

Overview of Long Term Care Facility Medicaid Reimbursement

General

- Medicaid certified facilities¹ (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 Protected² - 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> Direct Care Staff Administrative Nursing Staff Direct Care Consulting Direct Care Management Fees Direct Care Home Office Exp. Medical Directors Social Services Staff Activities Staff Psychologists Psychology Assistants Social Workers Counselors Habilitation Staff Program Directors Respiratory Therapists Habilitation Supervisors Direct Care Payroll Taxes Purchased Nursing Nurse Aide Training </p> <p>With the exceptions of other persons holding degrees to qualify them to provide therapy</p>	<p> Medical Supplies Real Estate Taxes Franchise Permit Fees Property Taxes Utilities <ul style="list-style-type: none"> - Natural Gas - Fuel Oil - Water - Electricity - Sewage and Refuse Allocated Other Protected Home Office Costs </p>	<p> Includes costs for all reasonable costs other than direct care costs, other protected costs or capital. </p> <ul style="list-style-type: none"> - habilitation supplies - pharmacy consultants - medical and habilitation records - program supplies - incontinence supplies - food - enterals - dietary personnel and supplies - laundry - housekeeping - security - administration - liability insurance - bookkeeping - purchasing department - human resources - communications - travel - dues - license fees - subscriptions - home office cost not otherwise allocated - legal and accounting fees - minor equipment - maintenance and repairs - advertising (help-wanted & informational) - start-up costs - organizational cost - other interest - property insurance - employee training - staff development - benefits - payroll taxes - workers compensation premiums 	<p> Cost of Ownership </p> <ul style="list-style-type: none"> - depreciation and interest on any capital asset that costs five hundred dollars or more per item - amortization and interest on land improvements and leasehold improvements - amortization of financing costs - lease and rent of land, building and equipment <p> Nonextensive Renovations </p> <p> Return on Net Equity </p> <ul style="list-style-type: none"> - ceiling of \$.50 per resident per day - proprietary facilities only
<p> Excluding (directly billed) </p> <ul style="list-style-type: none"> - Physical Therapy - Occupational Therapy - Speech Therapy - Audiology - Prescription Drugs - Physician Visits - Hospital Days 			

- < 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

Calendar Years 1995-2004

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

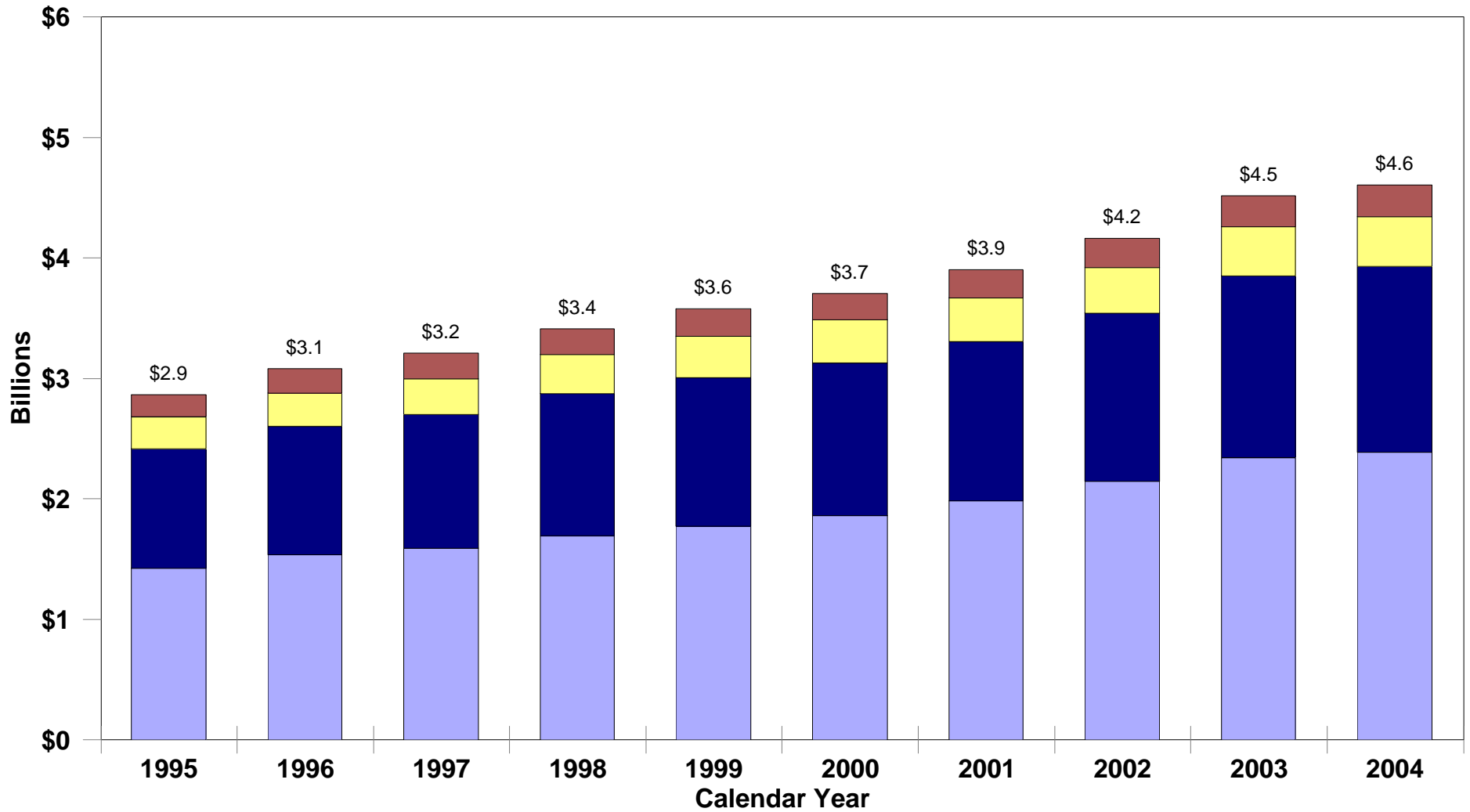
- < **Expenses are as filed by the providers on the cost report**
- < **Population includes all cost reports cleared at a point in time**
 - ↑ **Sample size varies from year to year**
- < **Per diems are calculated by dividing expenses by inpatient days**

Expense Trends

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

Nursing Facilities Total Expense

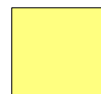
(1995 - 2004)



Direct



Indirect



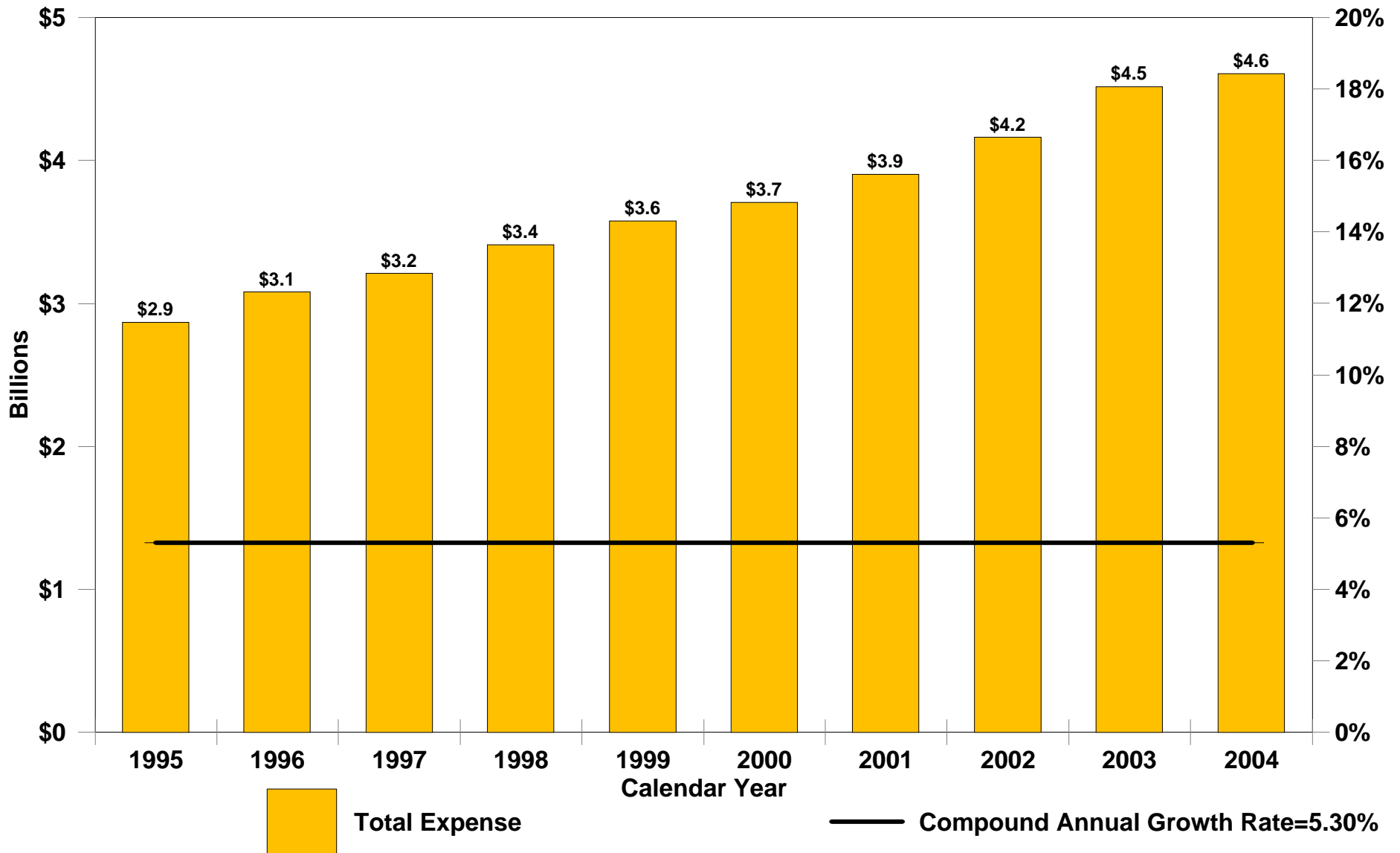
Capital



Protected

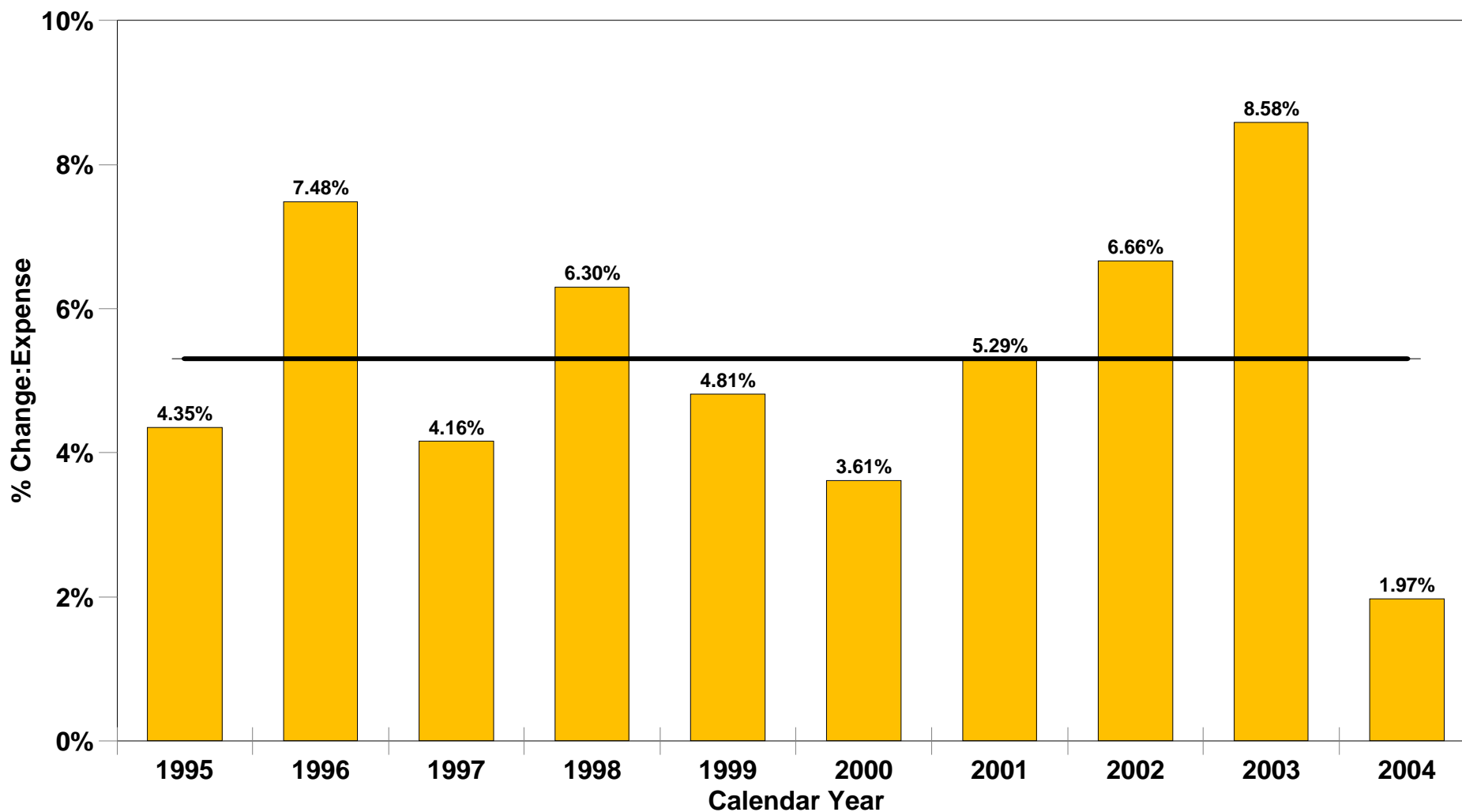
Nursing Facilities Total Expense

(1995 - 2004)



Nursing Facilities Total Expense

(1995 - 2004)

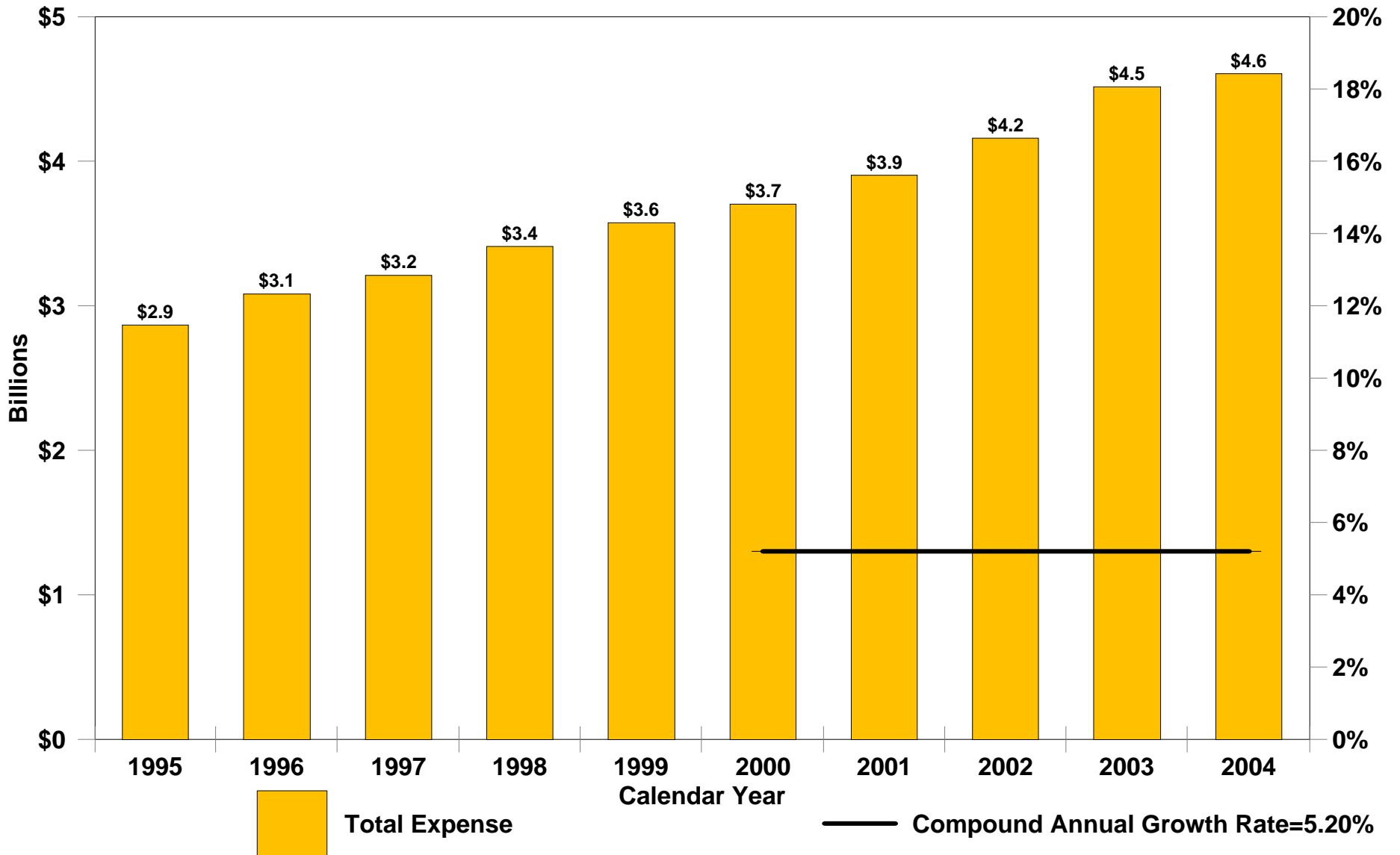


 % Change

 Compound Annual Growth Rate=5.30%

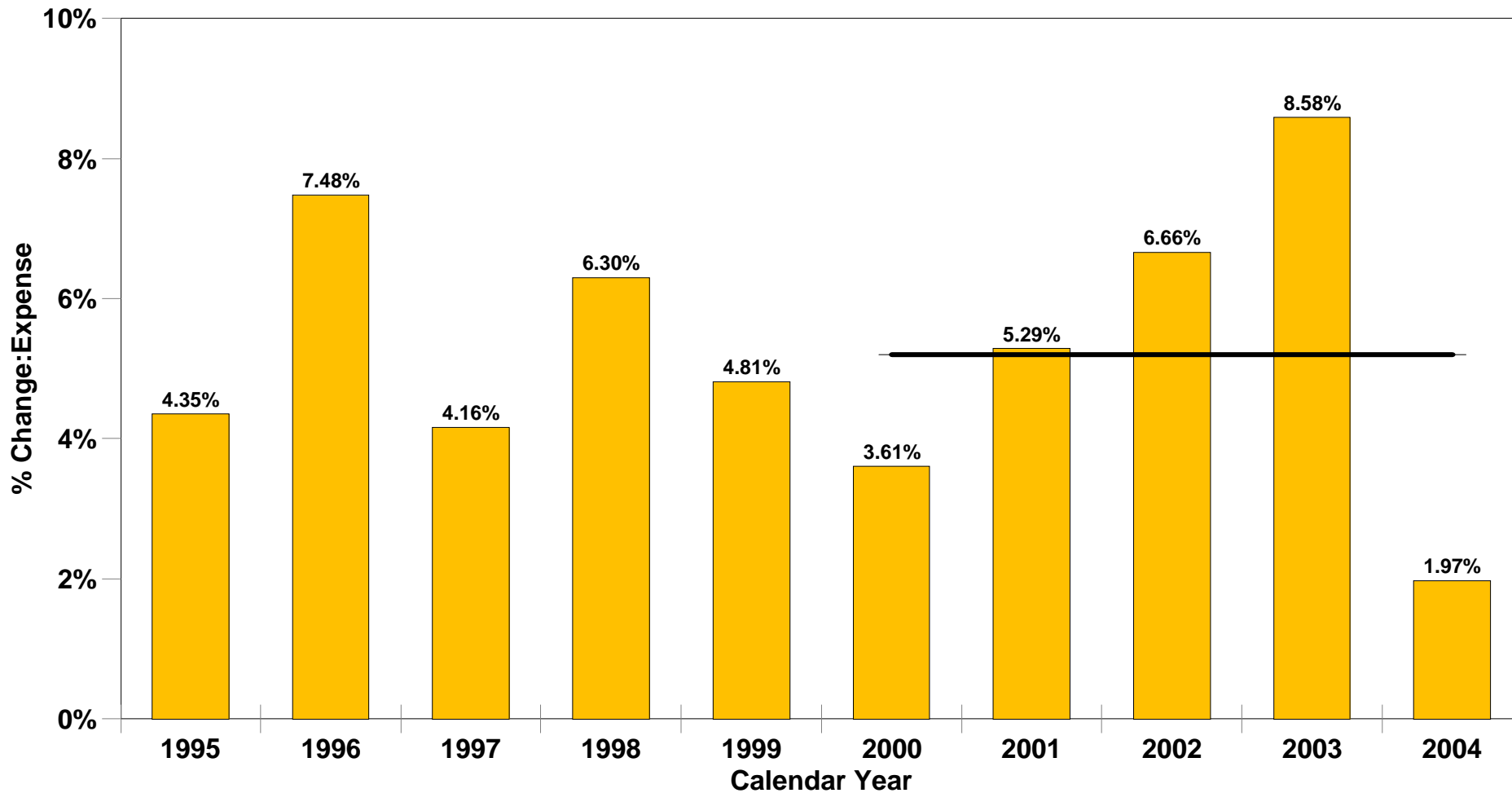
Nursing Facilities Total Expense


(1995 - 2004)



Nursing Facilities Total Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=5.20%

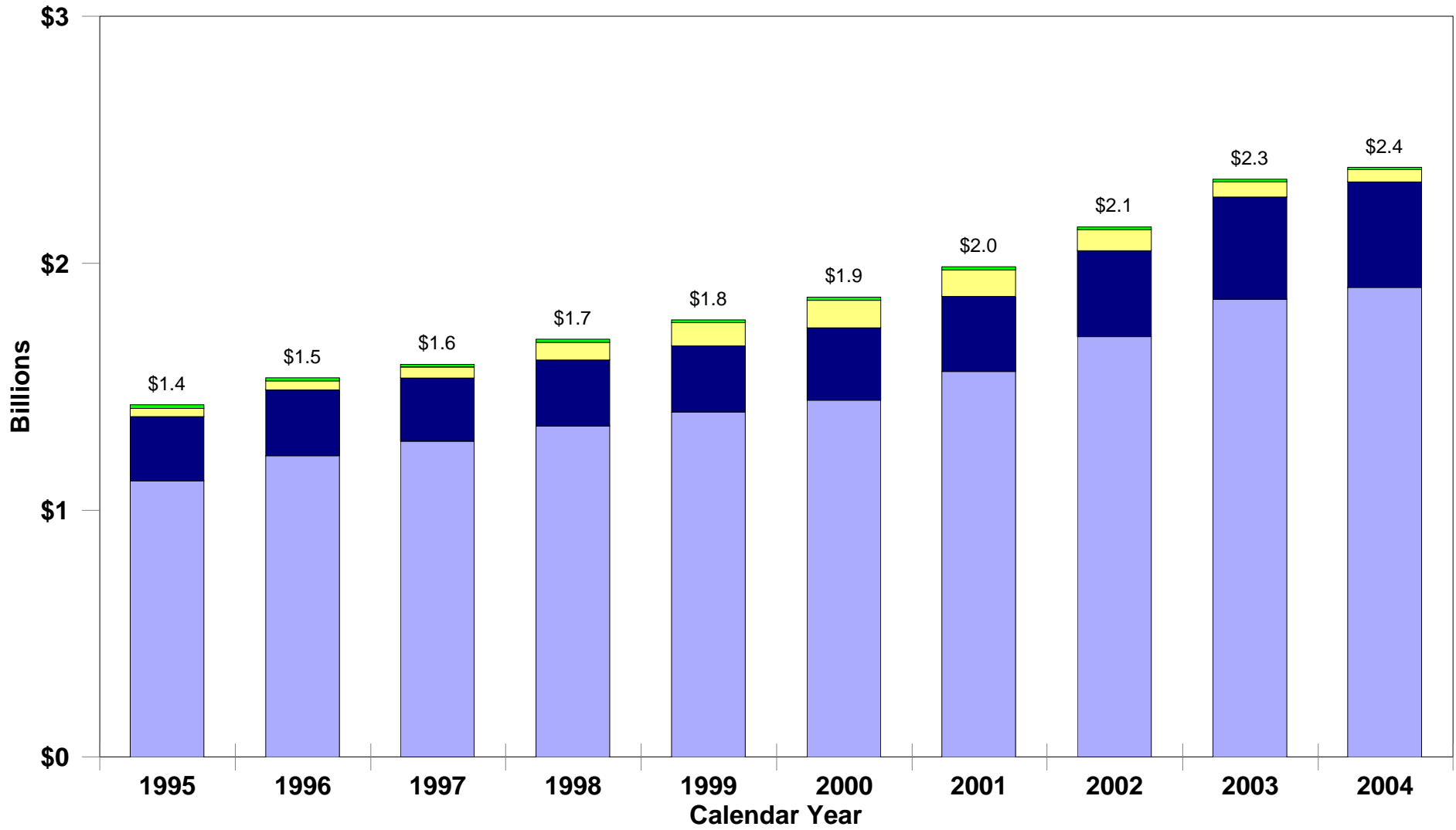
Direct Care Cost Center

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

Nursing Facilities

Direct Filed Expense

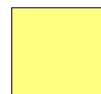
(1995 - 2004)



