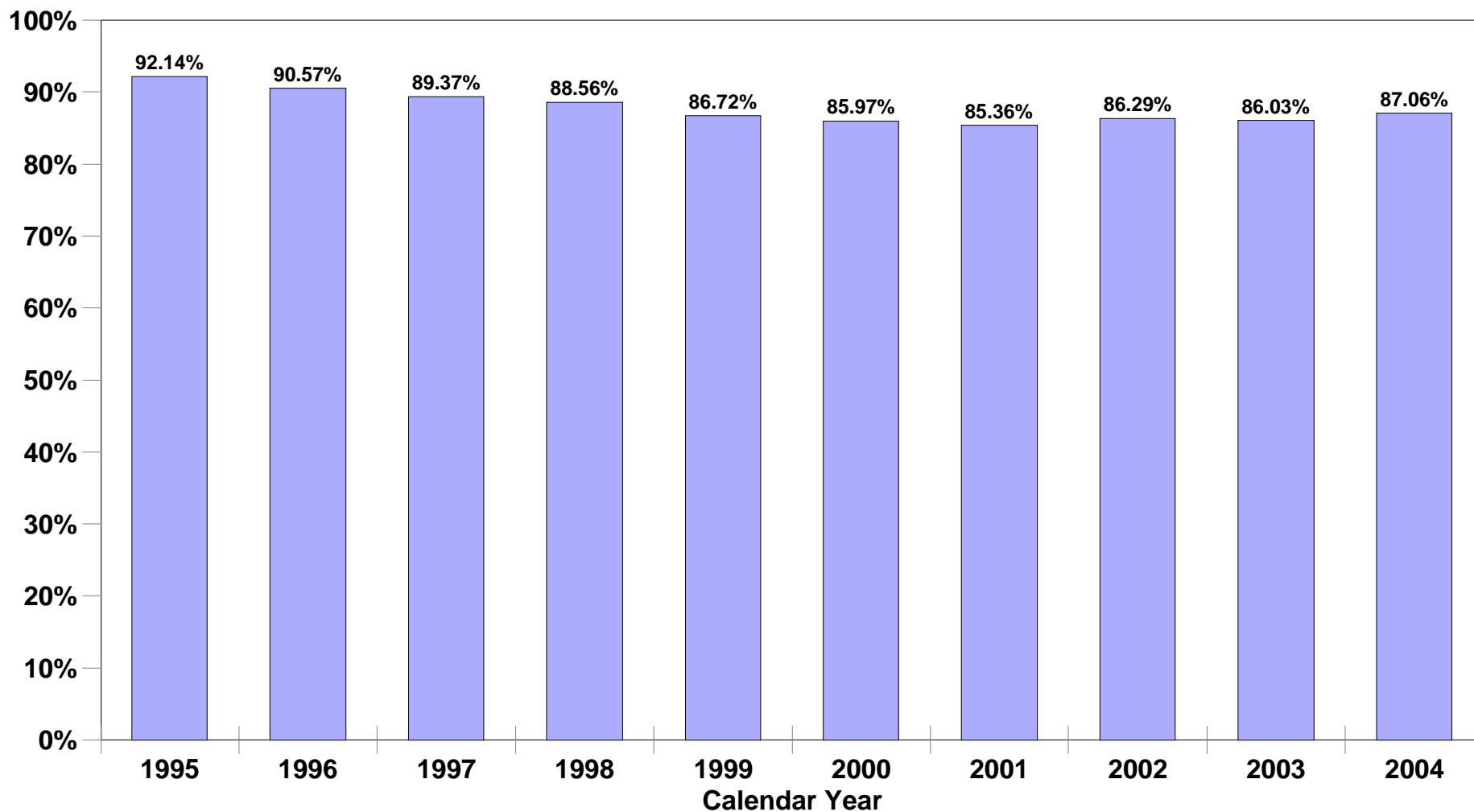
## Medicaid Utilization

(1995 - 2004)



# Nursing Facilities Occupancy

(1995 - 2004)