Nursing & Habilitation



Dir. Care Payroll Tax



Purchased Nursing

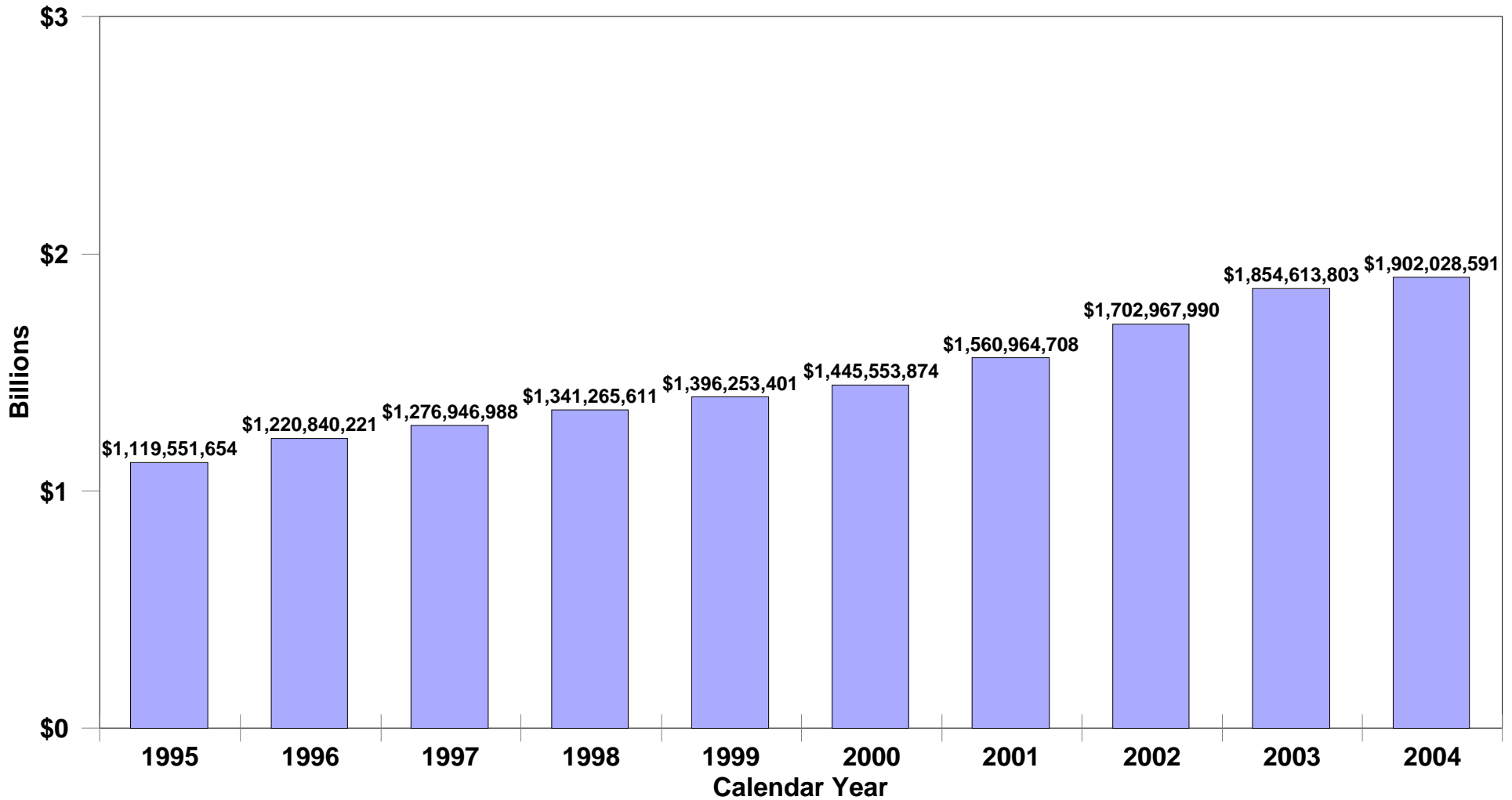


Nurse Aide Training

Nursing Facilities

Nursing & Habilitation Expense

(1995 - 2004)

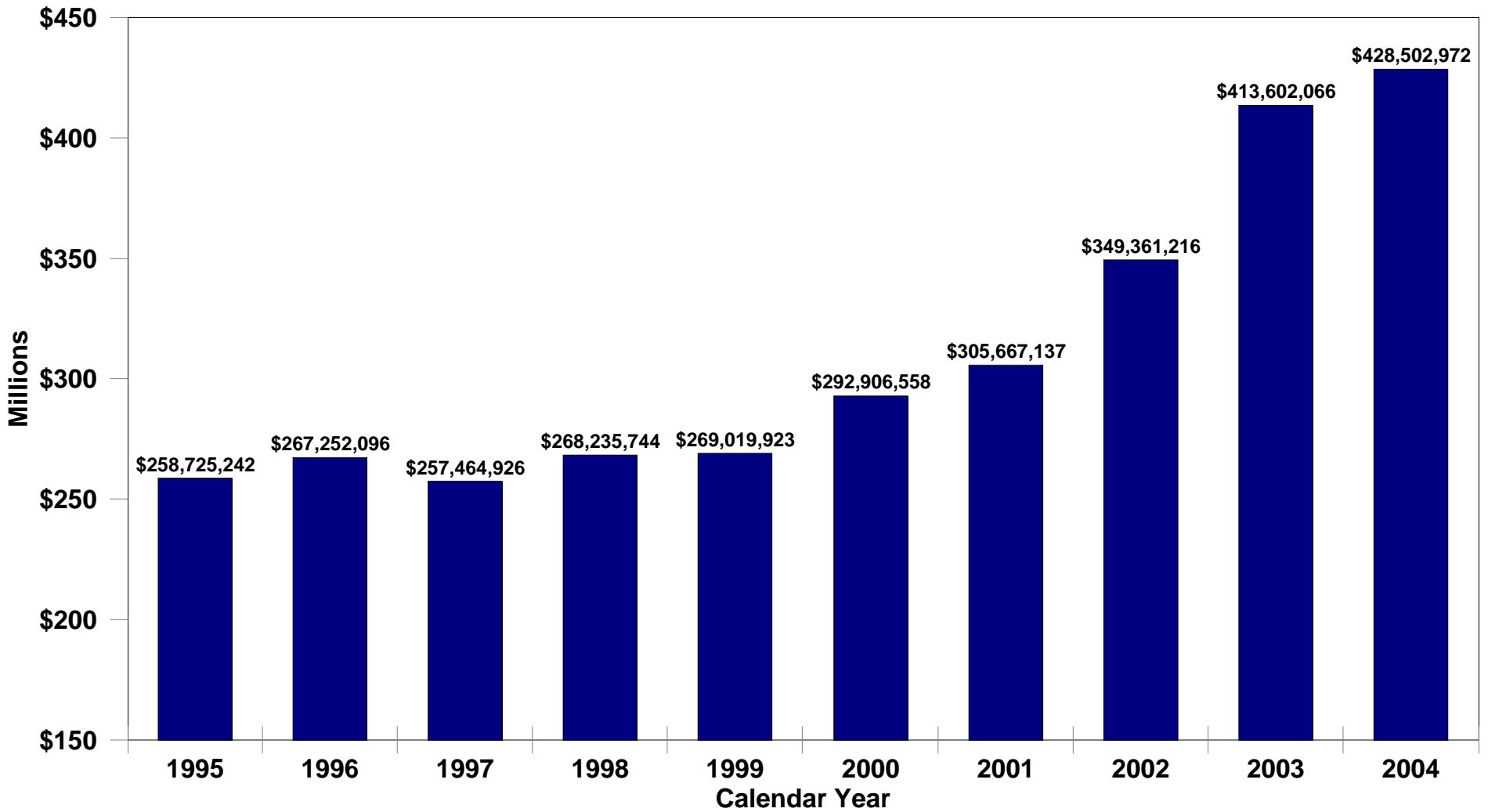


 Nursing & Habilitation Expense

Nursing Facilities

Direct Care Payroll Tax Expense

(1995 - 2004)

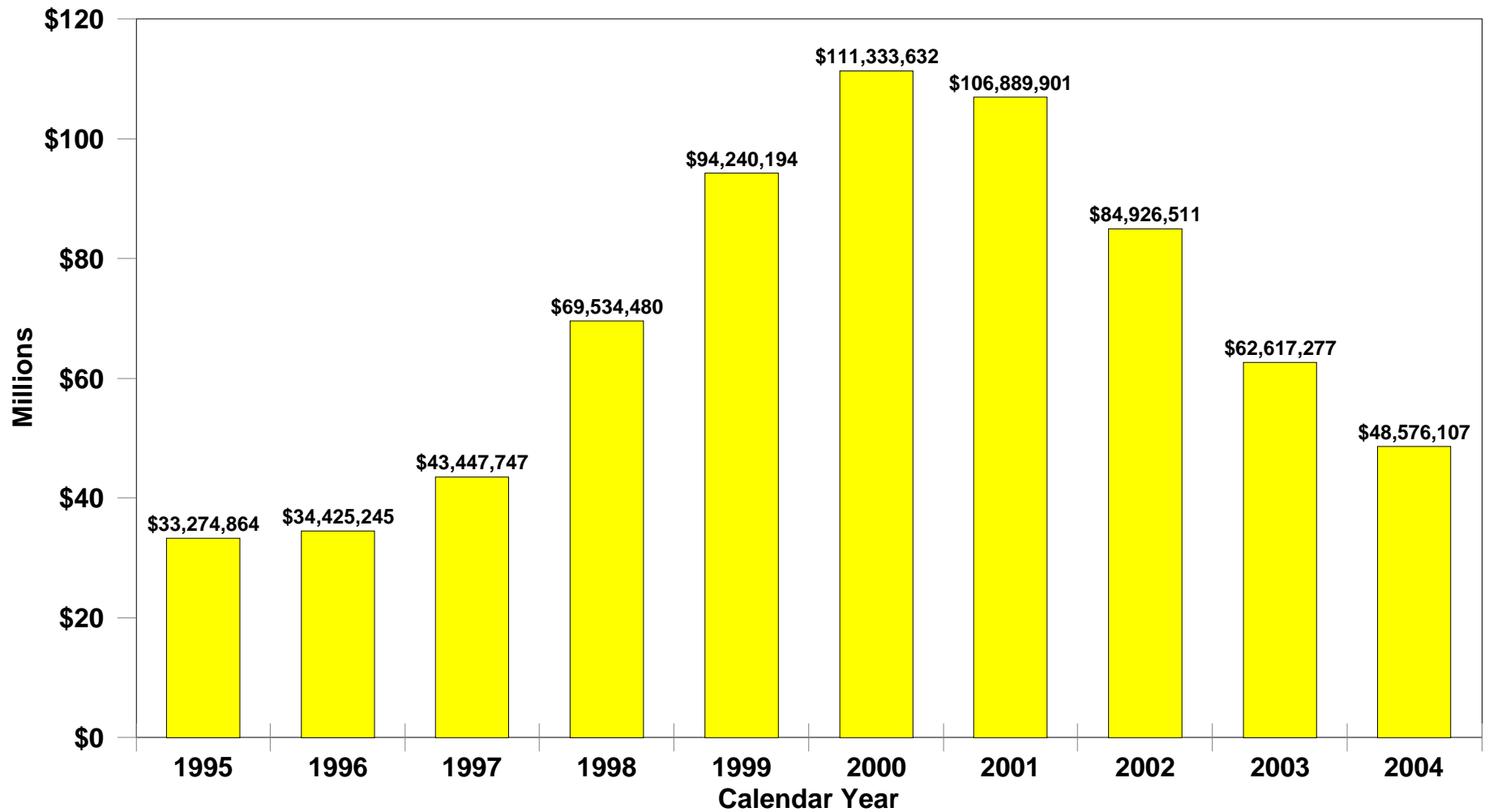


 Direct Care Payroll Tax Expense

Nursing Facilities

Purchased Nursing Expense

(1995 - 2004)

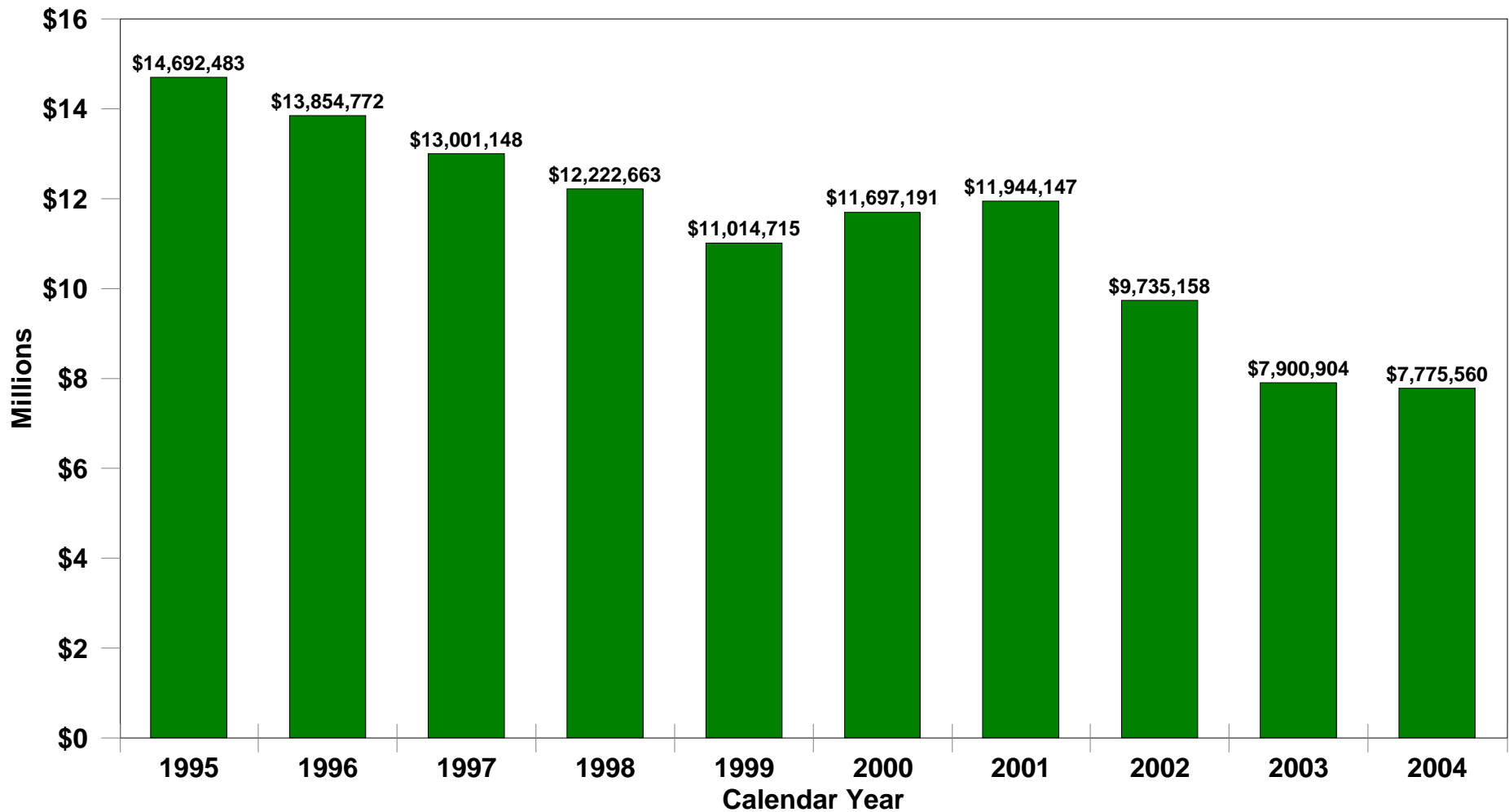


Purchased Nursing Expense

Nursing Facilities

Nurse Aide Training Expense

(1995 - 2004)

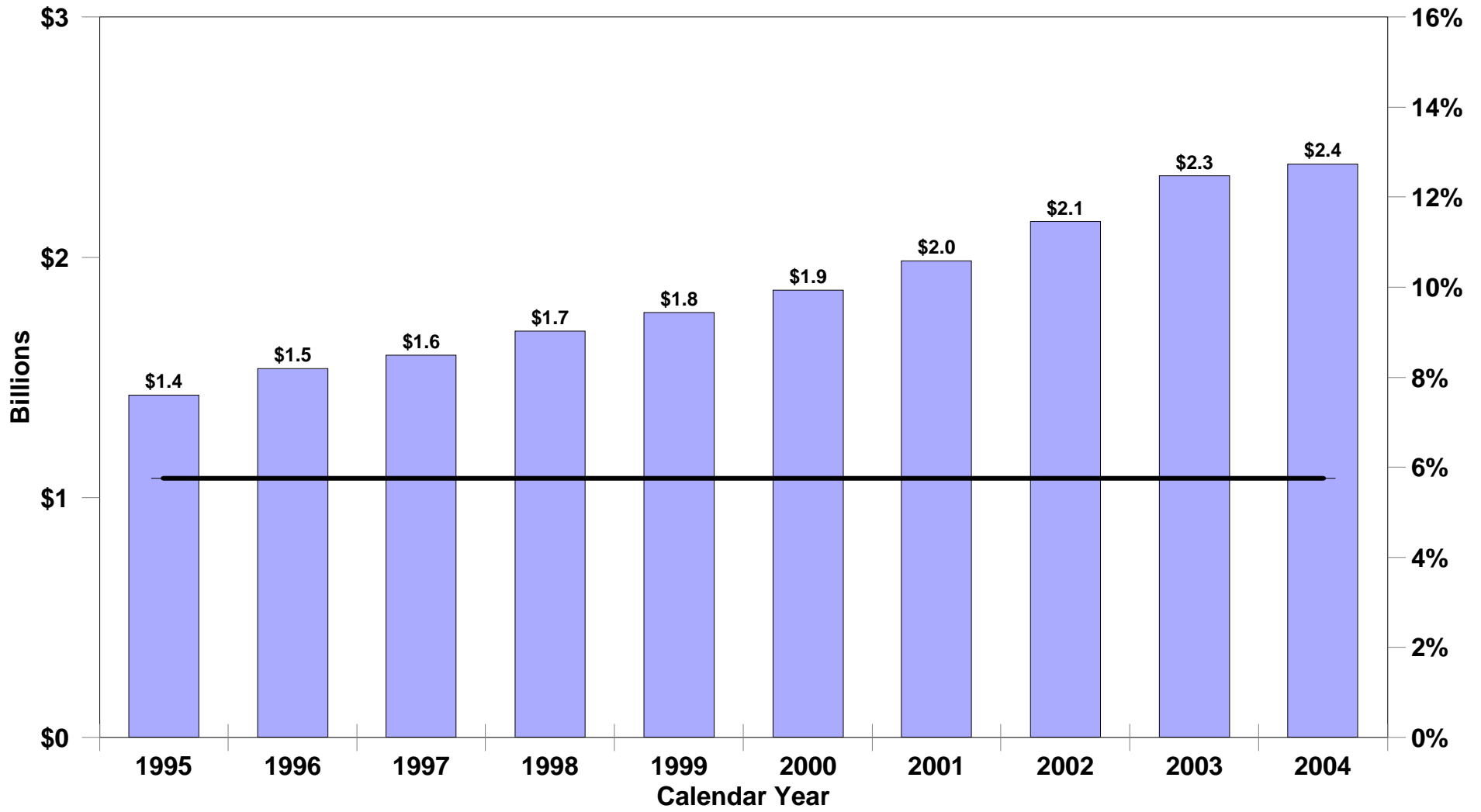


Nurse Aide Training Expense

Nursing Facilities

Direct Care Expense

(1995 - 2004)



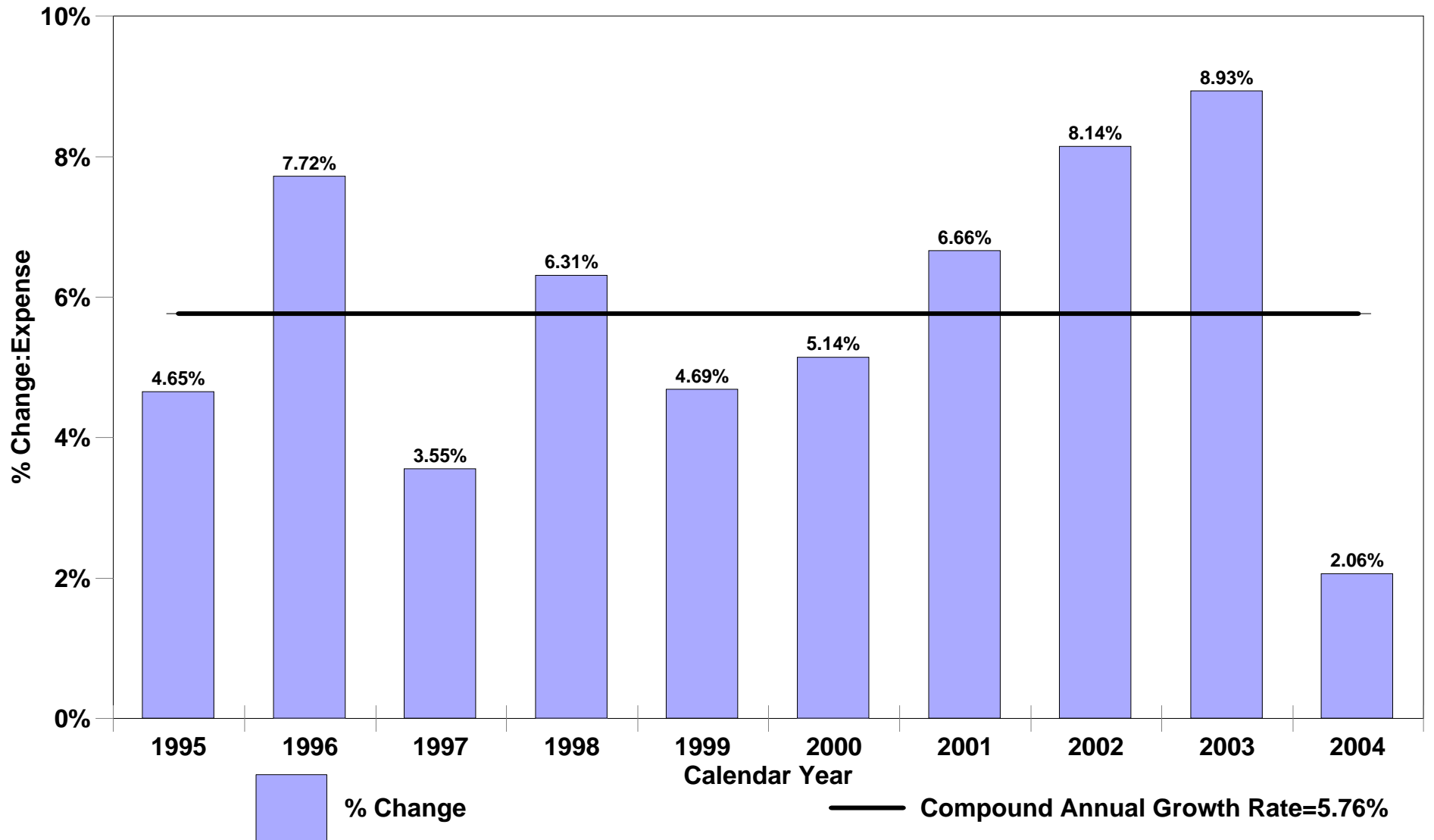
Direct Care Expense

Compound Annual Growth Rate=5.76%

Nursing Facilities

Direct Care Expense

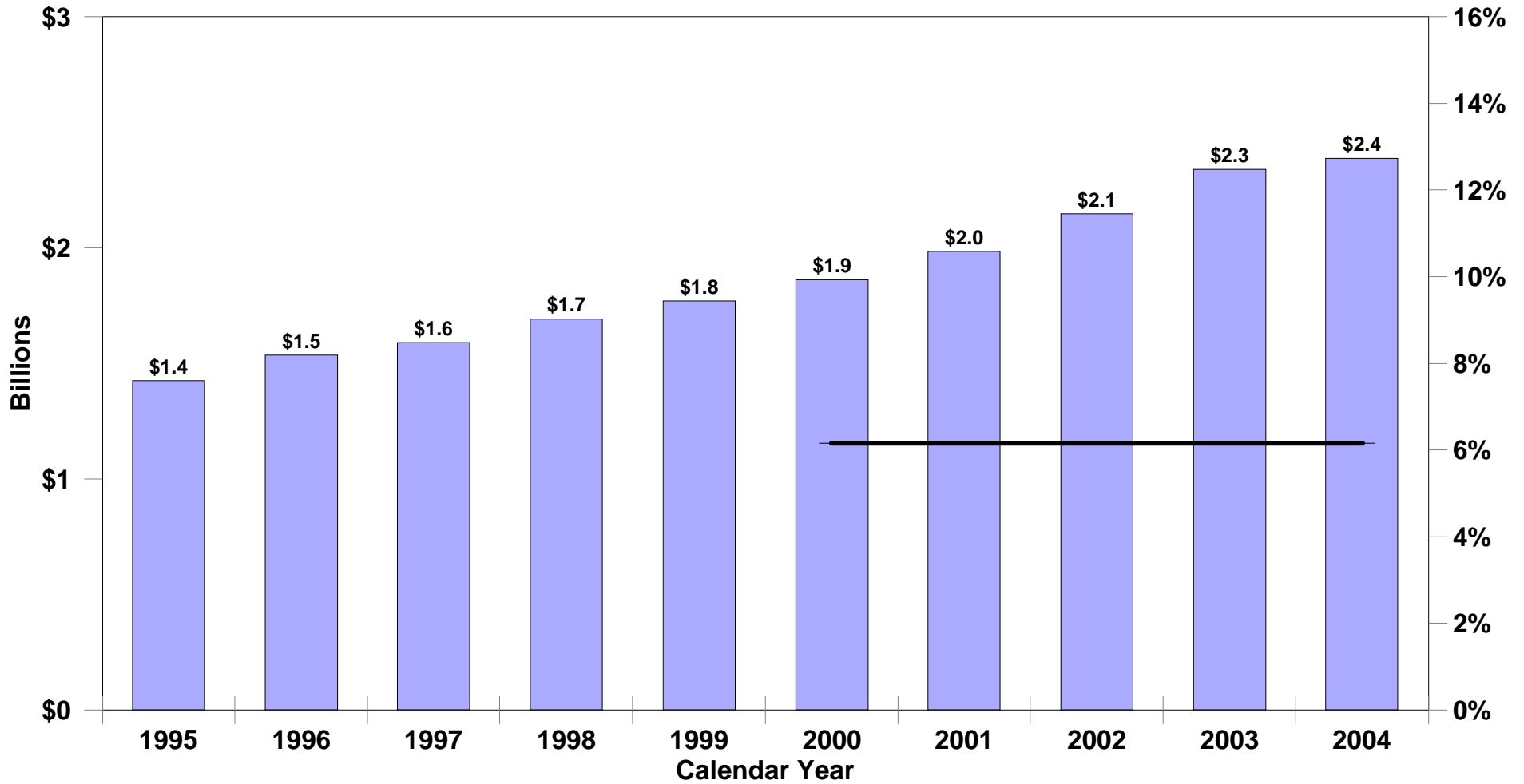
(1995 - 2004)



Nursing Facilities

Direct Care Expense

(1995 - 2004)



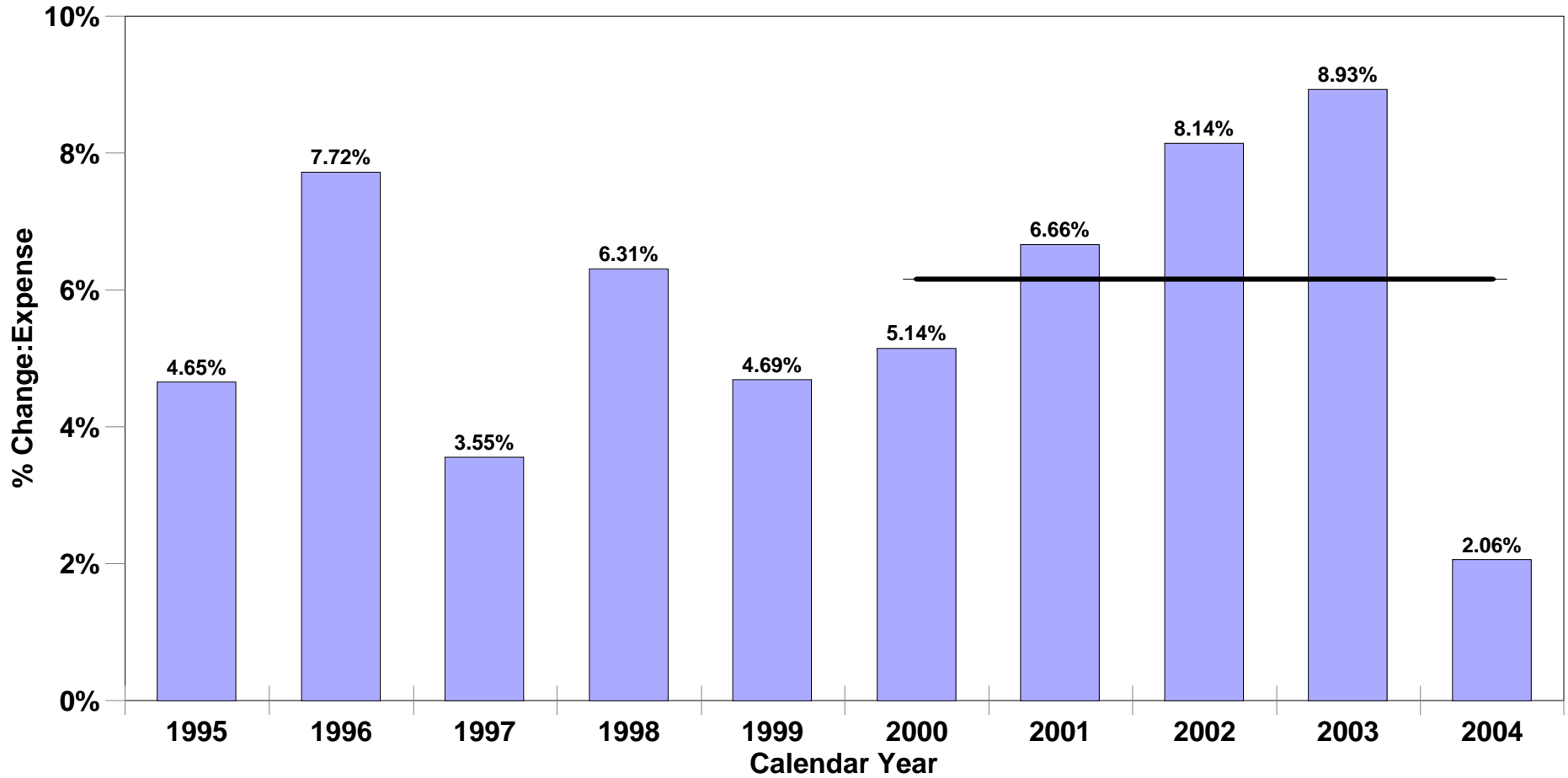
Direct Care Expense


Compound Annual Growth Rate=6.16%

Nursing Facilities

Direct Care Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=6.16%

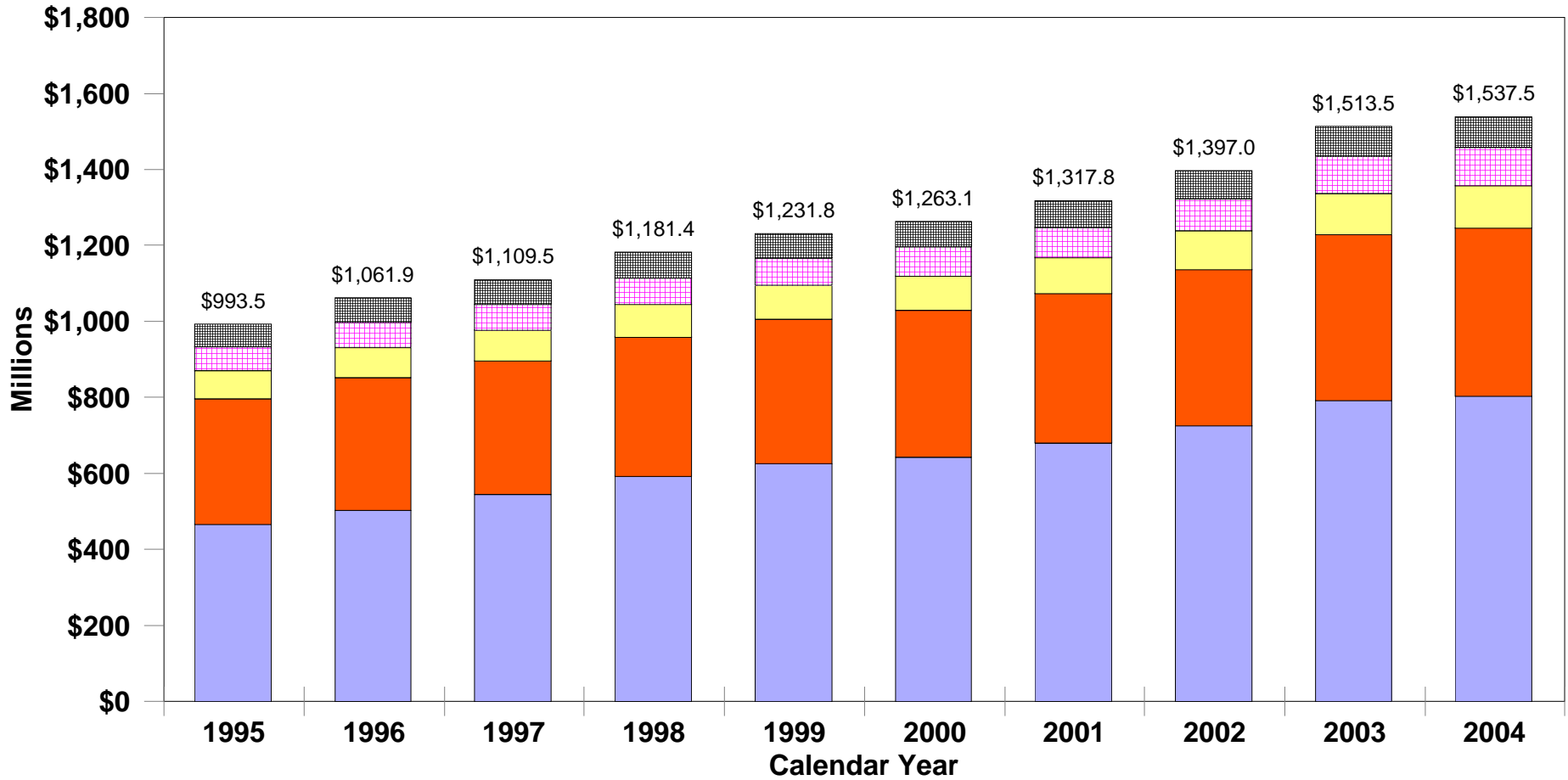
Indirect Care Cost Center

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

Nursing Facilities

Indirect Filed Expense

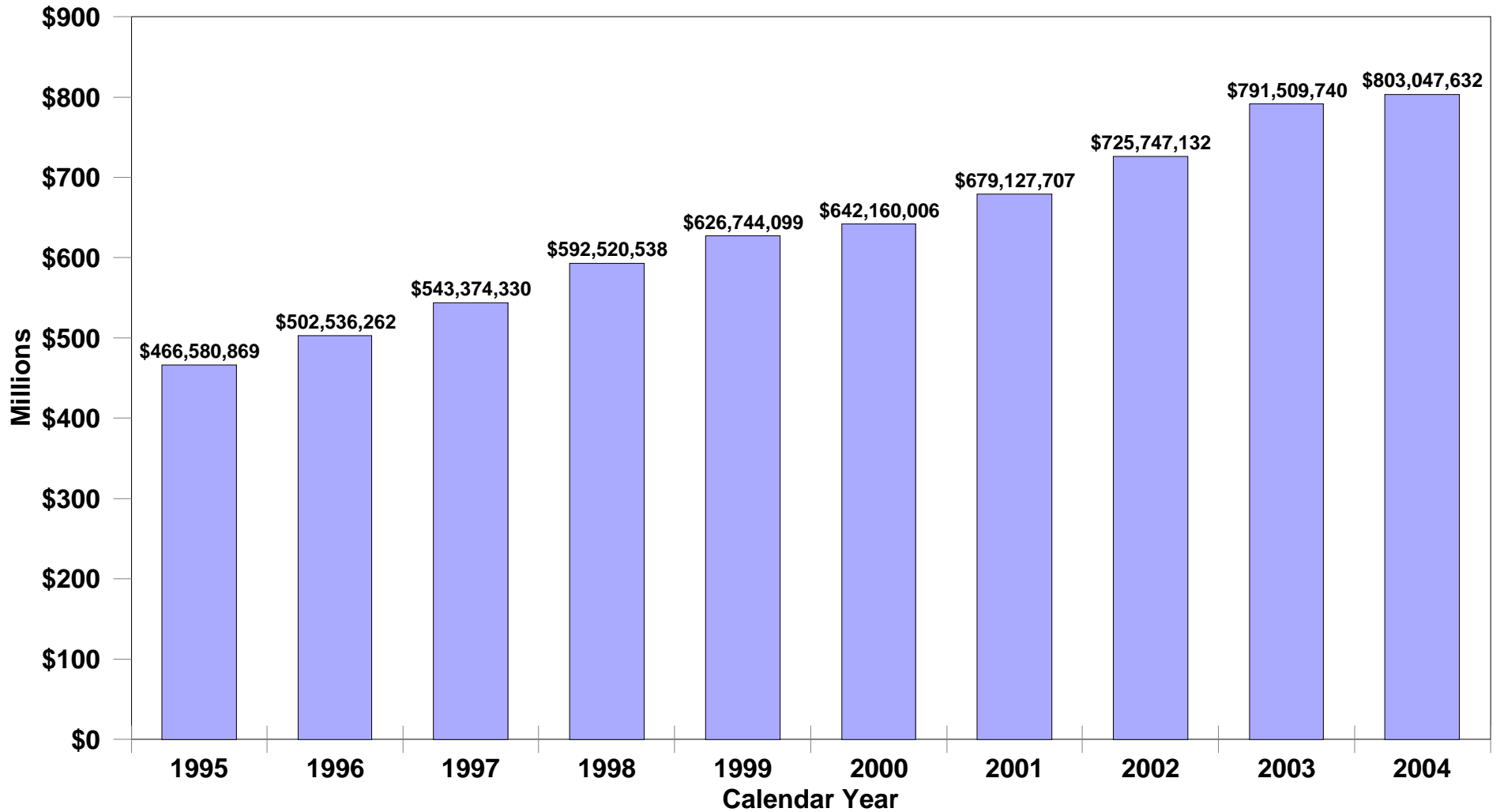
(1995 - 2004)



Nursing Facilities

Administrative & General Expense

(1995 - 2004)

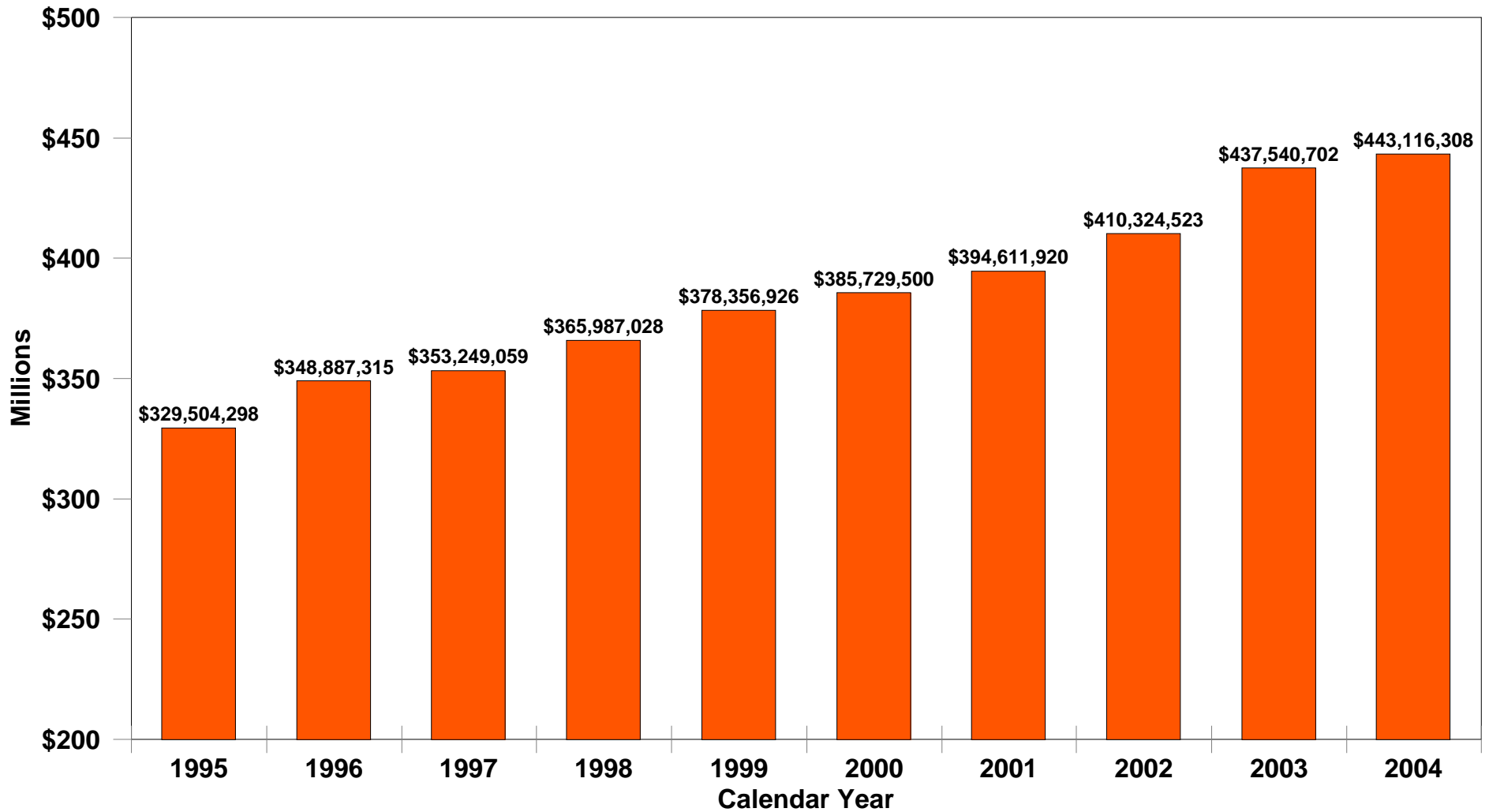


 Administrative & General Expense

Nursing Facilities

Dietary Expense

(1995 - 2004)

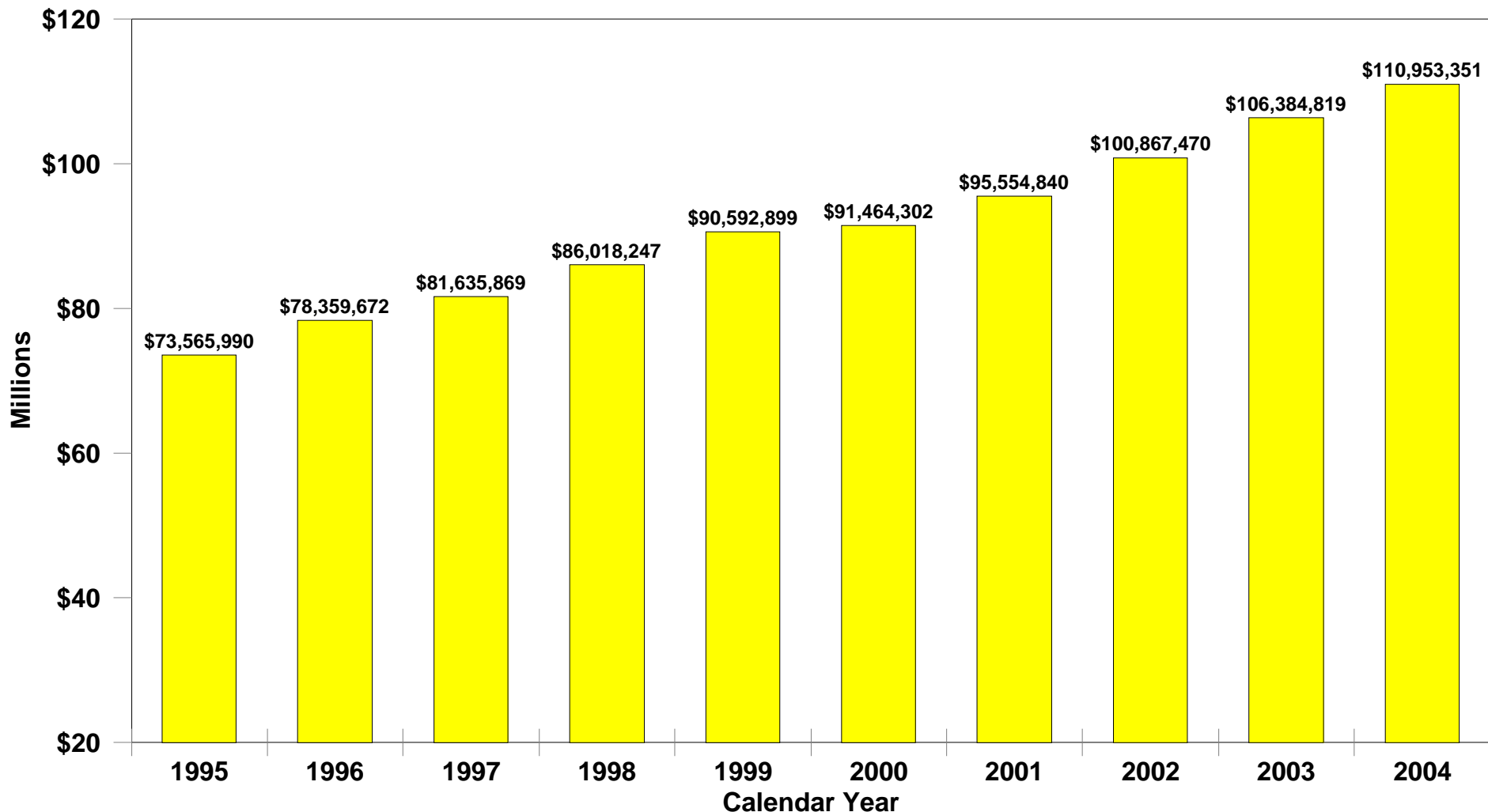


 Dietary Expense

Nursing Facilities

Maintenance & Repair Expense

(1995 - 2004)

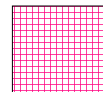
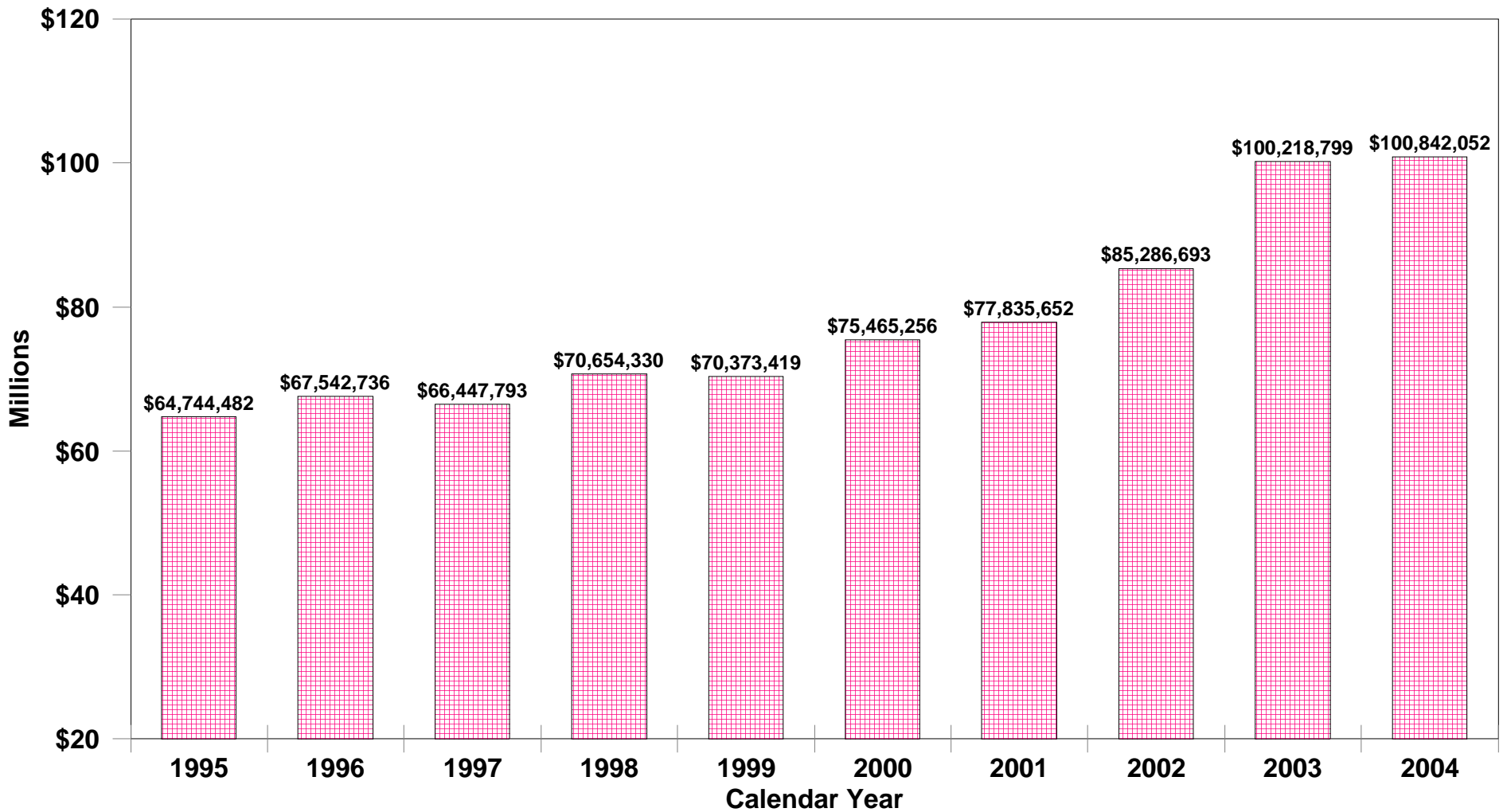


 Maintenance & Repair Expense

Nursing Facilities

Indirect Care Payroll Tax Expense

(1995 - 2004)

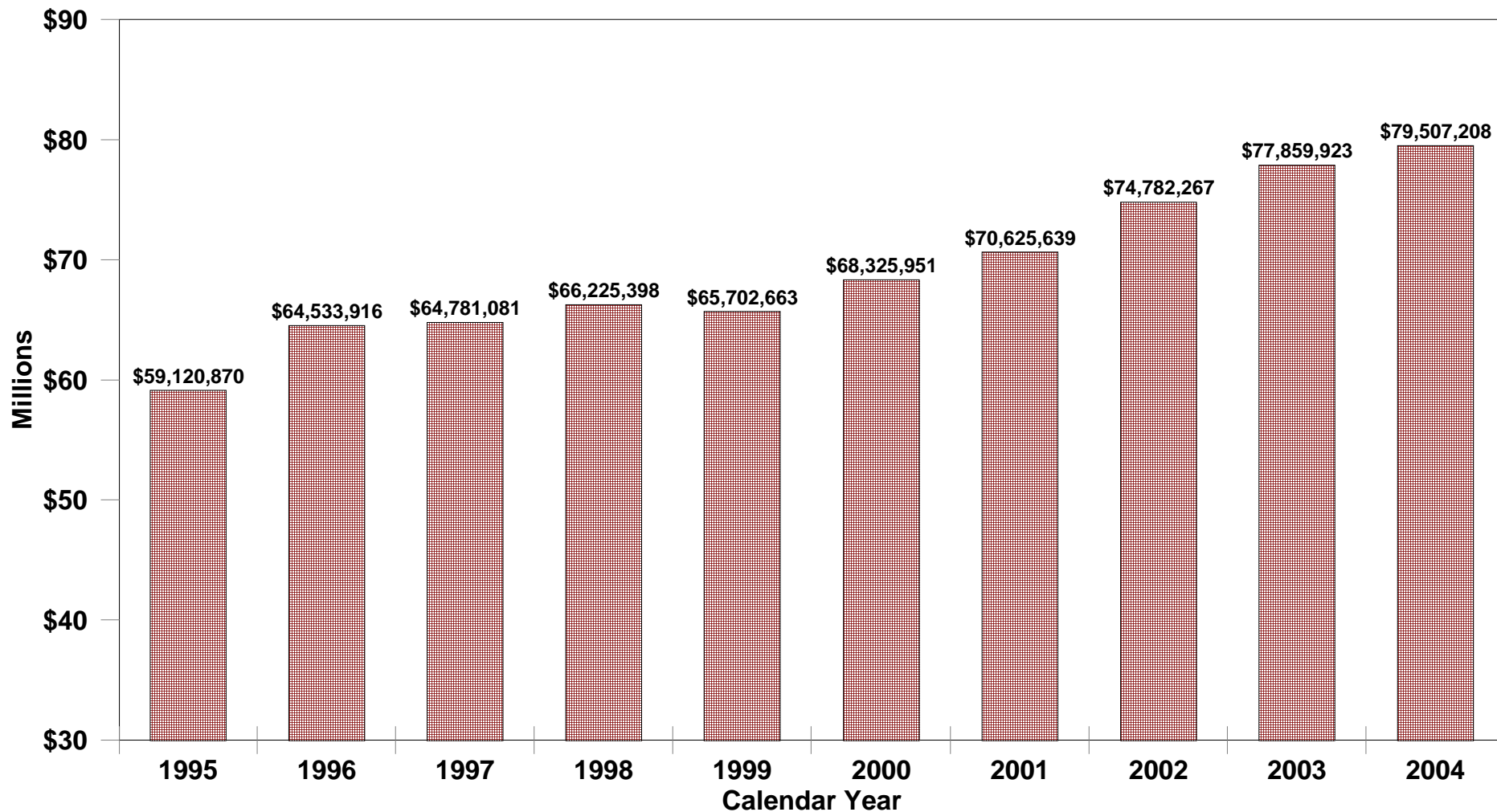


Indirect Care Payroll Tax Expense

Nursing Facilities

Incontinence & Other Supplies Expense

(1995 - 2004)

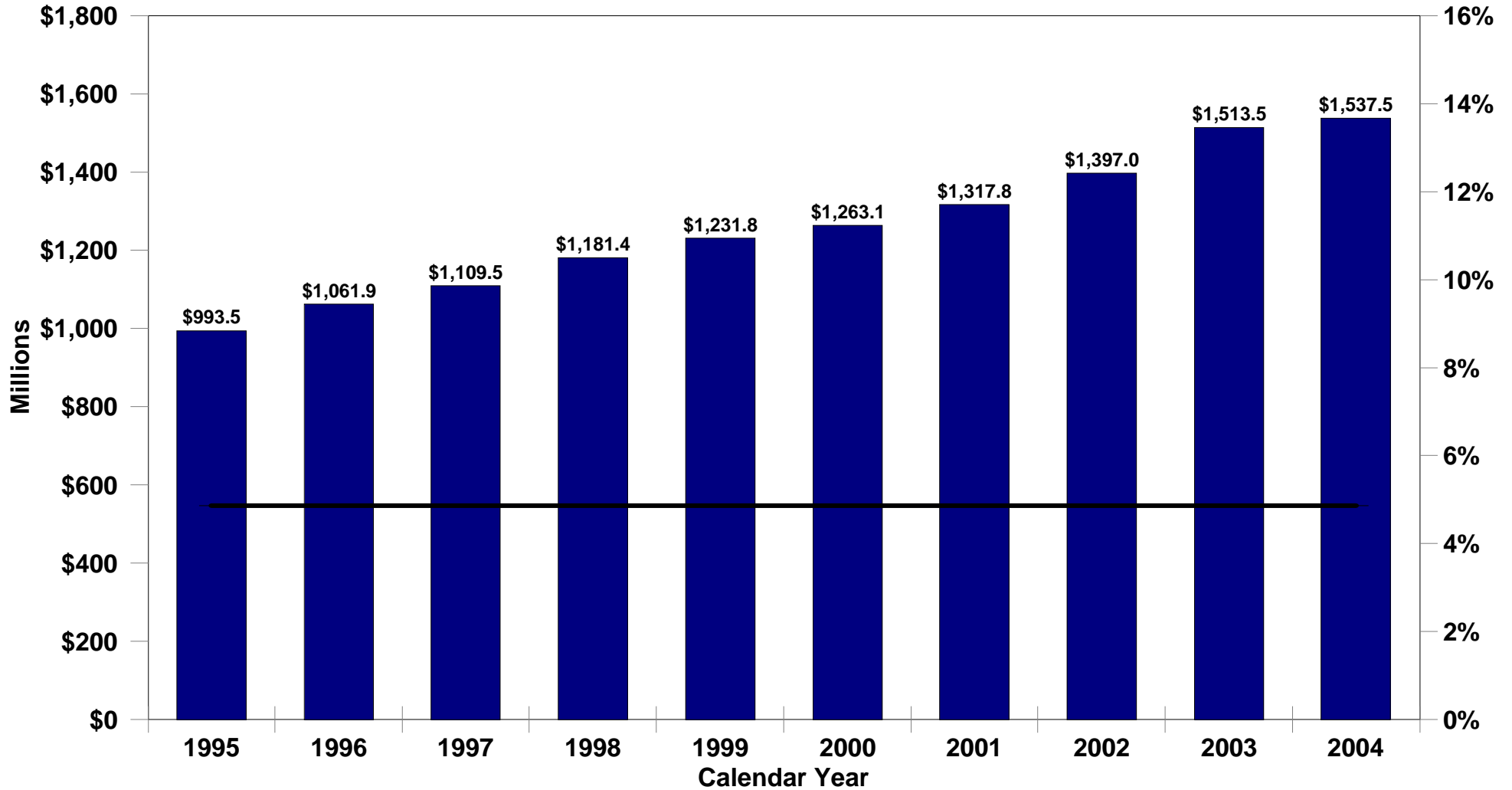


Incontinence & Other Supply Expense

Nursing Facilities

Indirect Care Expense

(1995 - 2004)