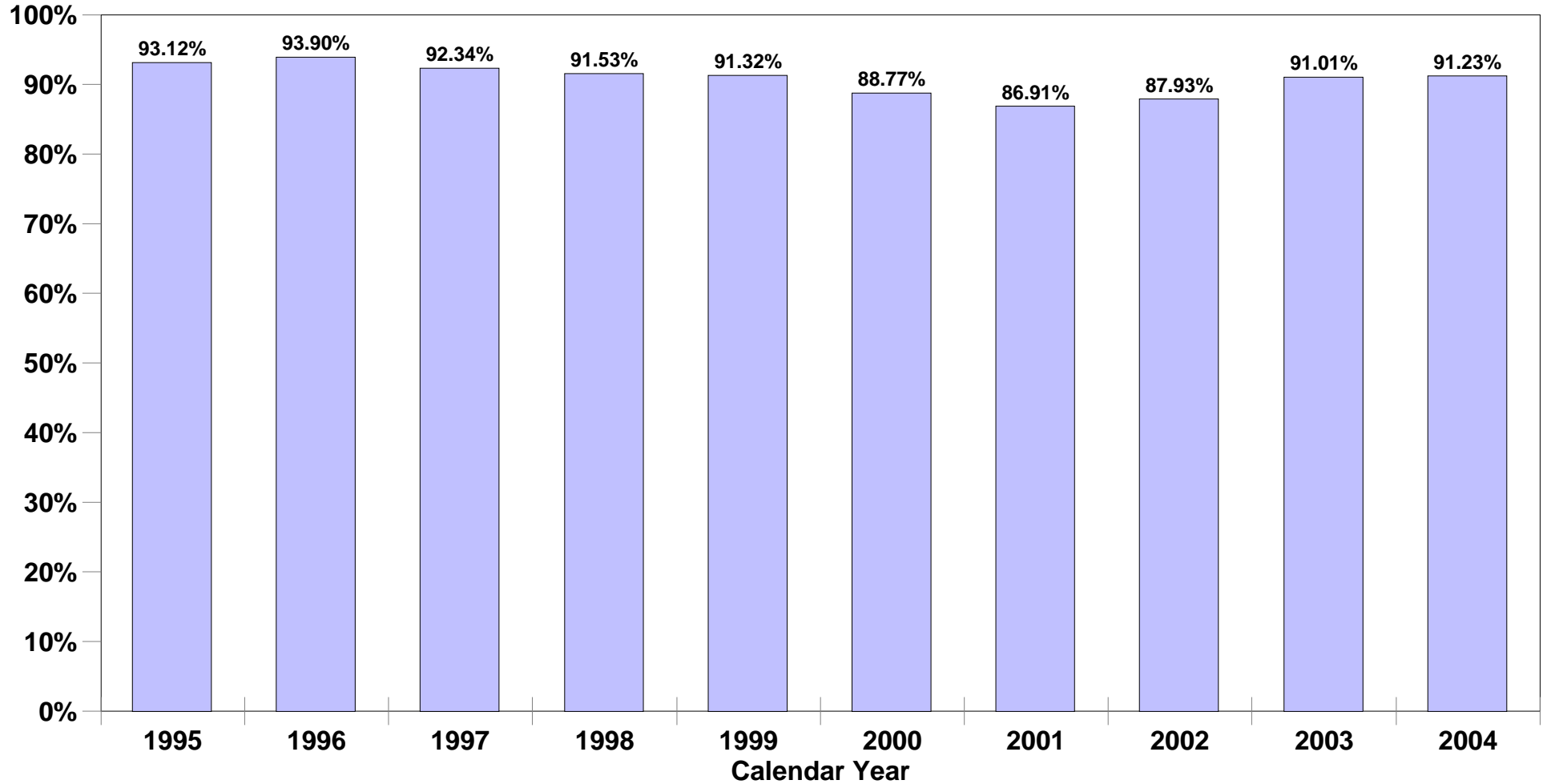


Occupancy

# Nursing Facilities

Occupancy Level: Base Year 1993

(1995 - 2004)



Occupancy: Base Year 1993