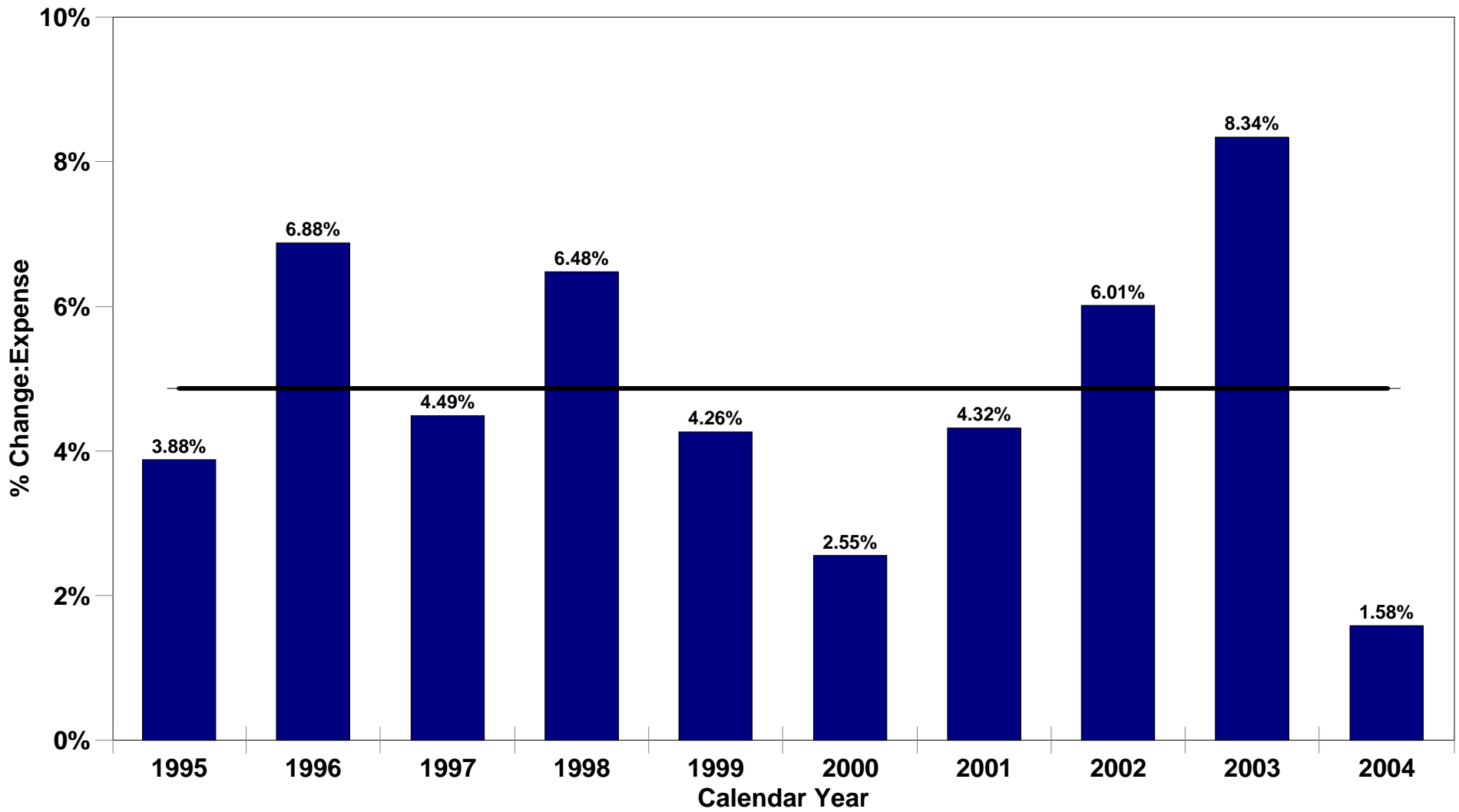
 Indirect Care Expense

 Compound Annual Growth Rate=4.86%

Nursing Facilities

Indirect Care Expense

(1995 - 2004)



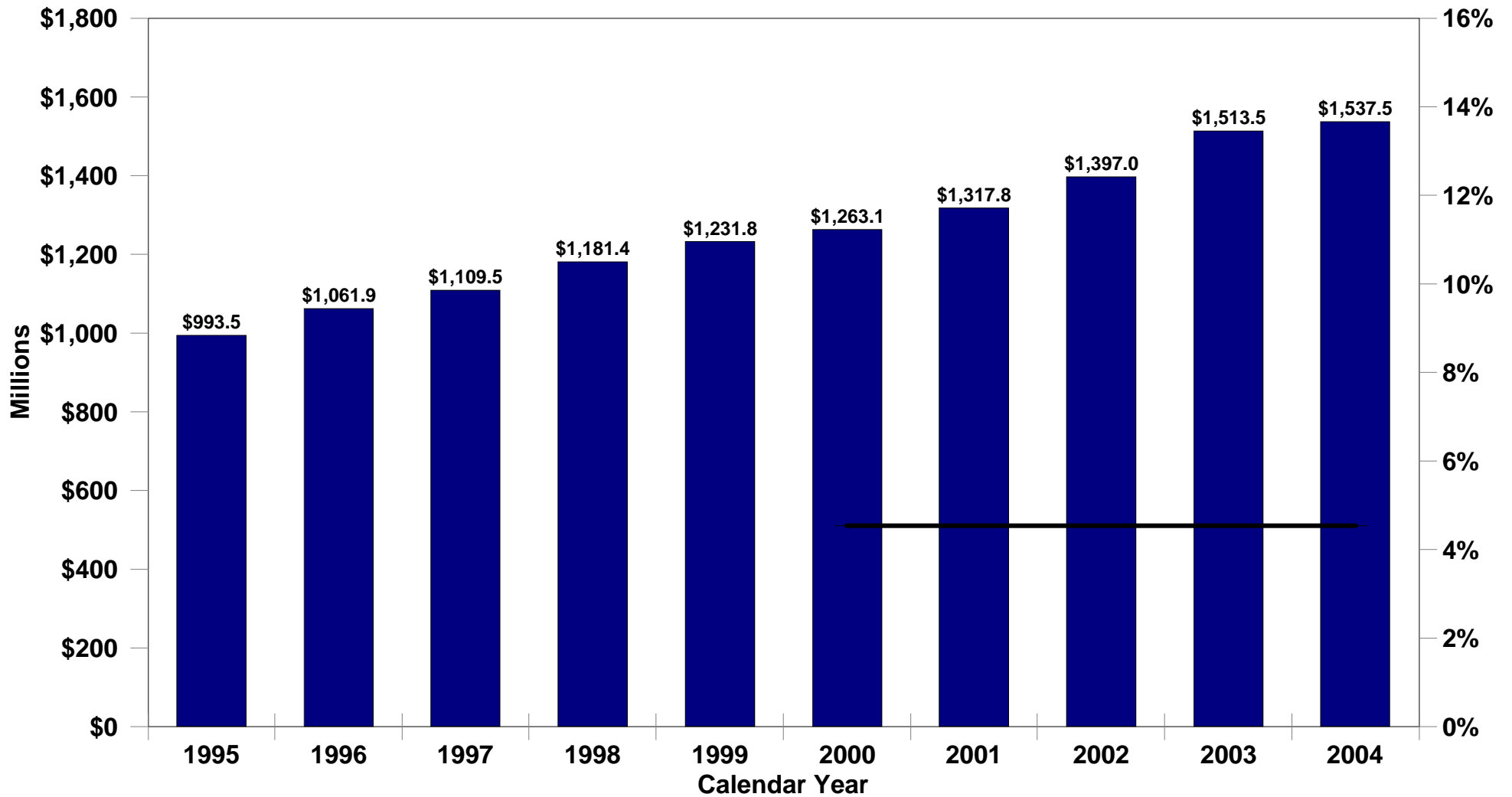
 % Change

 Compound Annual Growth Rate=4.86%

Nursing Facilities

Indirect Care Expense

(1995 - 2004)



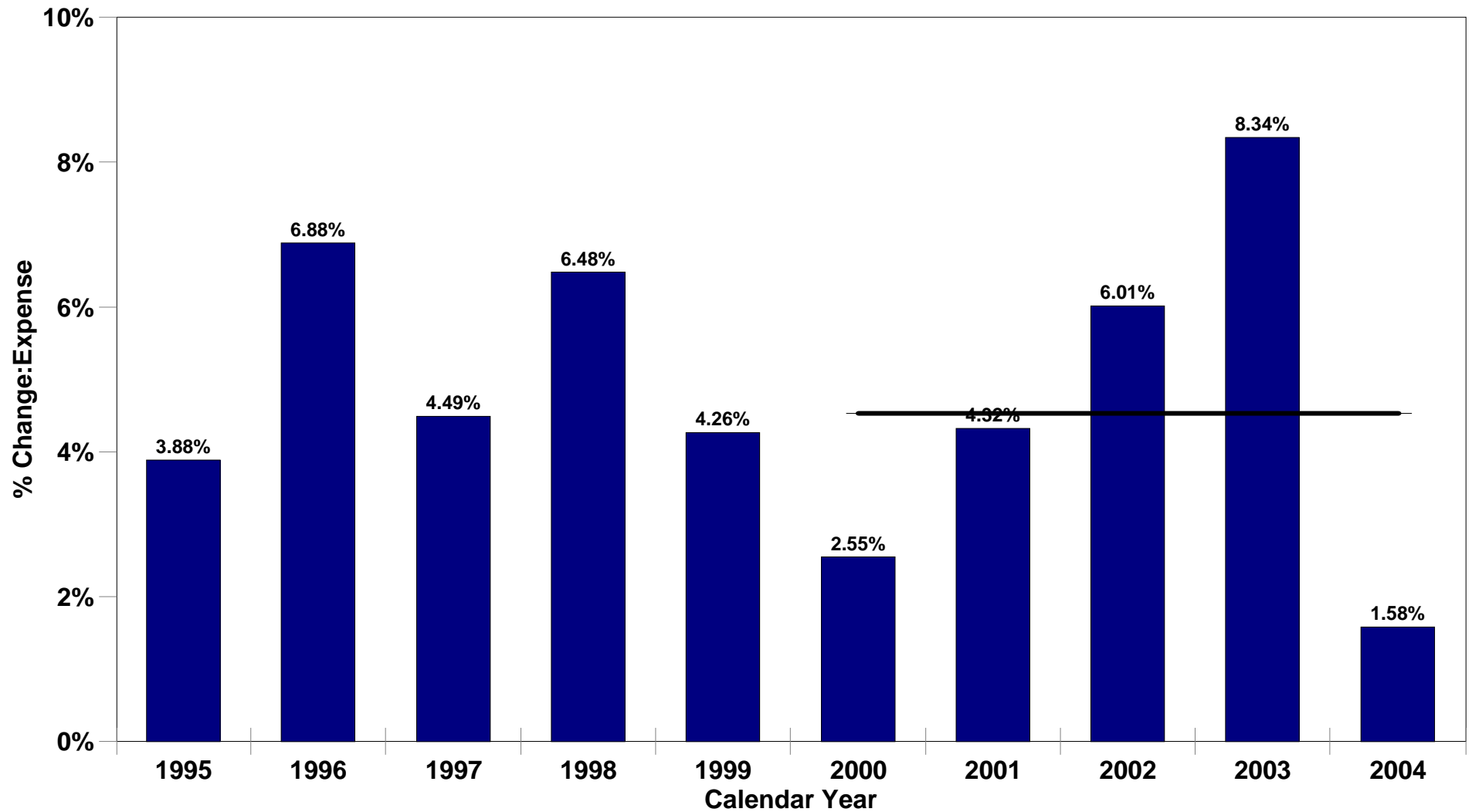
 Indirect Care Expense

 Compound Annual Growth Rate=4.53%

Nursing Facilities

Indirect Care Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=4.53%

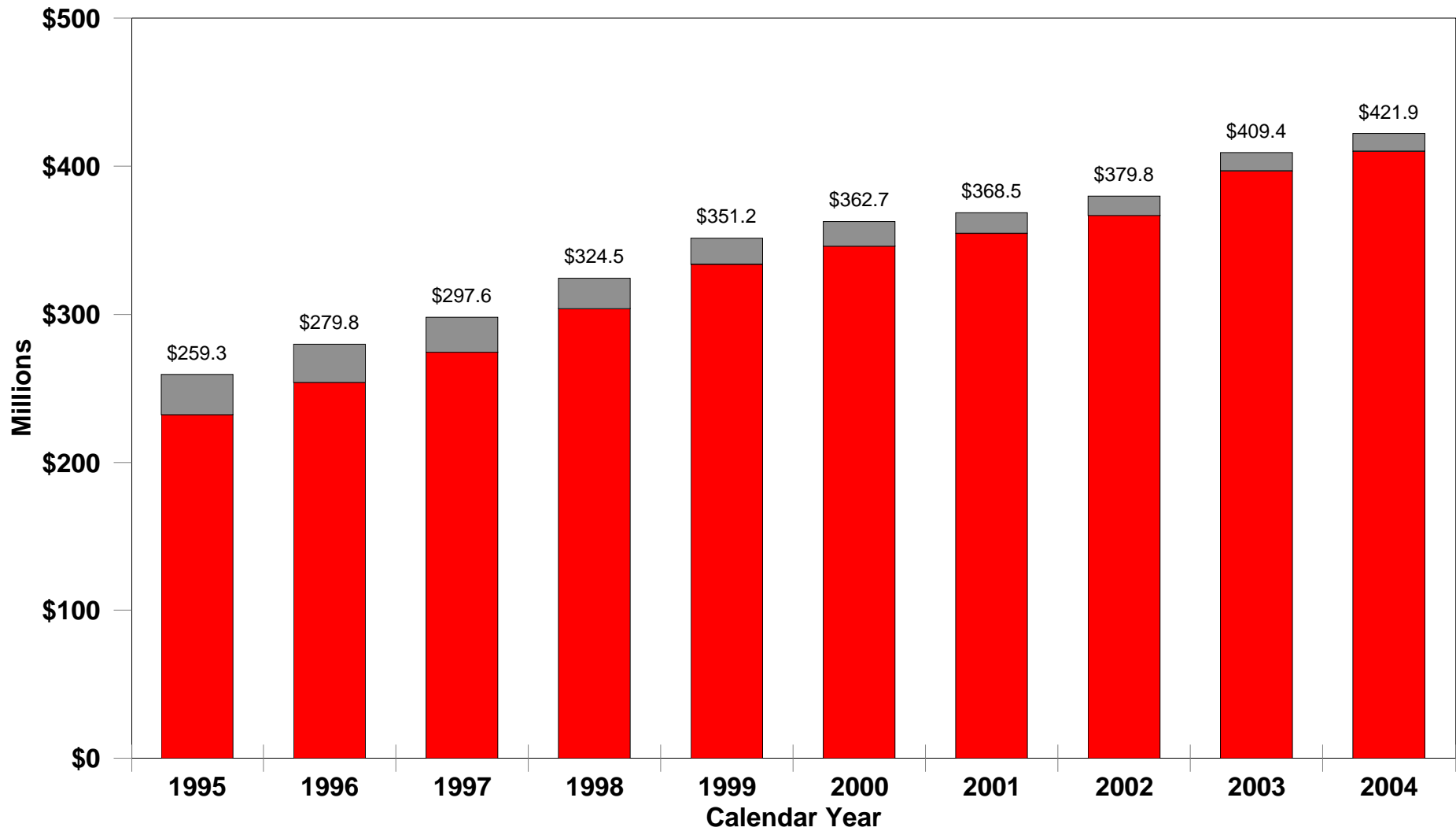
Capital Cost Center

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

Nursing Facilities

Capital Filed Expense

(1995 - 2004)



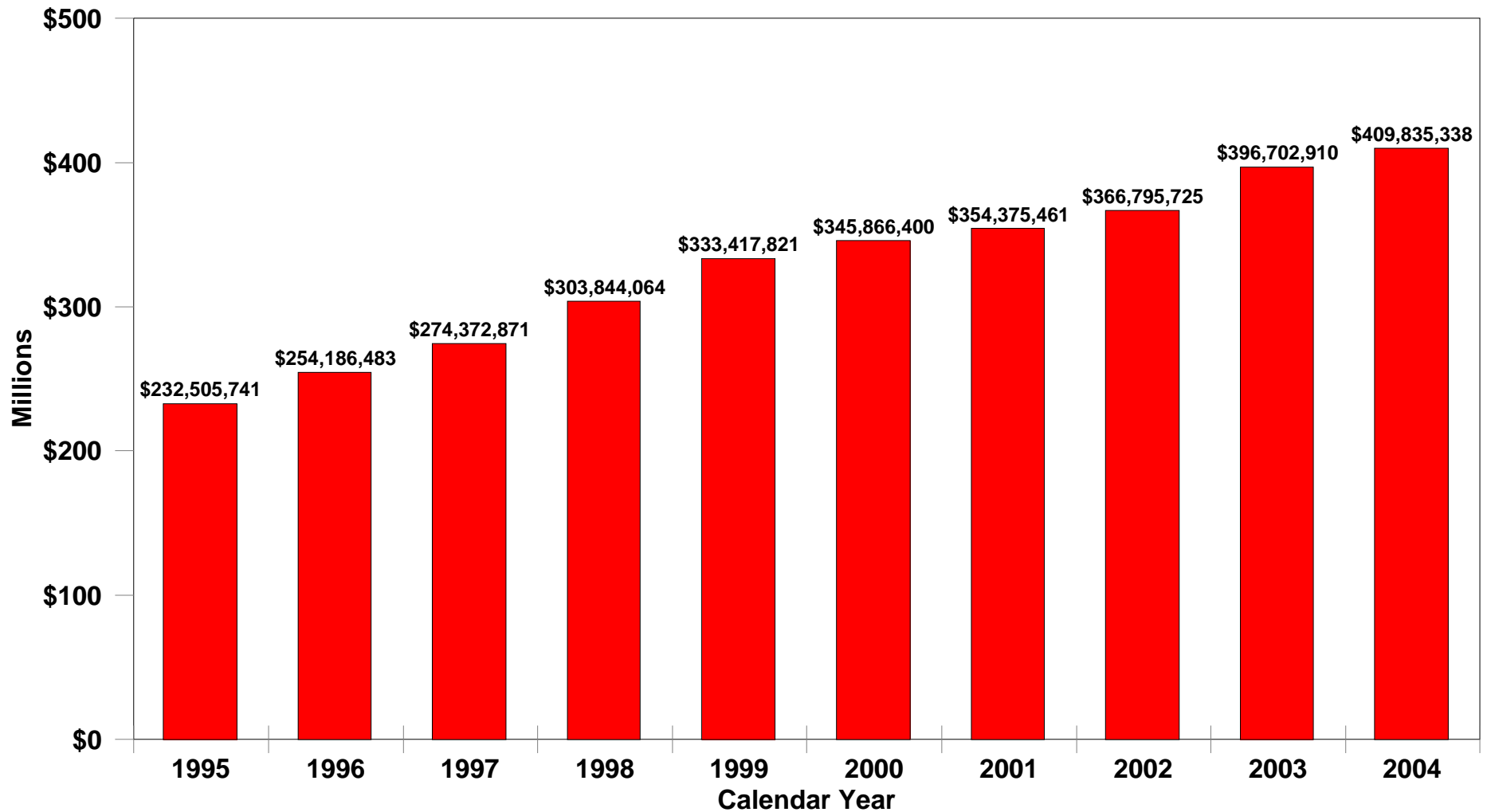
Cost of Ownership



Renovations

Nursing Facilities Ownership Expense

(1995 - 2004)

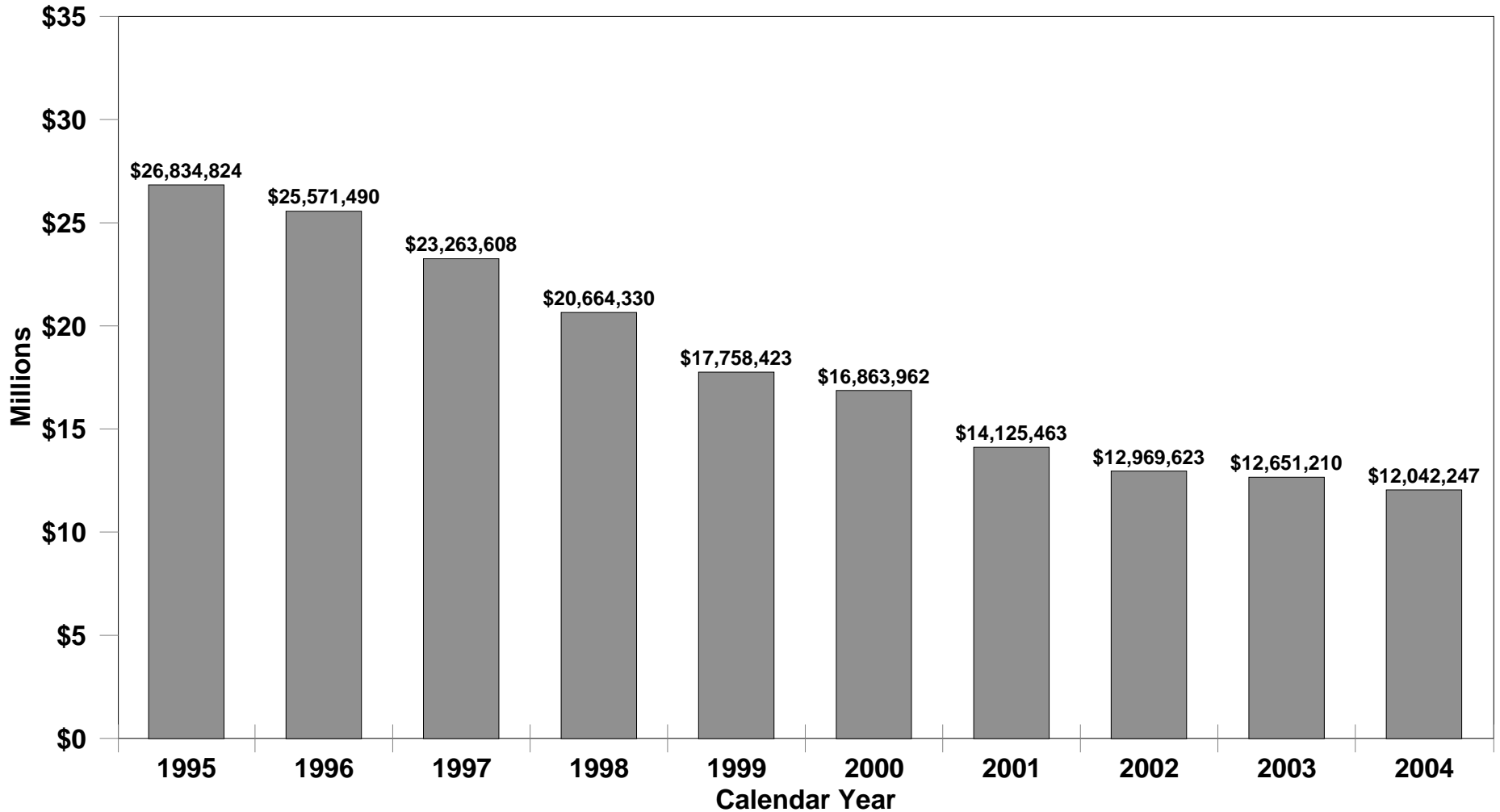


Ownership Expense

Nursing Facilities

Renovation Expense

(1995 - 2004)

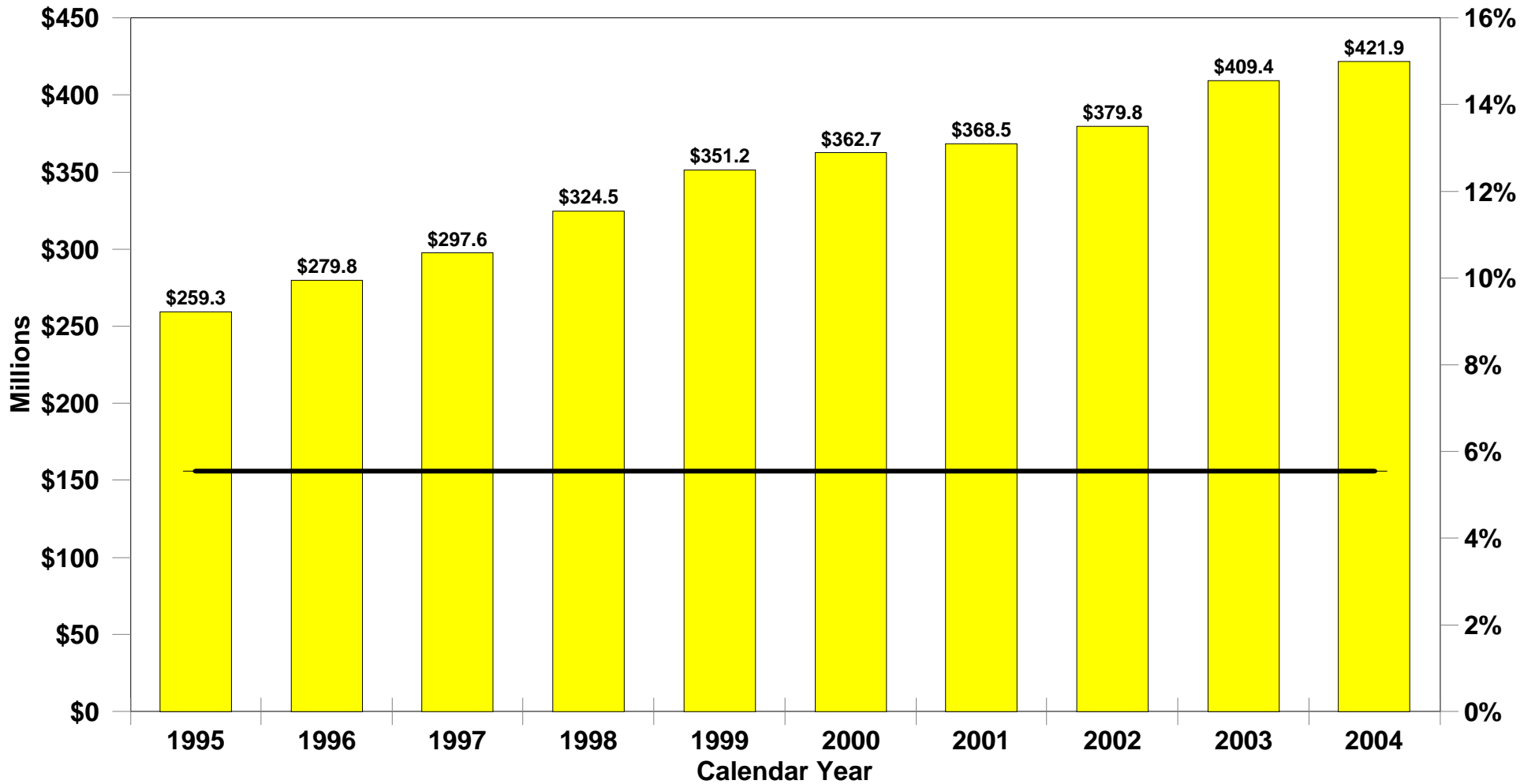


Renovation Expense

Nursing Facilities

Capital Expense

(1995 - 2004)



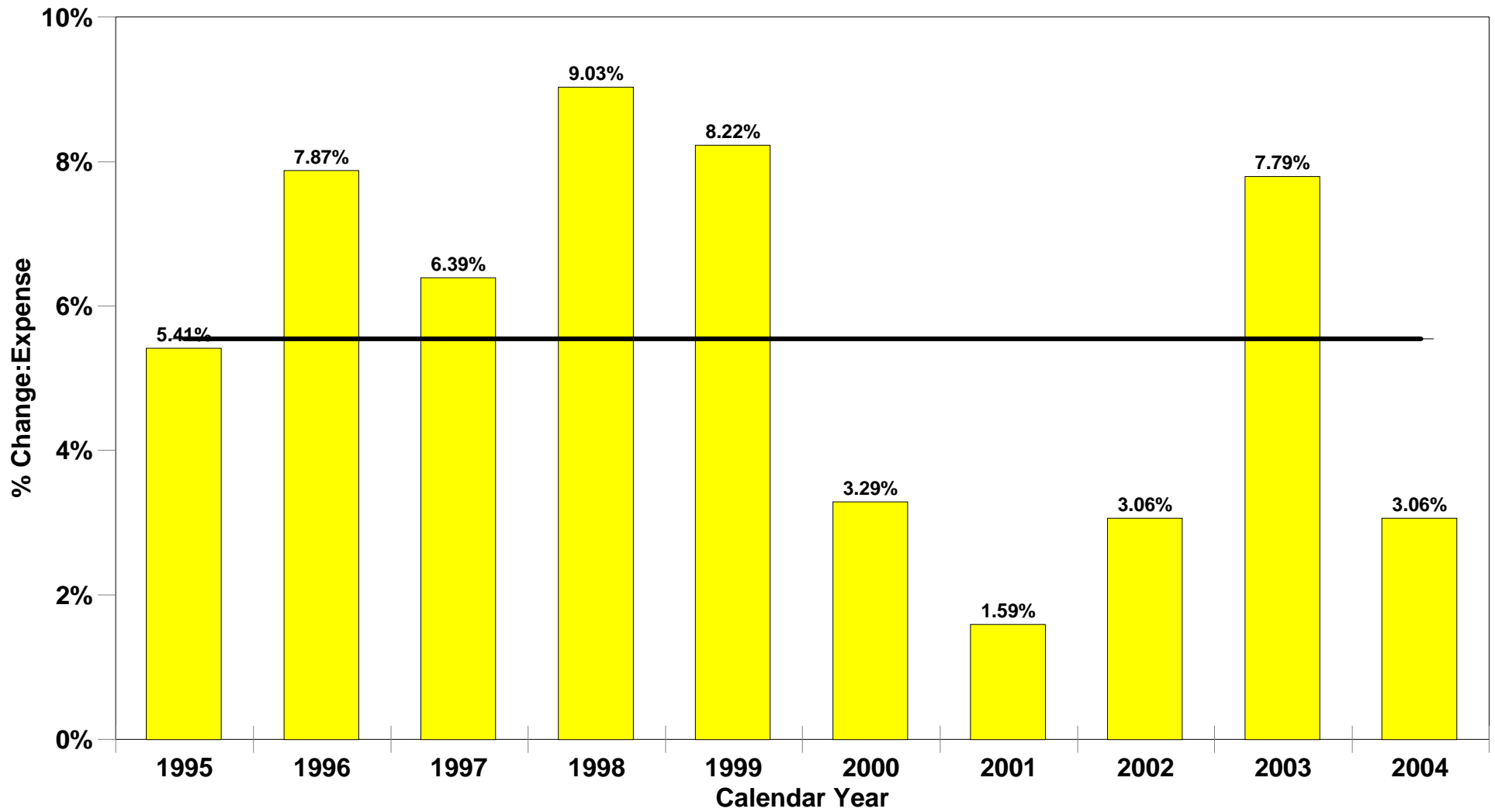
 Capital Expense


 Compound Annual Growth Rate=5.54%

Nursing Facilities

Capital Expense

(1995 - 2004)



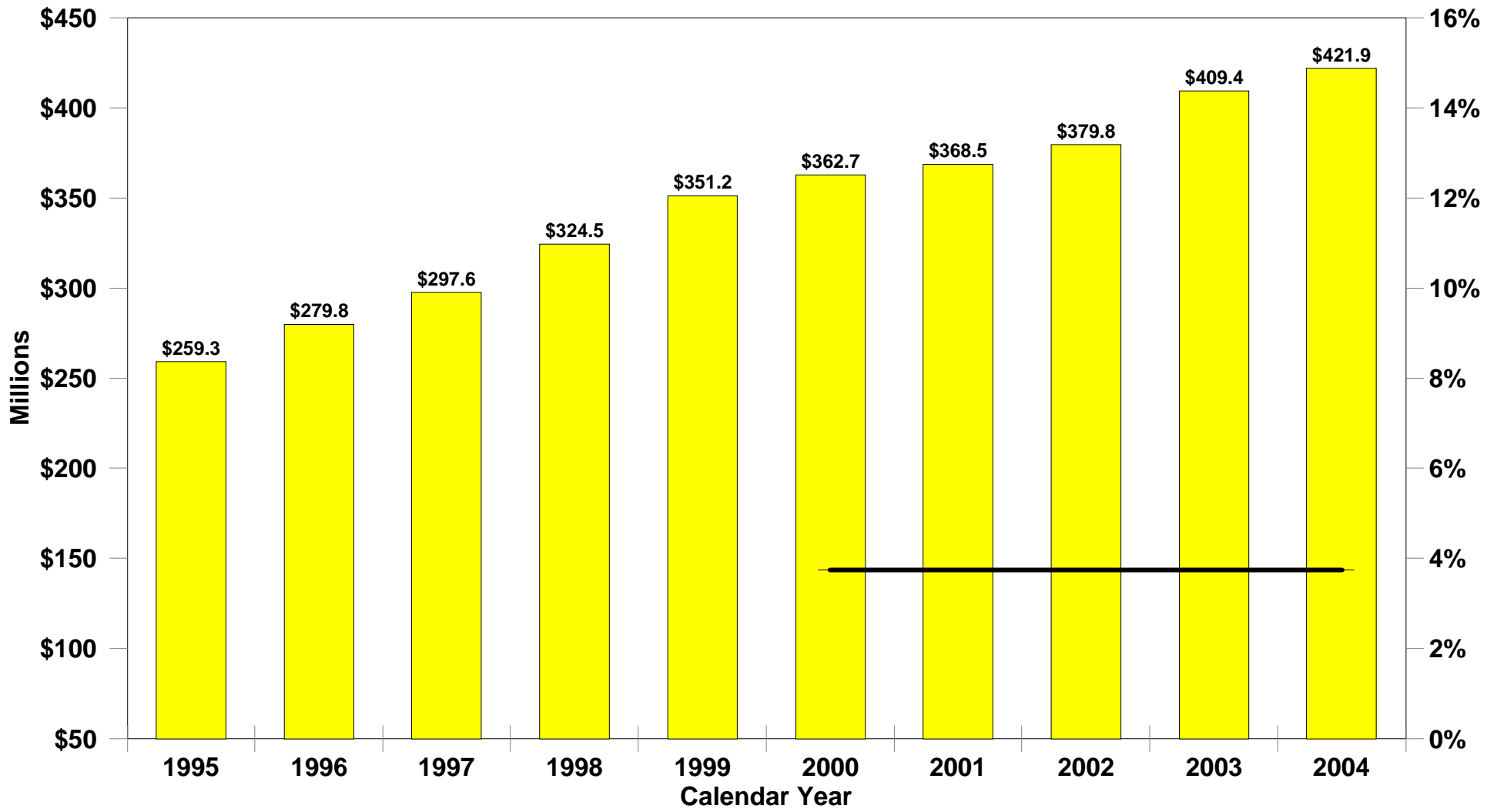
 % Change

 Compound Annual Growth Rate=5.54%

Nursing Facilities

Capital Expense

(1995 - 2004)



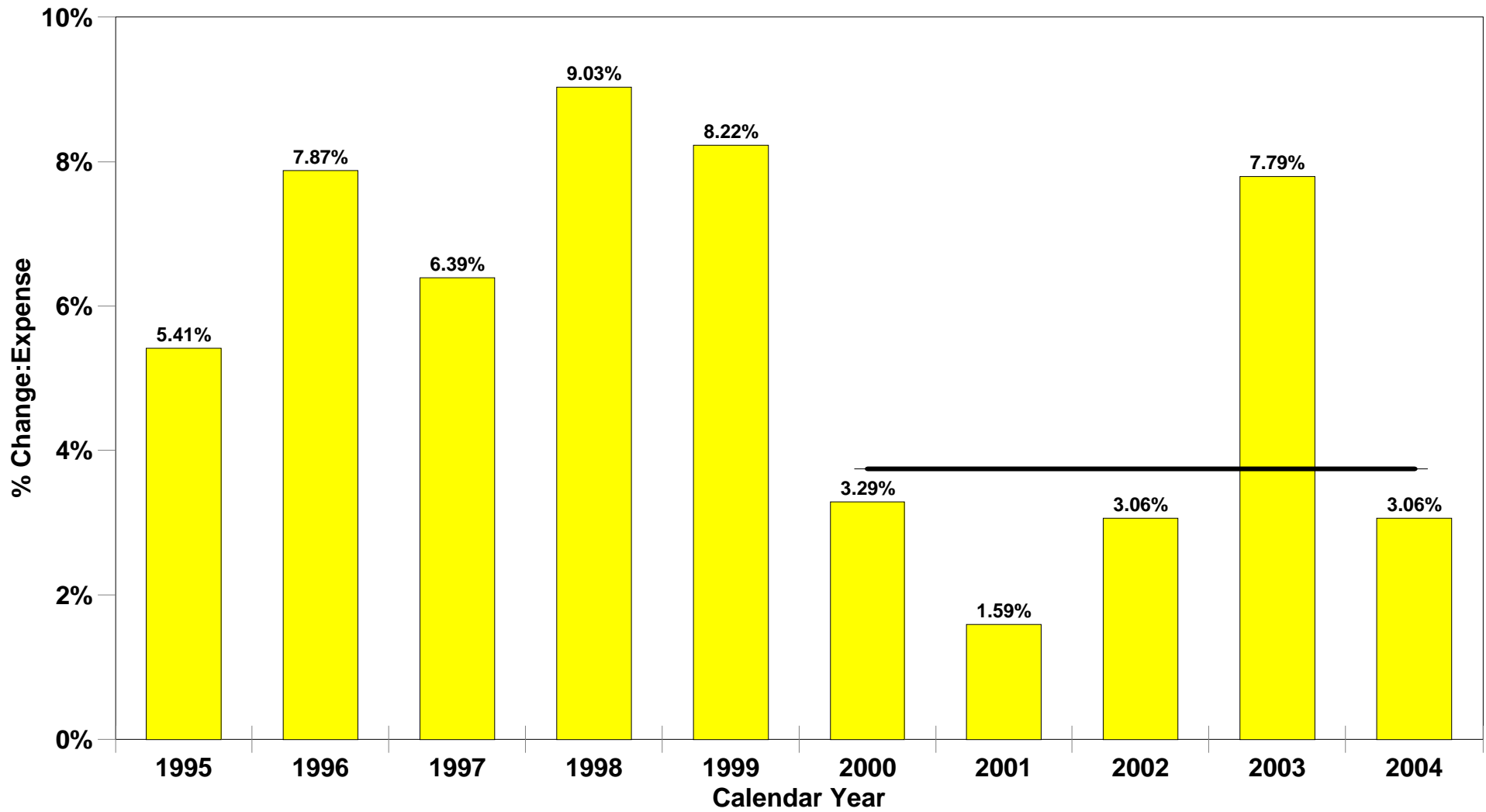
 Capital Expense


 Compound Annual Growth Rate=3.74%

Nursing Facilities

Capital Expense

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=3.74%

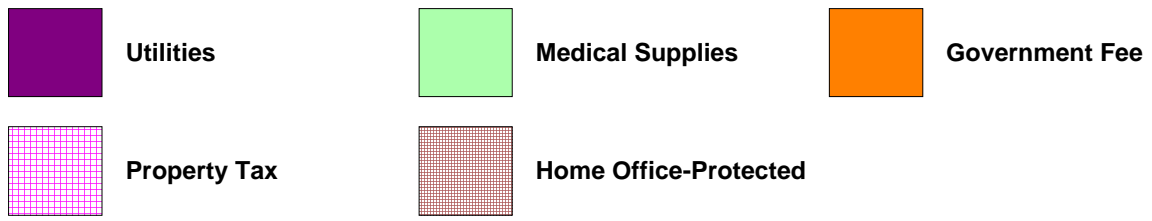
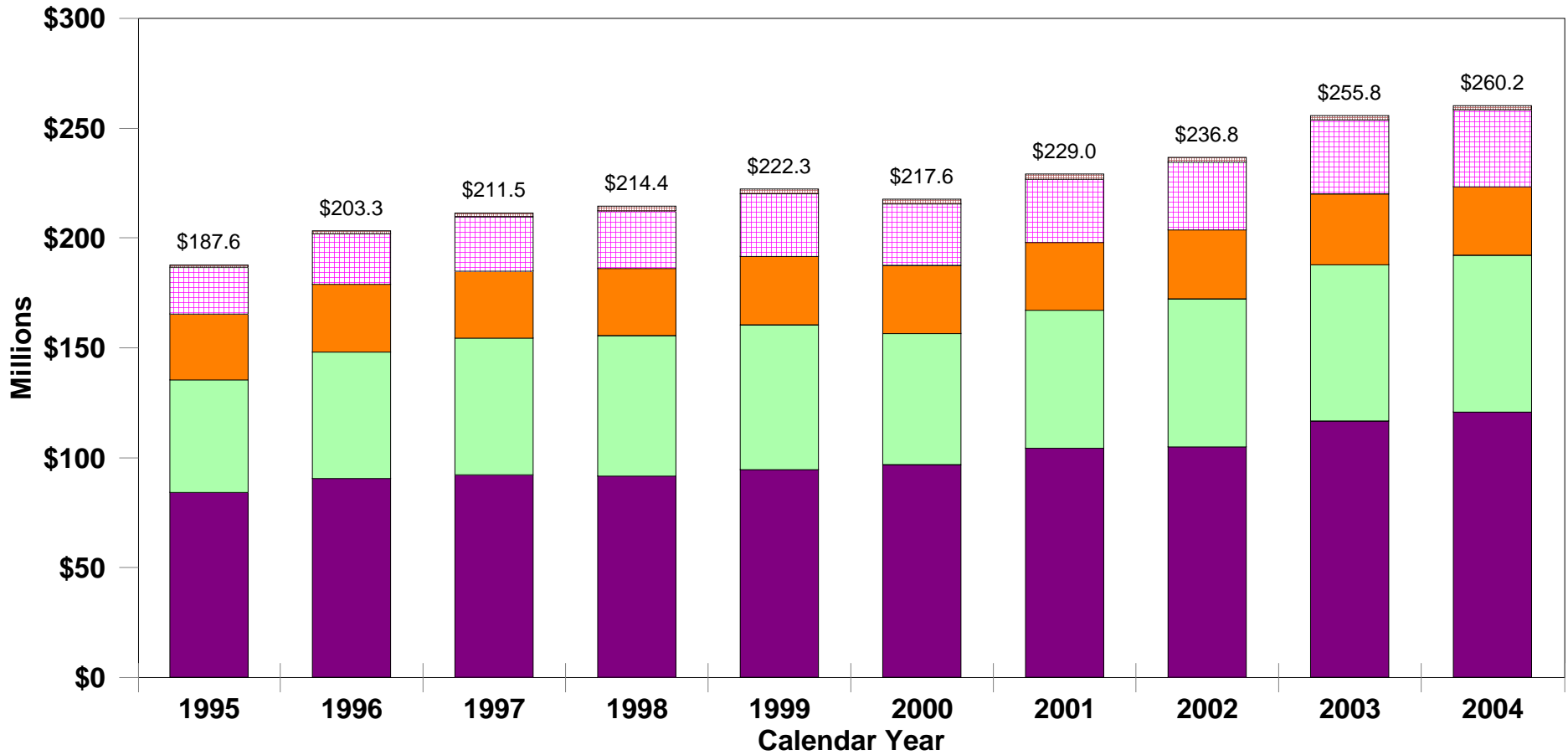
Protected Cost Center

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

Nursing Facilities

Protected Filed Expense

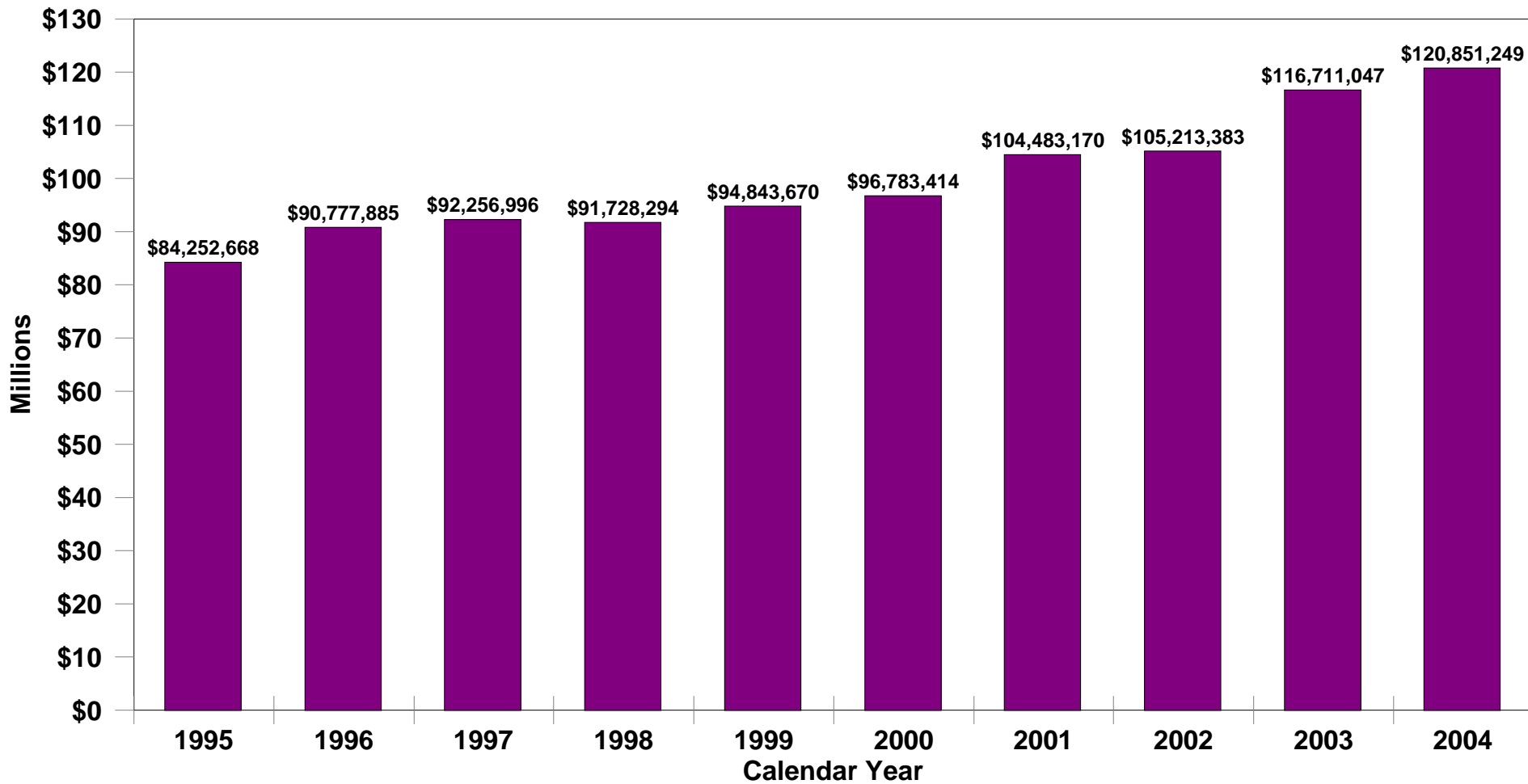
(1995 - 2004)



Nursing Facilities

Utilities Expense

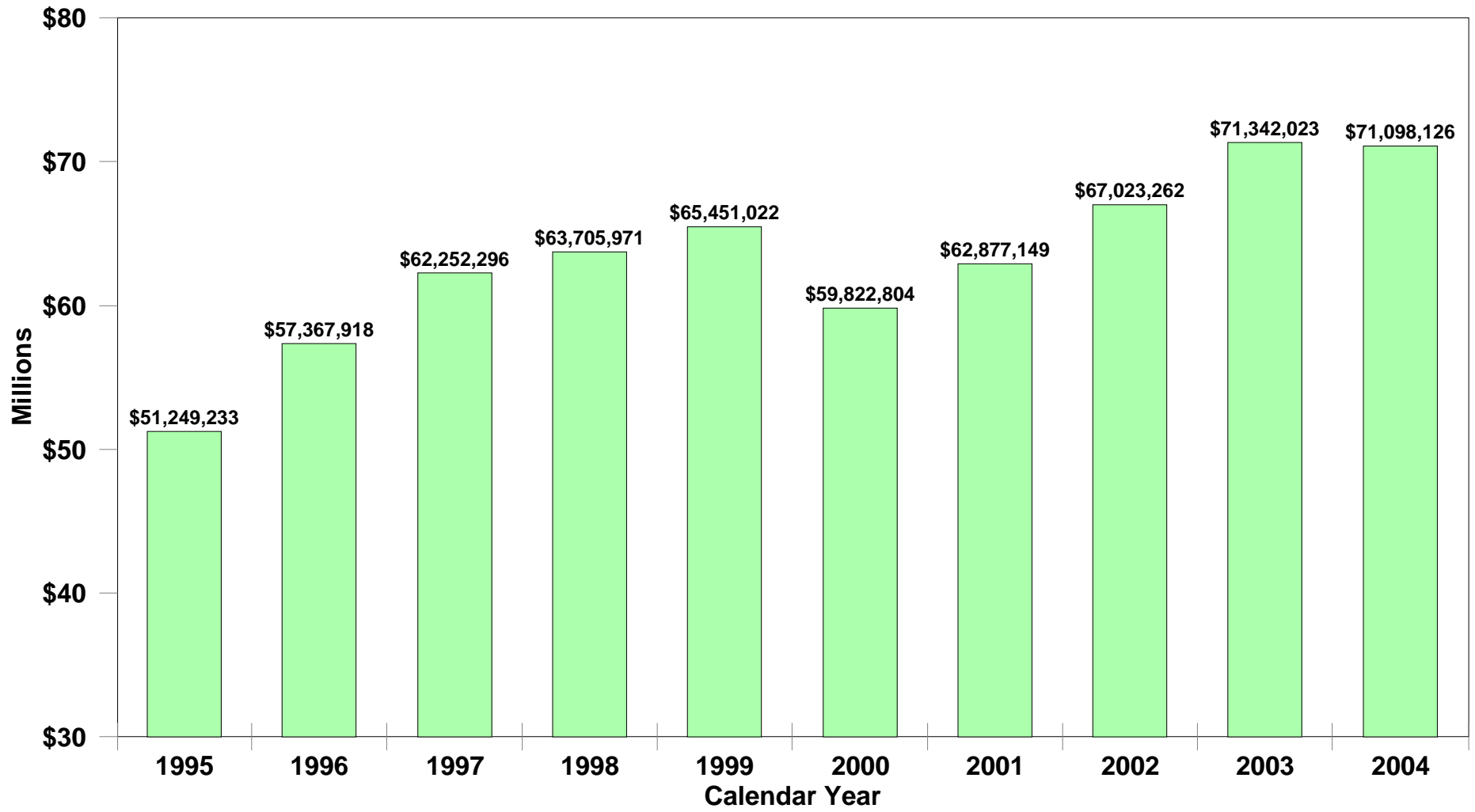
(1995 - 2004)



Utilities Expense

Nursing Facilities Medical Supplies Expense

(1995 - 2004)

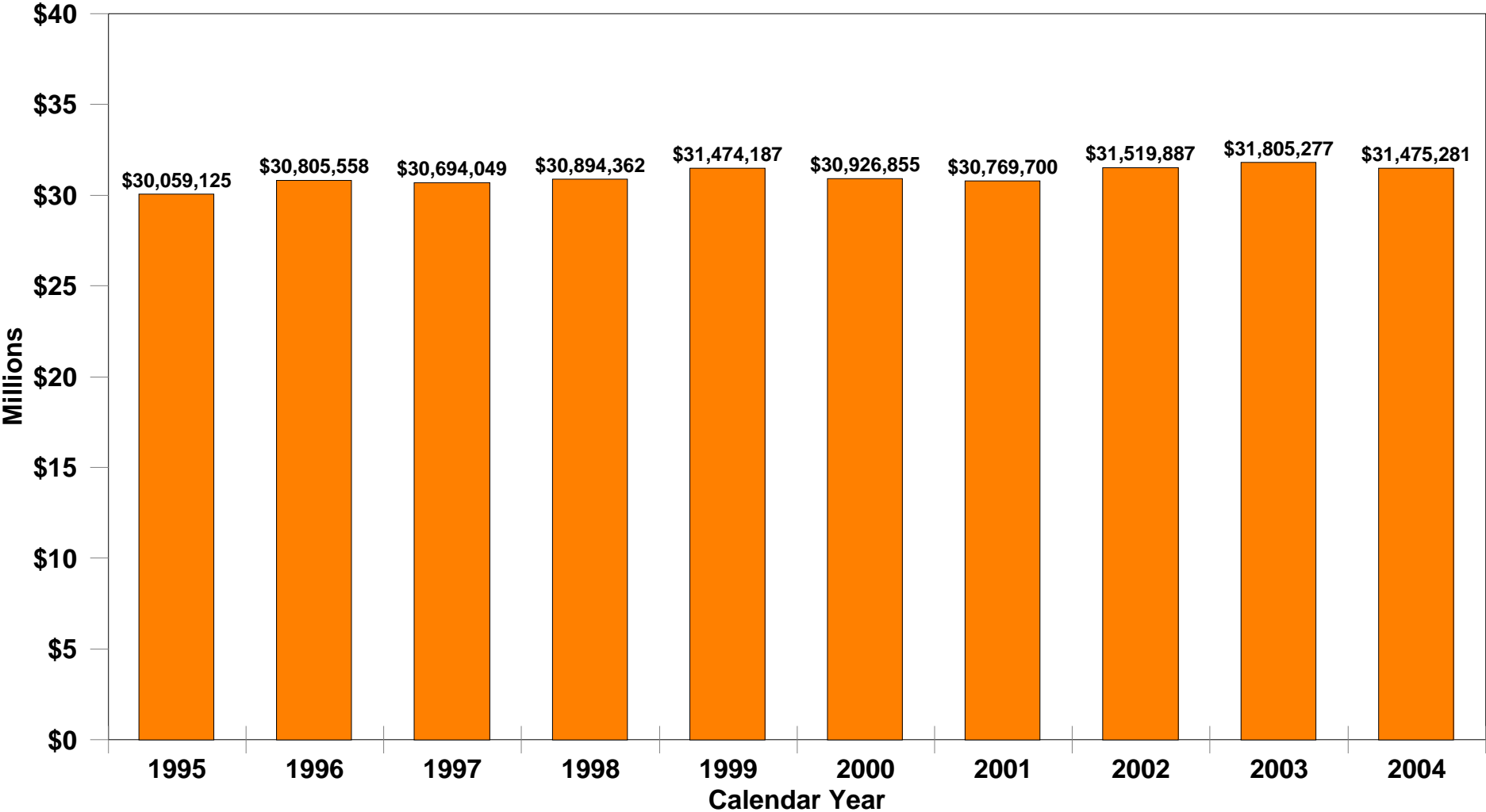


 Medical Supplies Expense

Nursing Facilities

Government Fee Expense

(1995 - 2004)

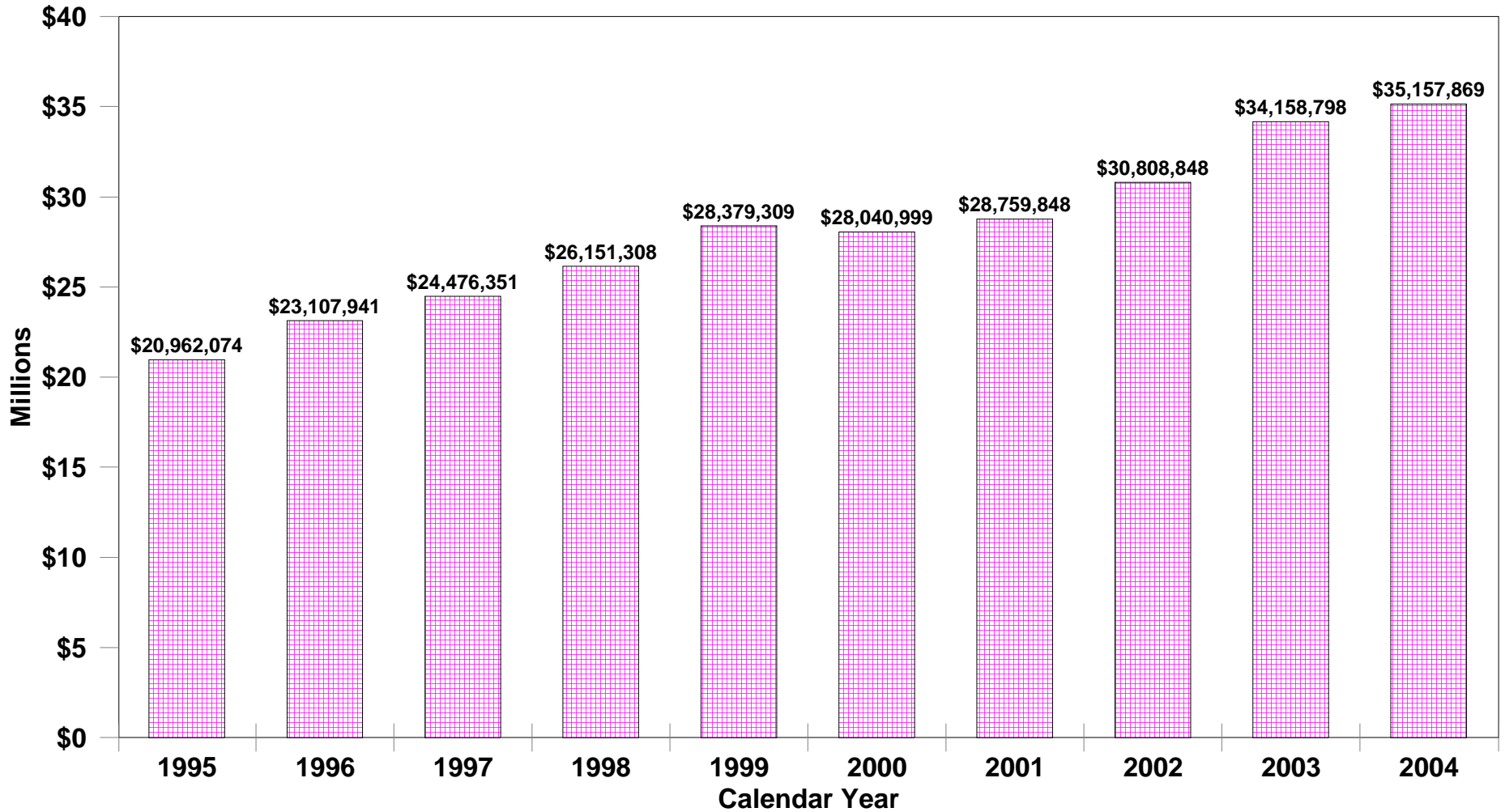


 Government Fee Expense

Nursing Facilities

Property Tax Expense

(1995 - 2004)

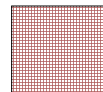
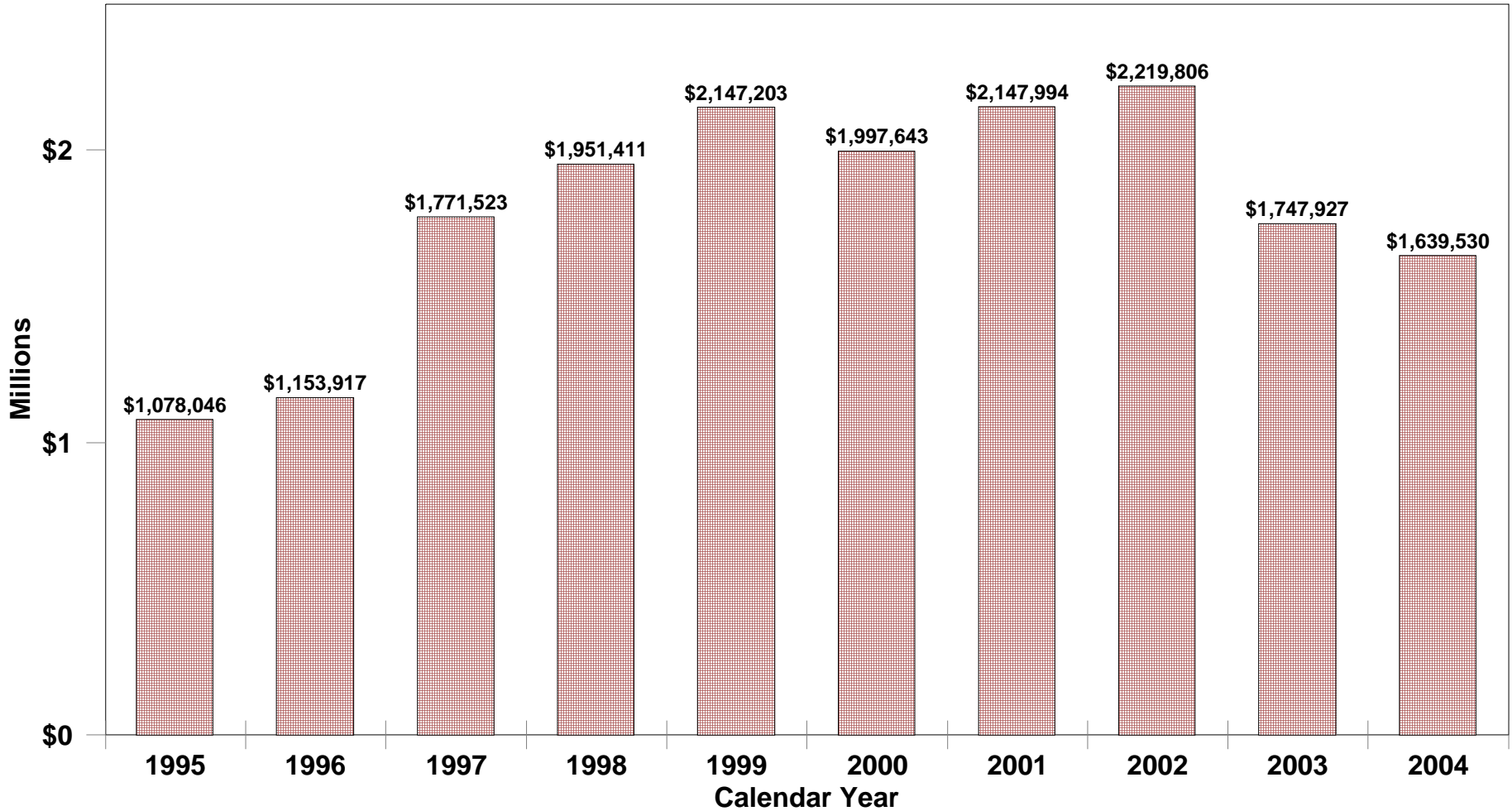


 Property Tax Expense

Nursing Facilities

Home Office: Protected Expense

(1995 - 2004)

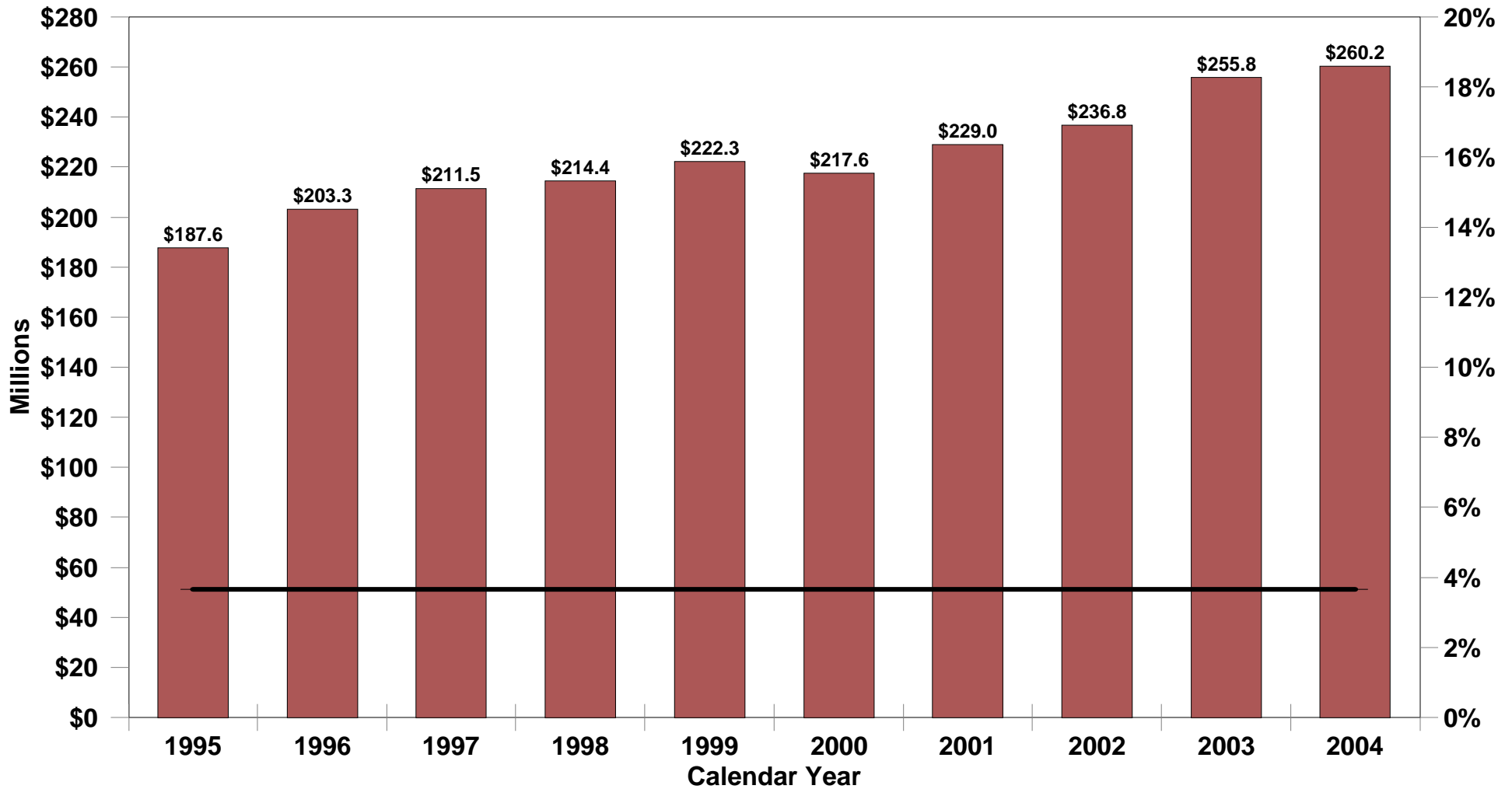


Home Office: Protected Expense

Nursing Facilities

Protected Expense

(1995 - 2004)



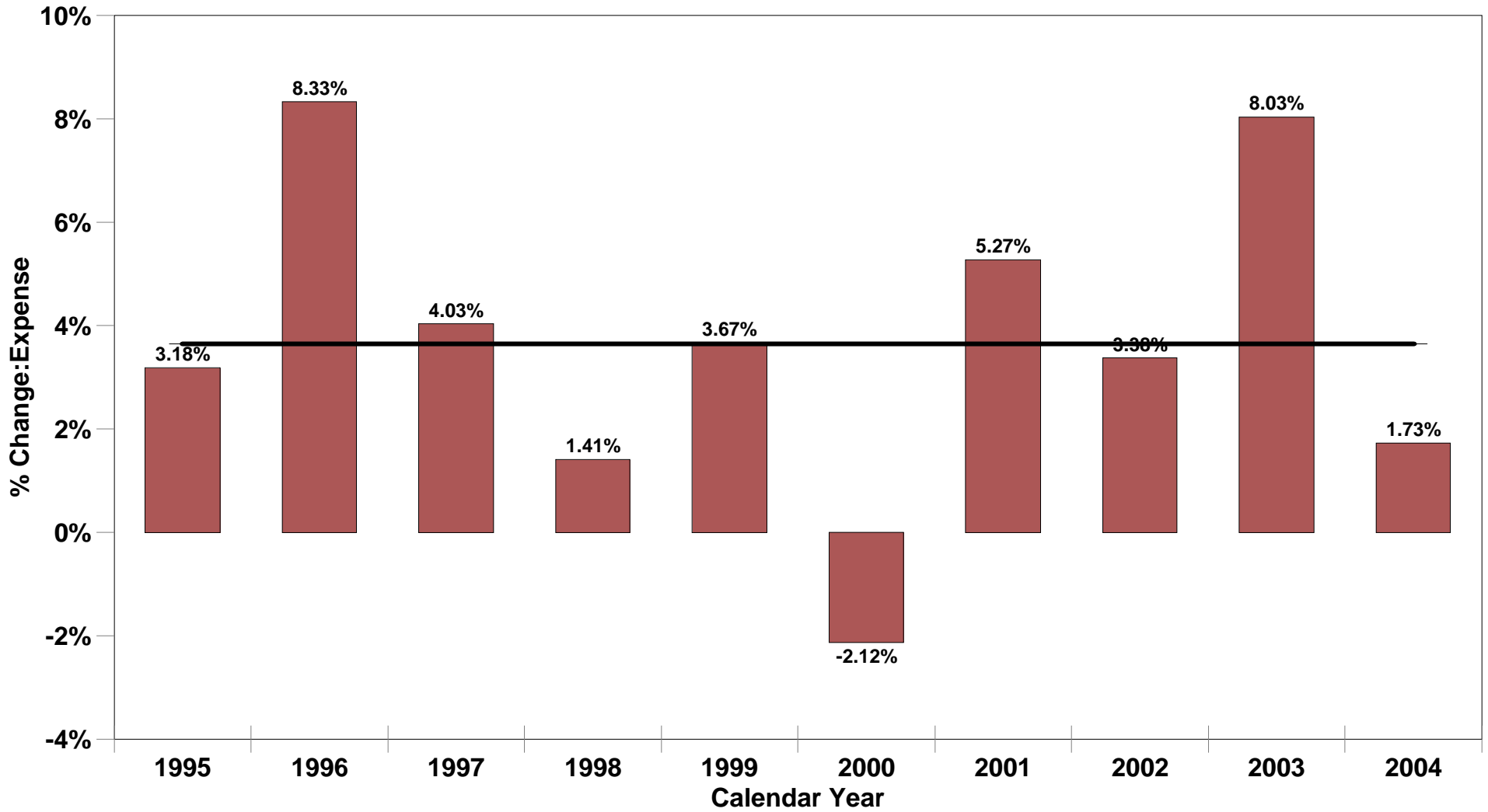
 Protected Expense

 Compound Annual Growth Rate=3.65%

Nursing Facilities

Protected Expense

(1995 - 2004)

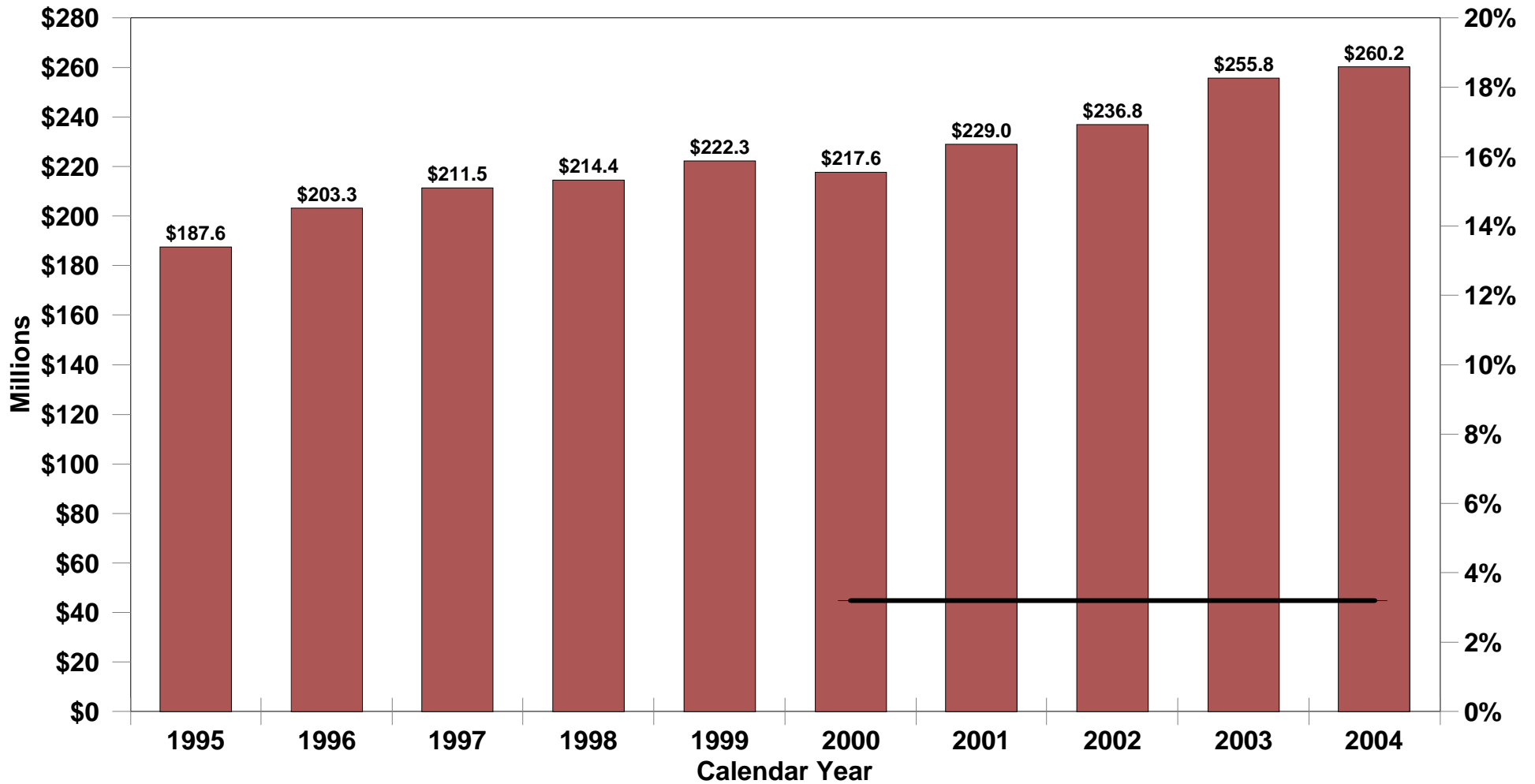


 % Change

 Compound Annual Growth Rate=3.65%

Nursing Facilities Protected Expense

(1995 - 2004)

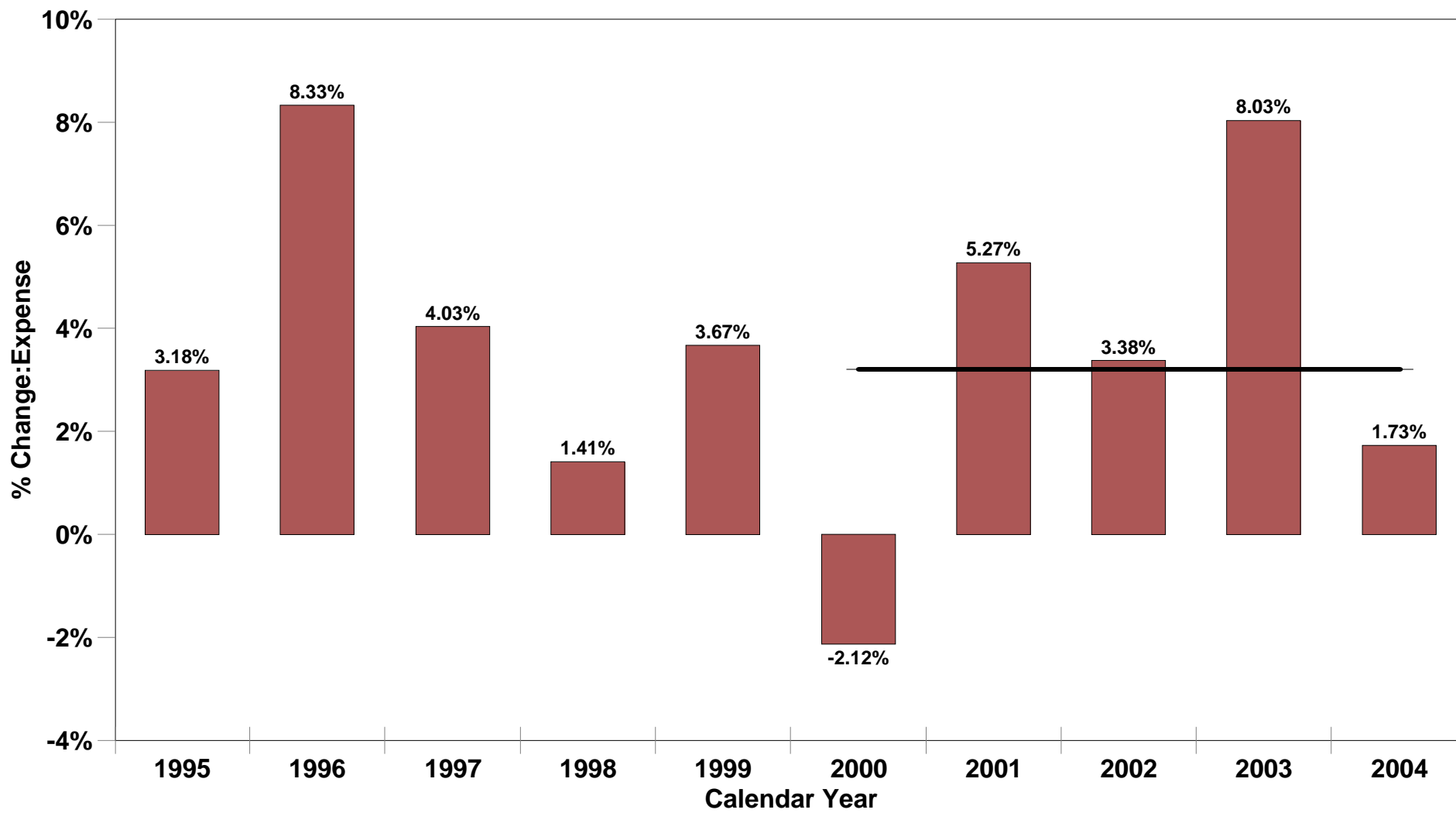



 Protected Expense

 Compound Annual Growth Rate=3.20%

Nursing Facilities Protected Expense

(1995 - 2004)



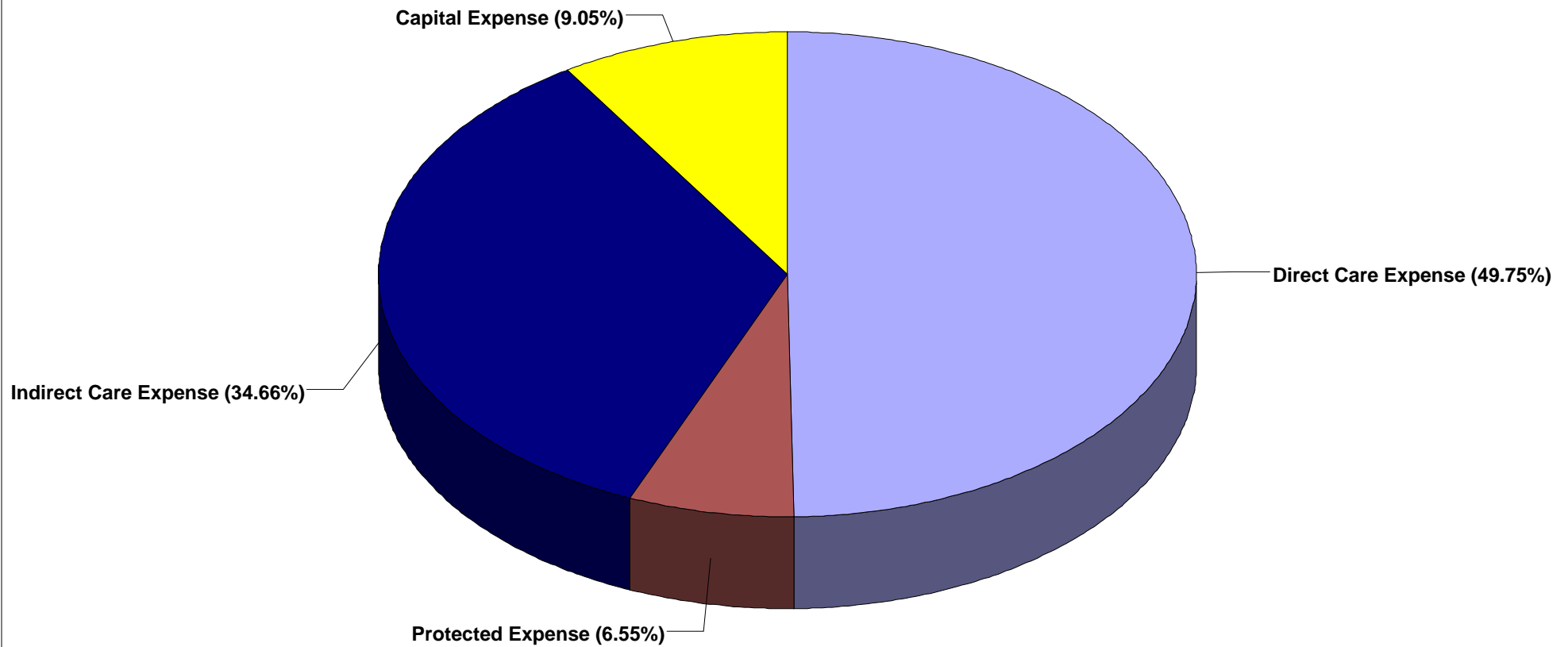
 % Change

 Compound Annual Growth Rate=3.20%

Nursing Facilities

Percent of Total Filed Cost

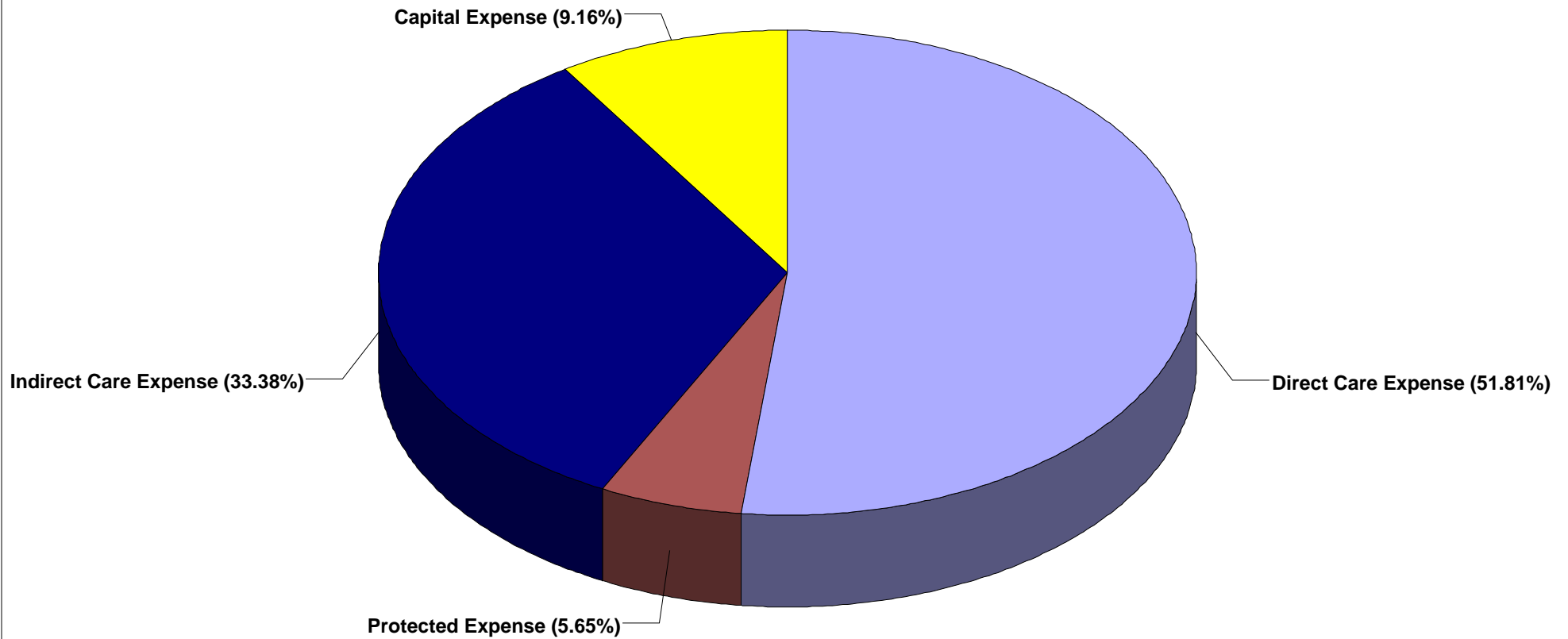
(Cost Centers 1995)



Nursing Facilities

Percent of Total Filed Cost

(Cost Centers 2004)



Per Diem Trends

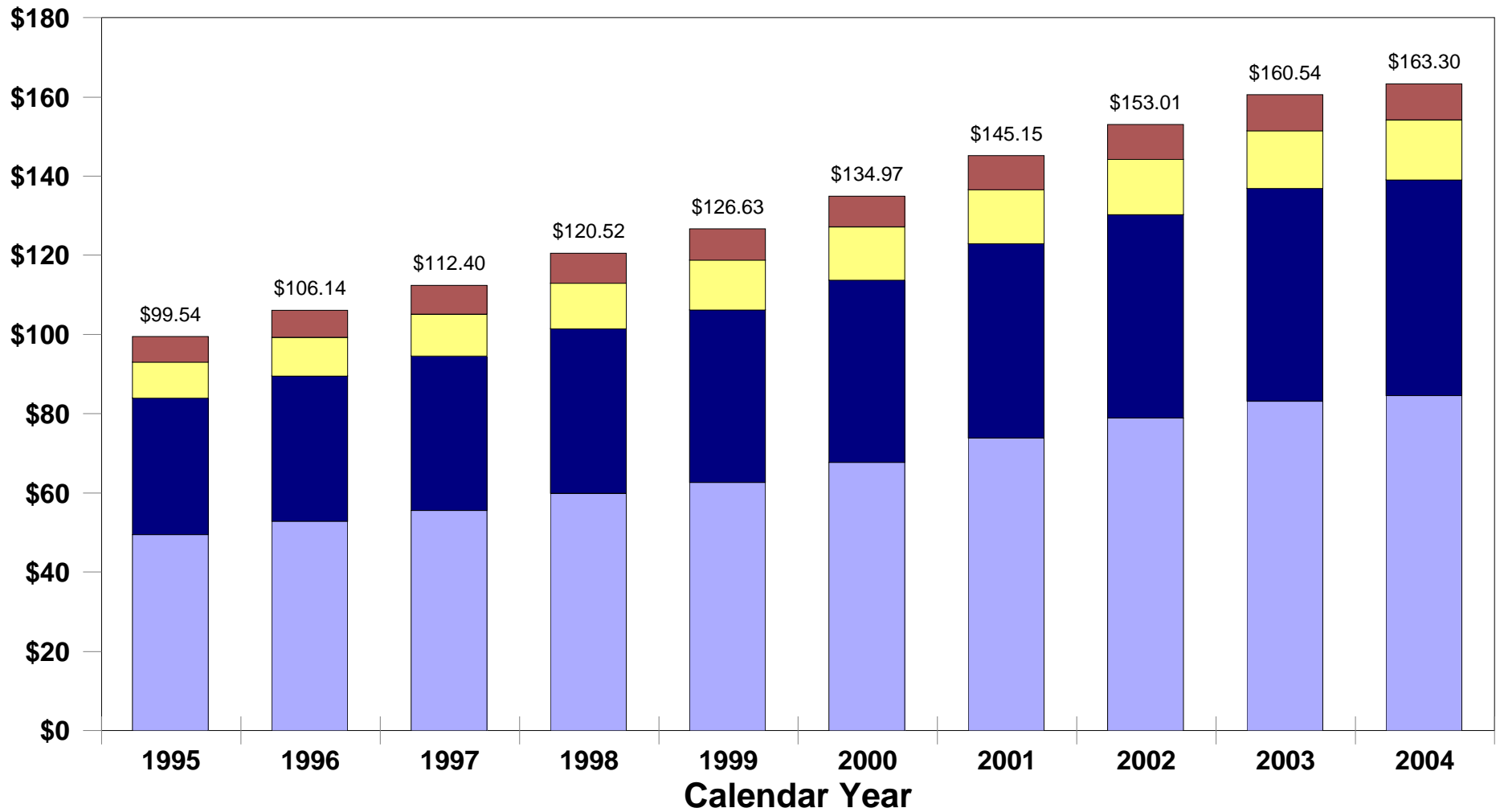
- < **Total Per Diem**
- < **Direct Care Cost Center**
- < **Indirect Care Cost Center**
- < **Capital Cost Center**
- < **Protected Cost Center**

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

Nursing Facilities

Total Cost Per Diem

(1995 - 2004)



Direct



Indirect



Capital

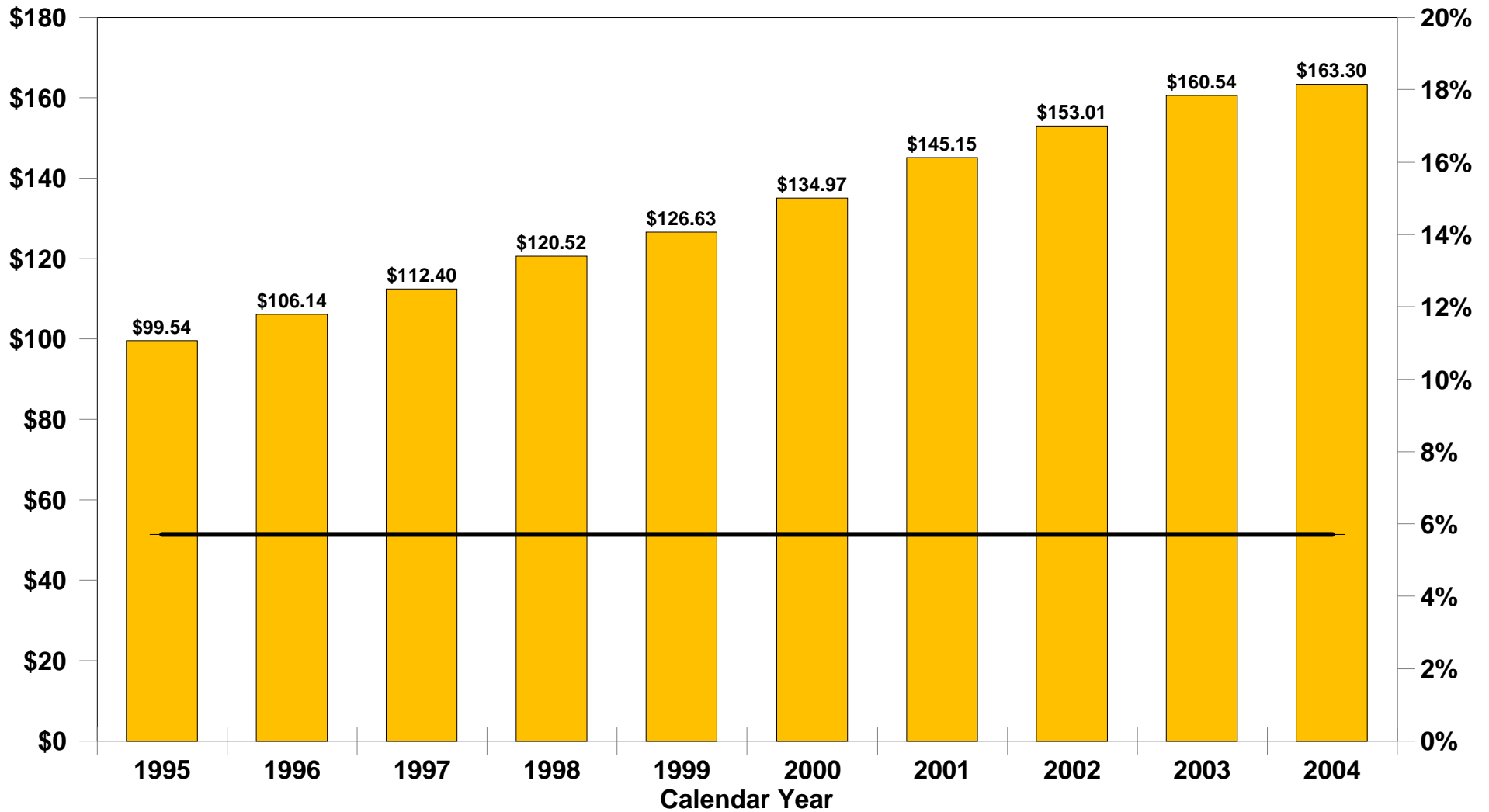


Protected

Nursing Facilities

Total Expense Per Diem

(1995 - 2004)



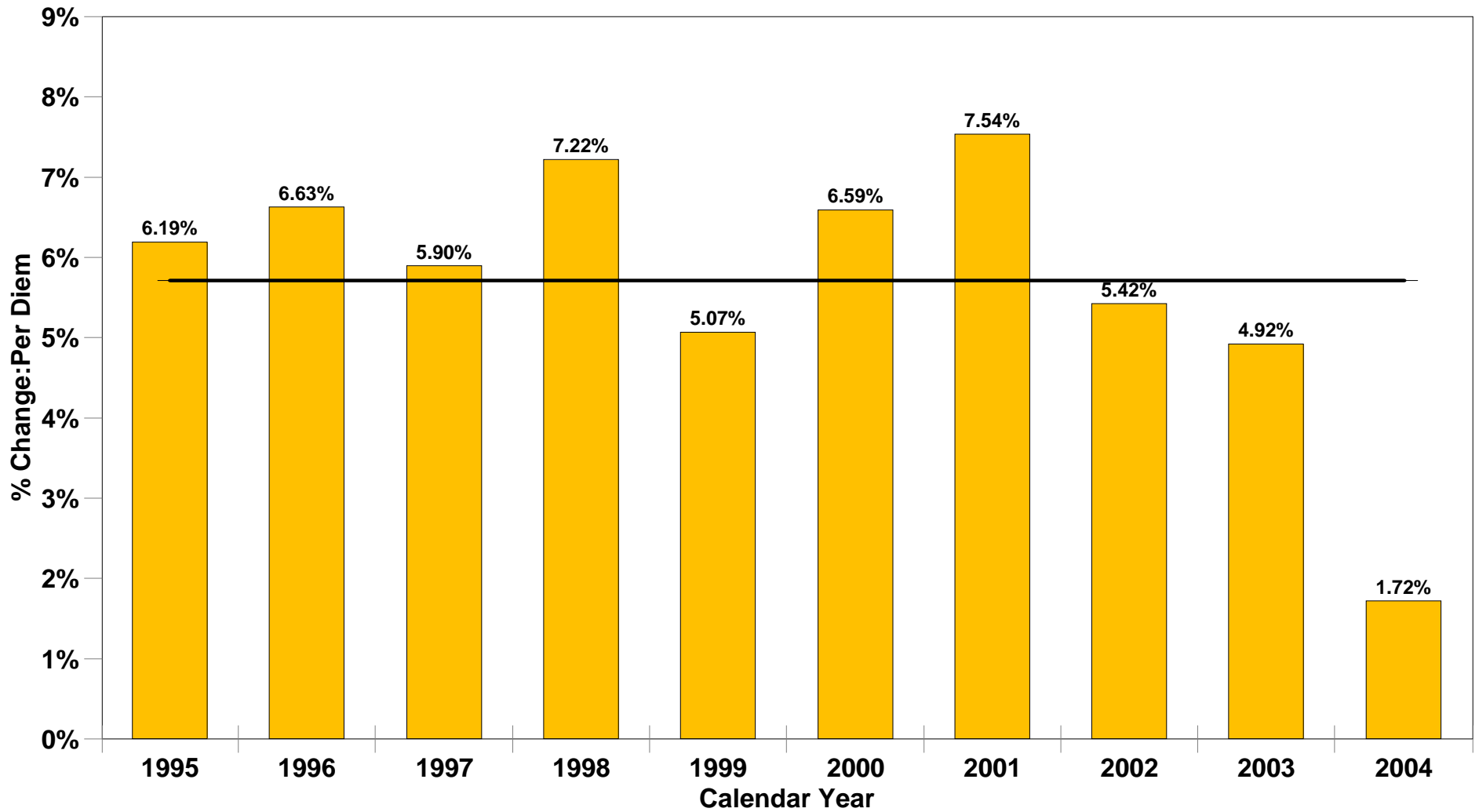
 Total Per Diem

 Compound Annual Growth Rate=5.71%

Nursing Facilities

Total Expense Per Diem

(1995 - 2004)



% Change

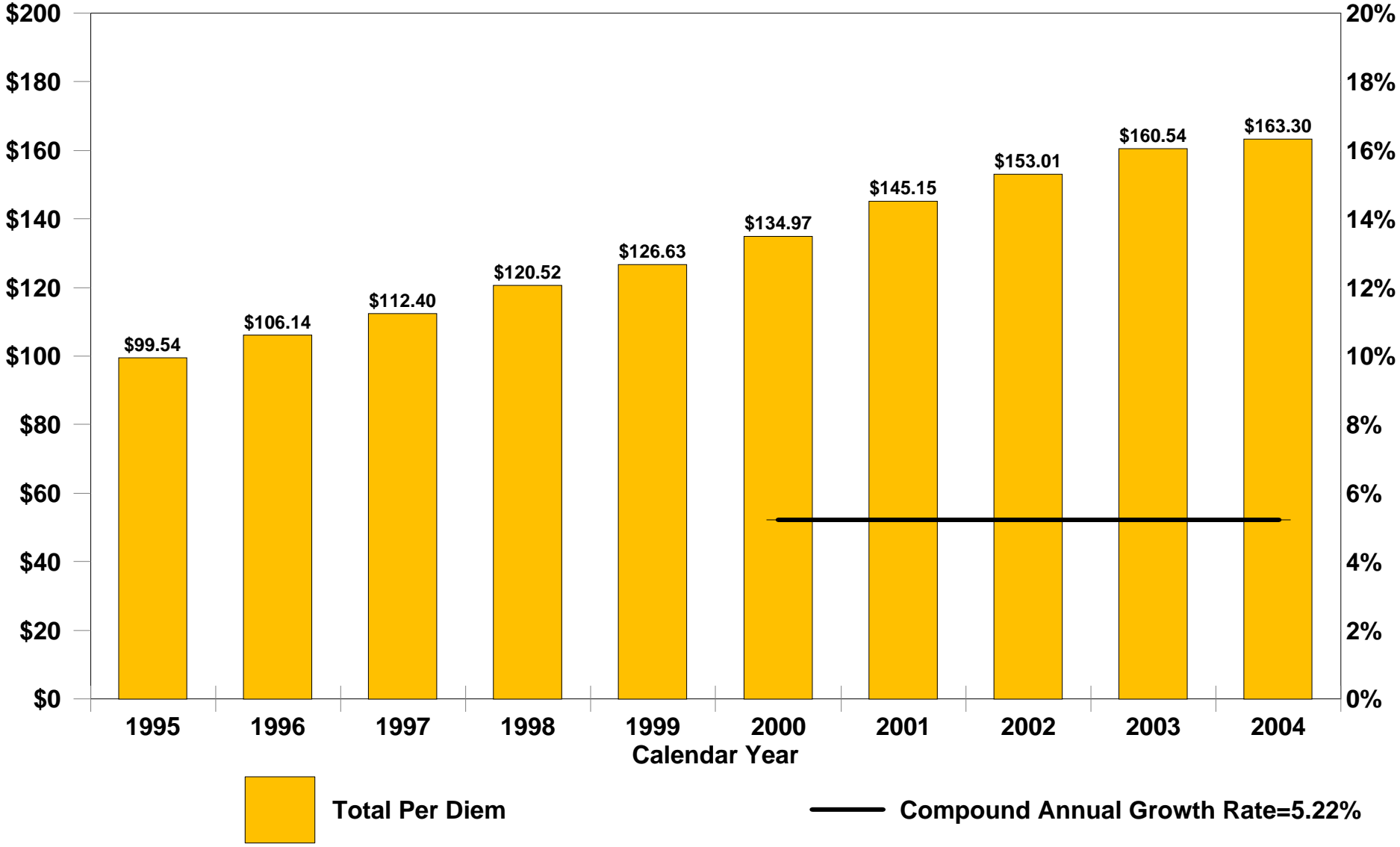


Compound Annual Growth Rate=5.71%

Nursing Facilities

Total Expense Per Diem

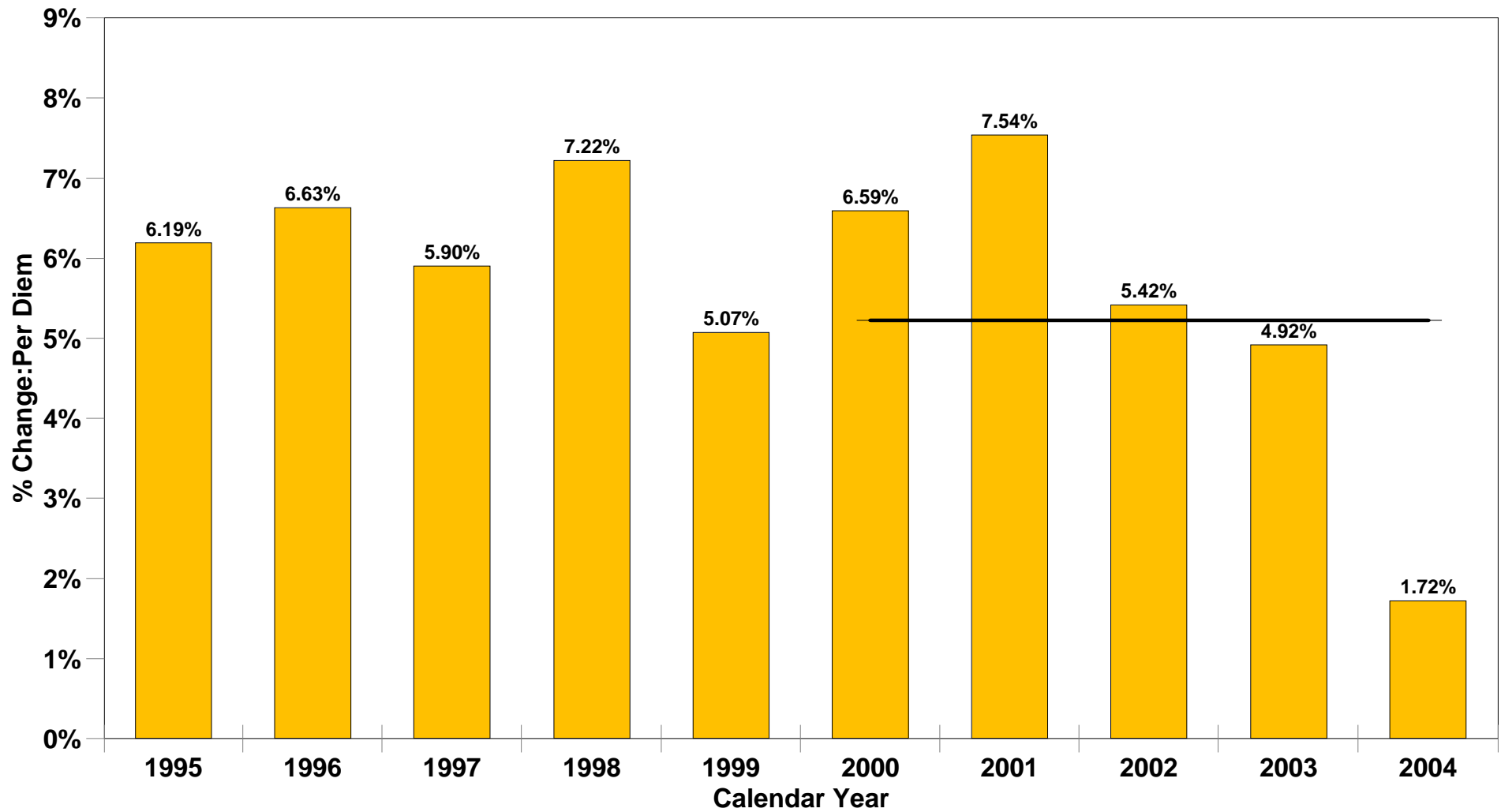
(1995 - 2004)




Nursing Facilities

Total Expense Per Diem

(1995 - 2004)



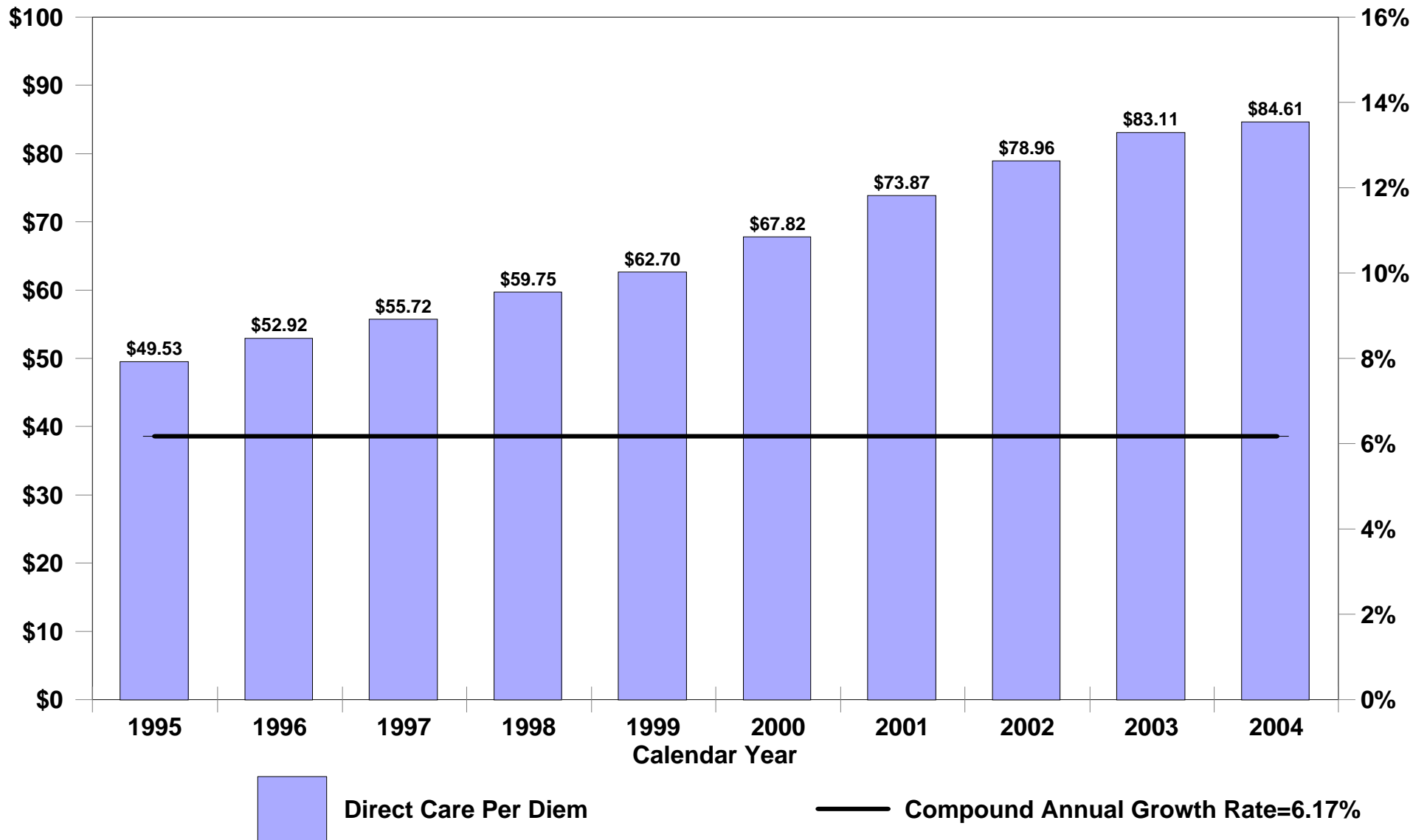
 % Change

 Compound Annual Growth Rate=5.22%

Nursing Facilities

Direct Care Expense Per Diem

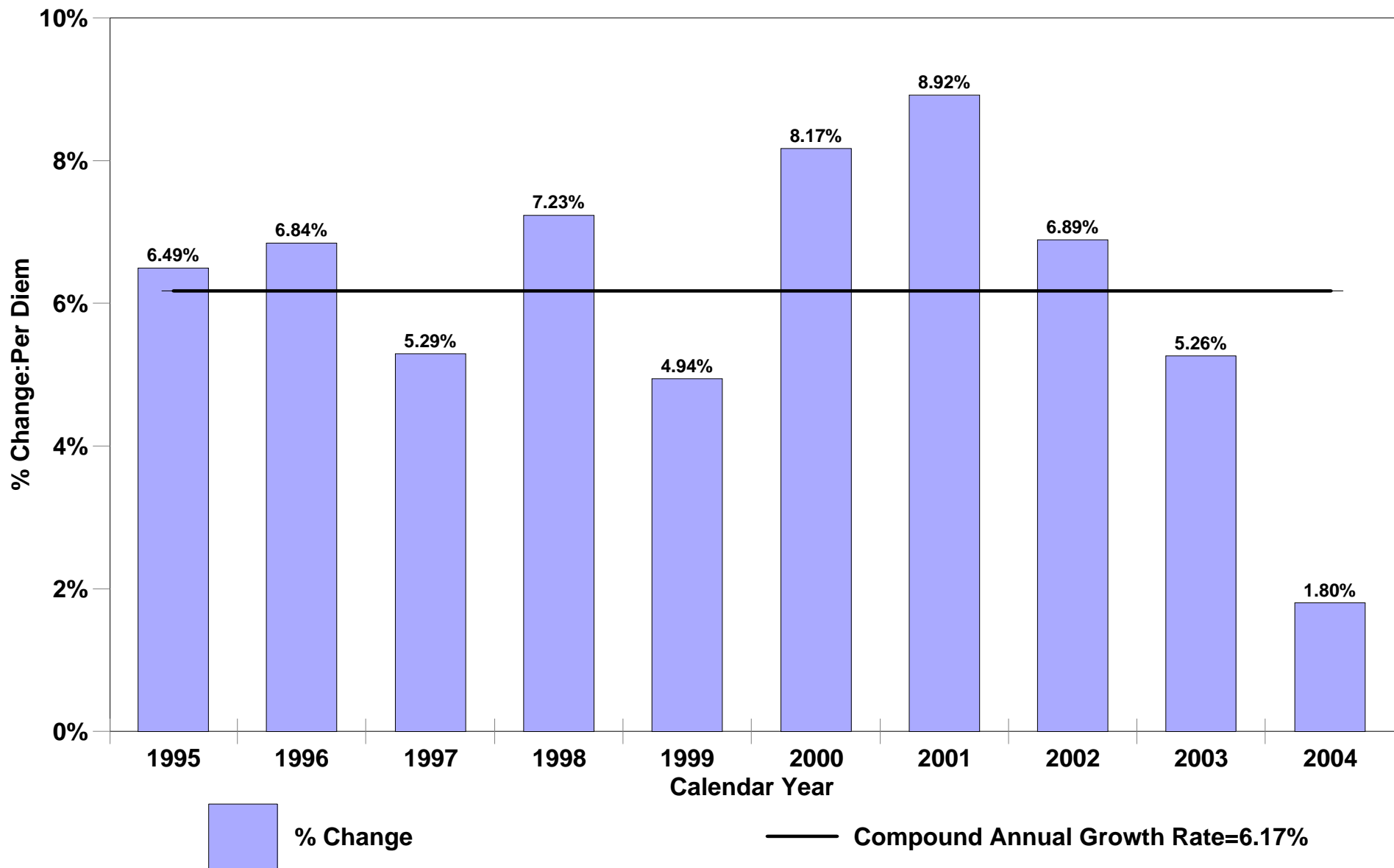
(1995 - 2004)



Nursing Facilities

Direct Care Expense Per Diem

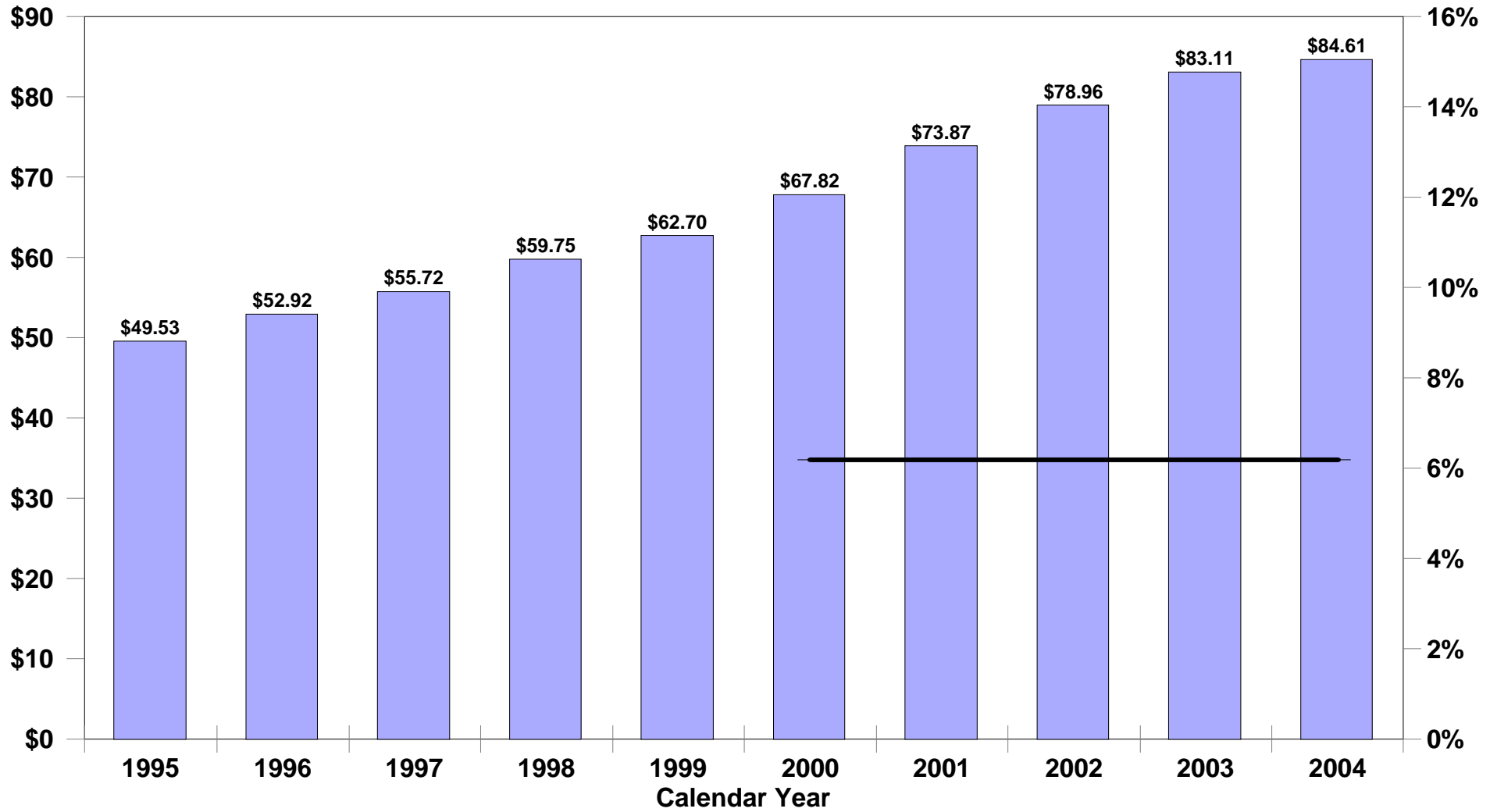
(1995 - 2004)



Nursing Facilities

Direct Care Expense Per Diem

(1995 - 2004)



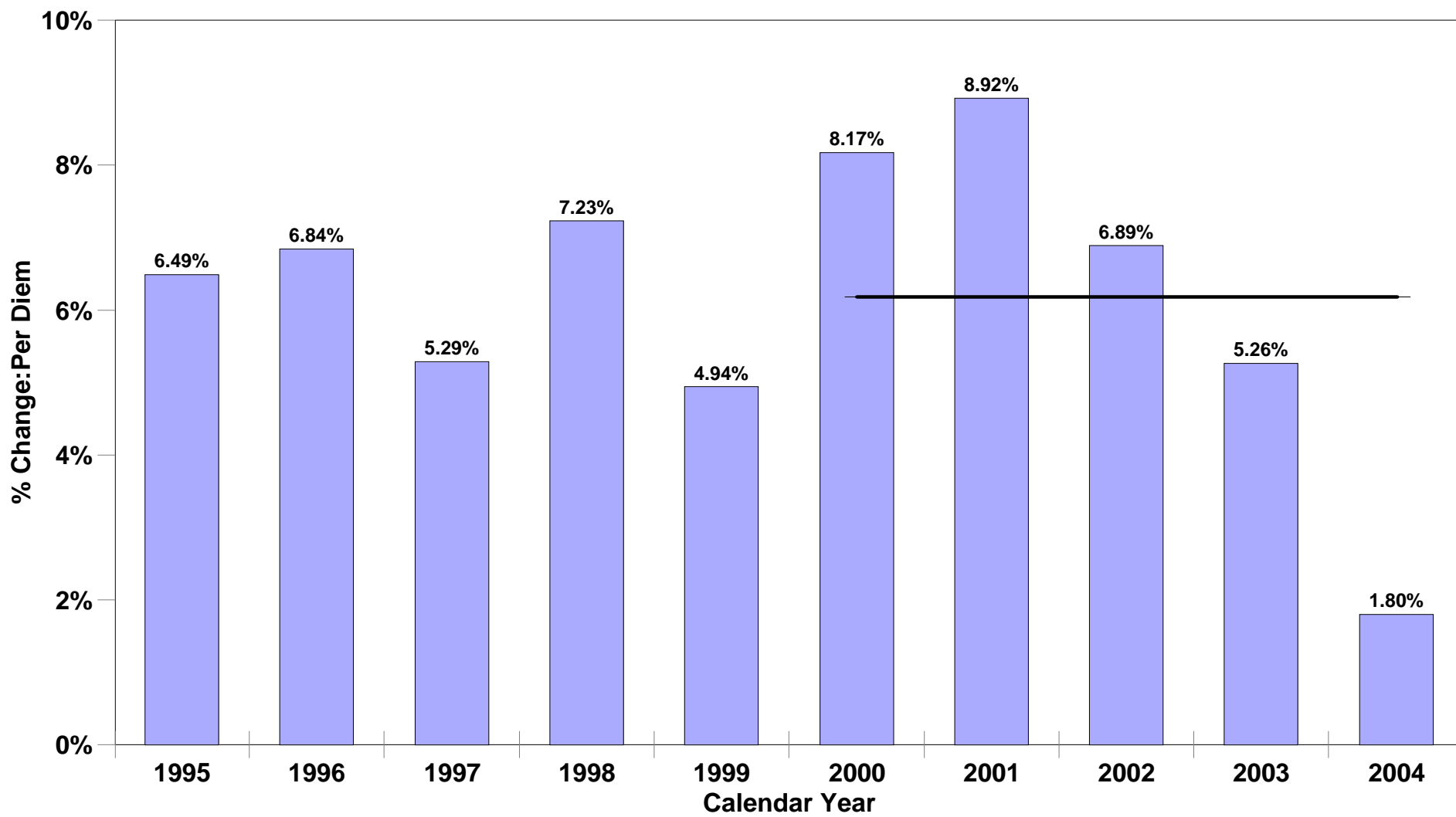
Direct Care Per Diem


Compound Annual Growth Rate=6.18%

Nursing Facilities

Direct Care Expense Per Diem

(1995 - 2004)



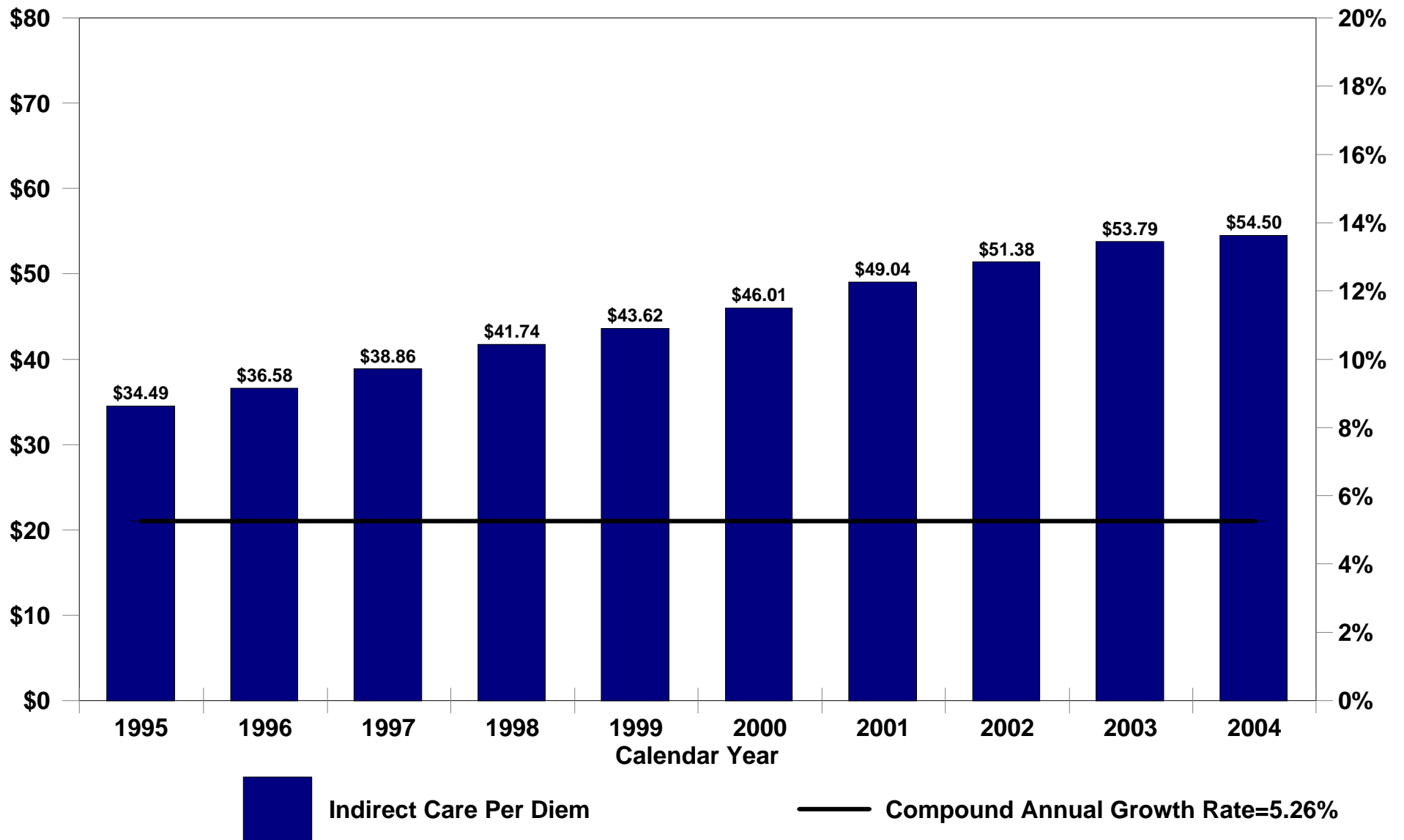
 % Change

 Compound Annual Growth Rate=6.18%

Nursing Facilities

Indirect Care Expense Per Diem

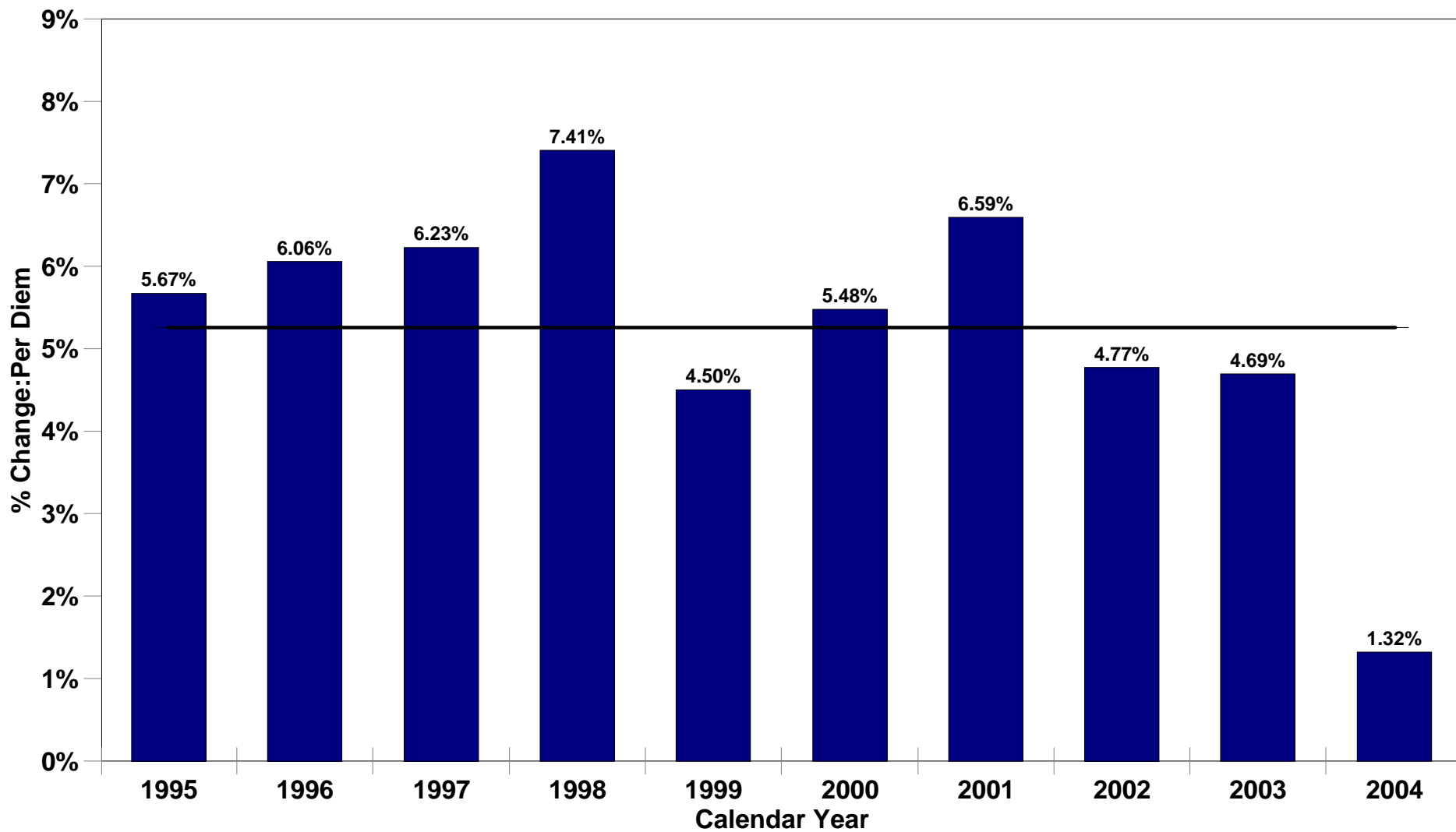
(1995 - 2004)



Nursing Facilities

Indirect Care Expense Per Diem

(1995 - 2004)



% Change

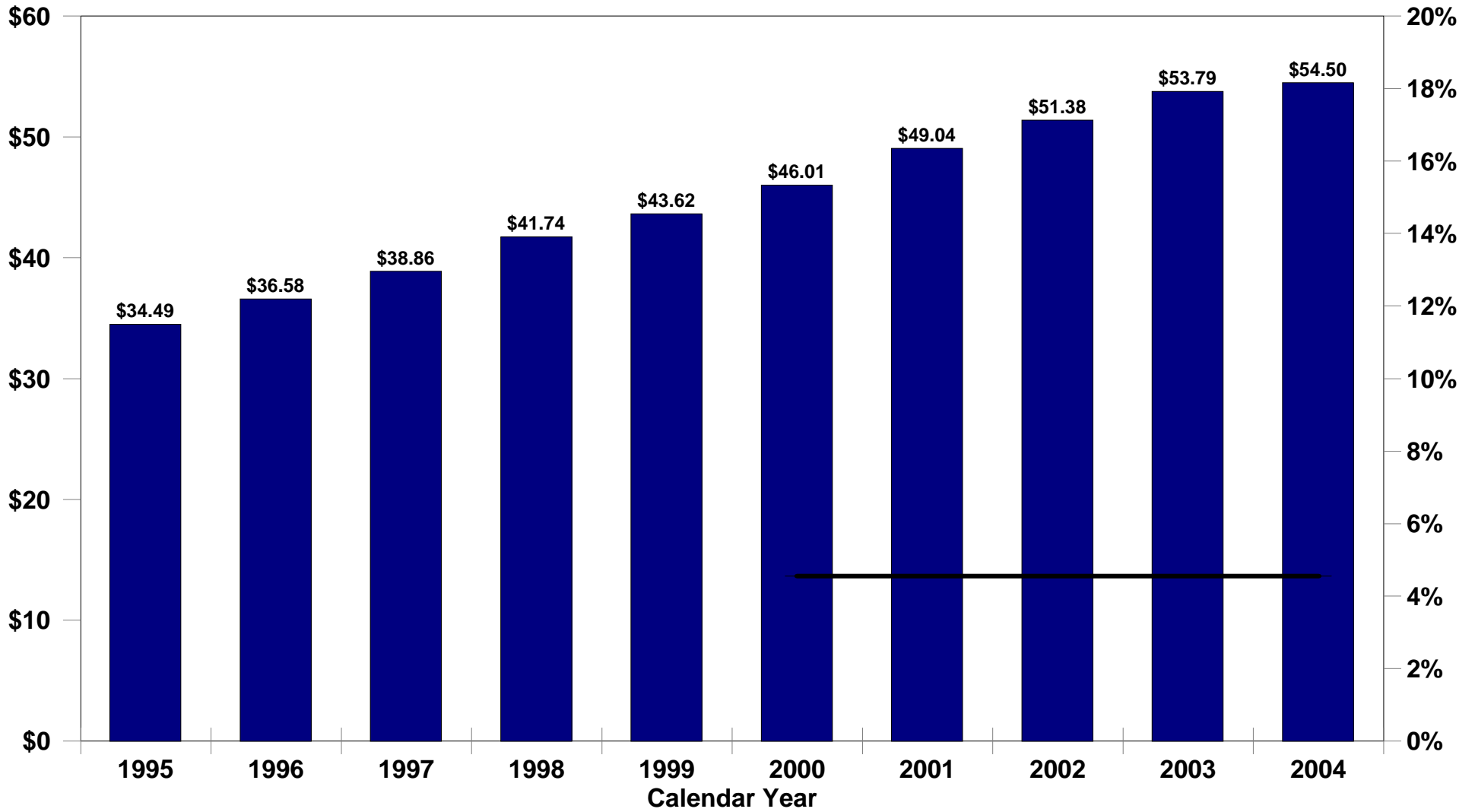


Compound Annual Growth Rate=5.26%

Nursing Facilities

Indirect Care Expense Per Diem

(1995 - 2004)



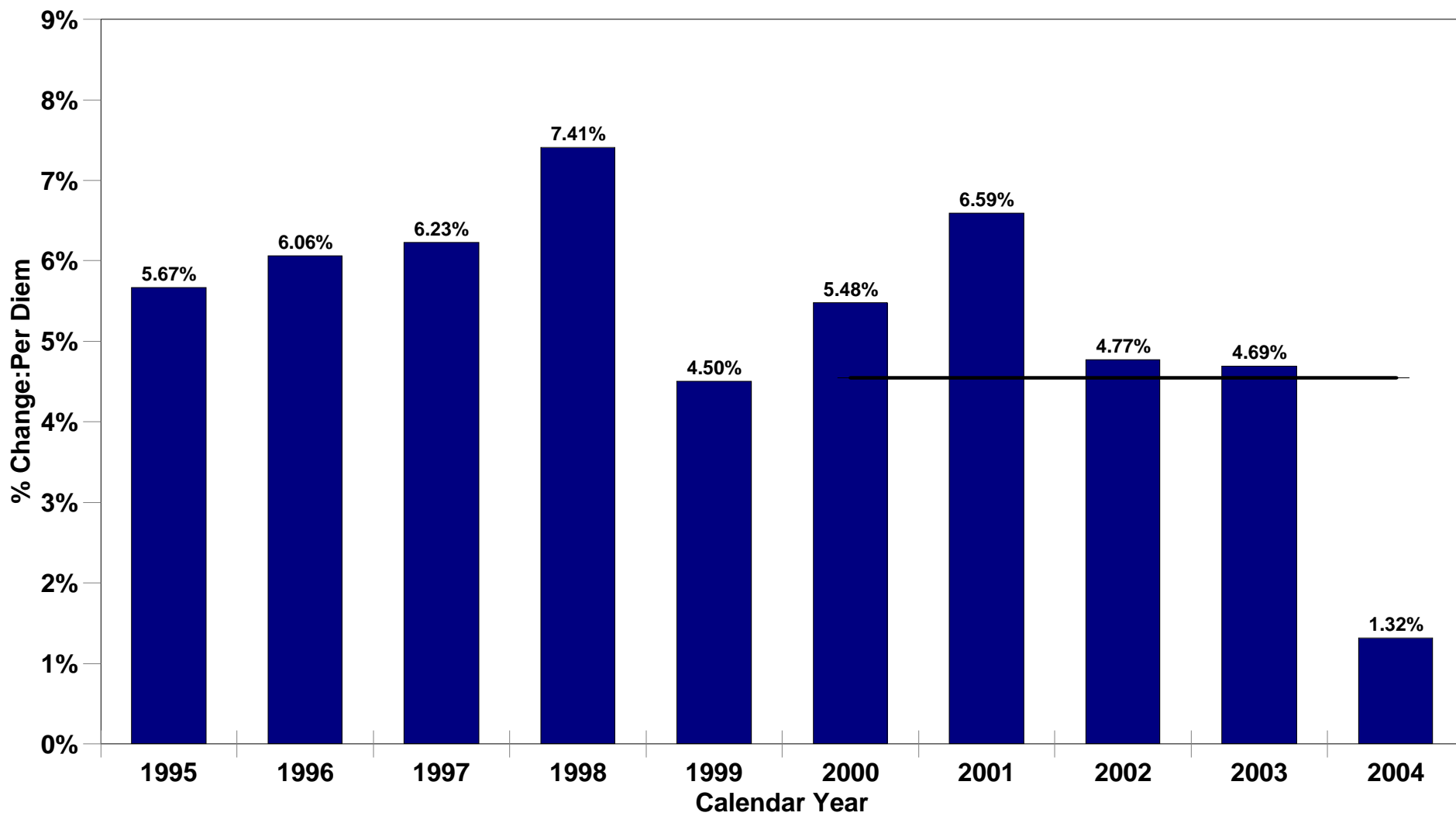
■ Indirect Care Per Diem

— Compound Annual Growth Rate=4.55%

Nursing Facilities

Indirect Care Expense Per Diem

(1995 - 2004)



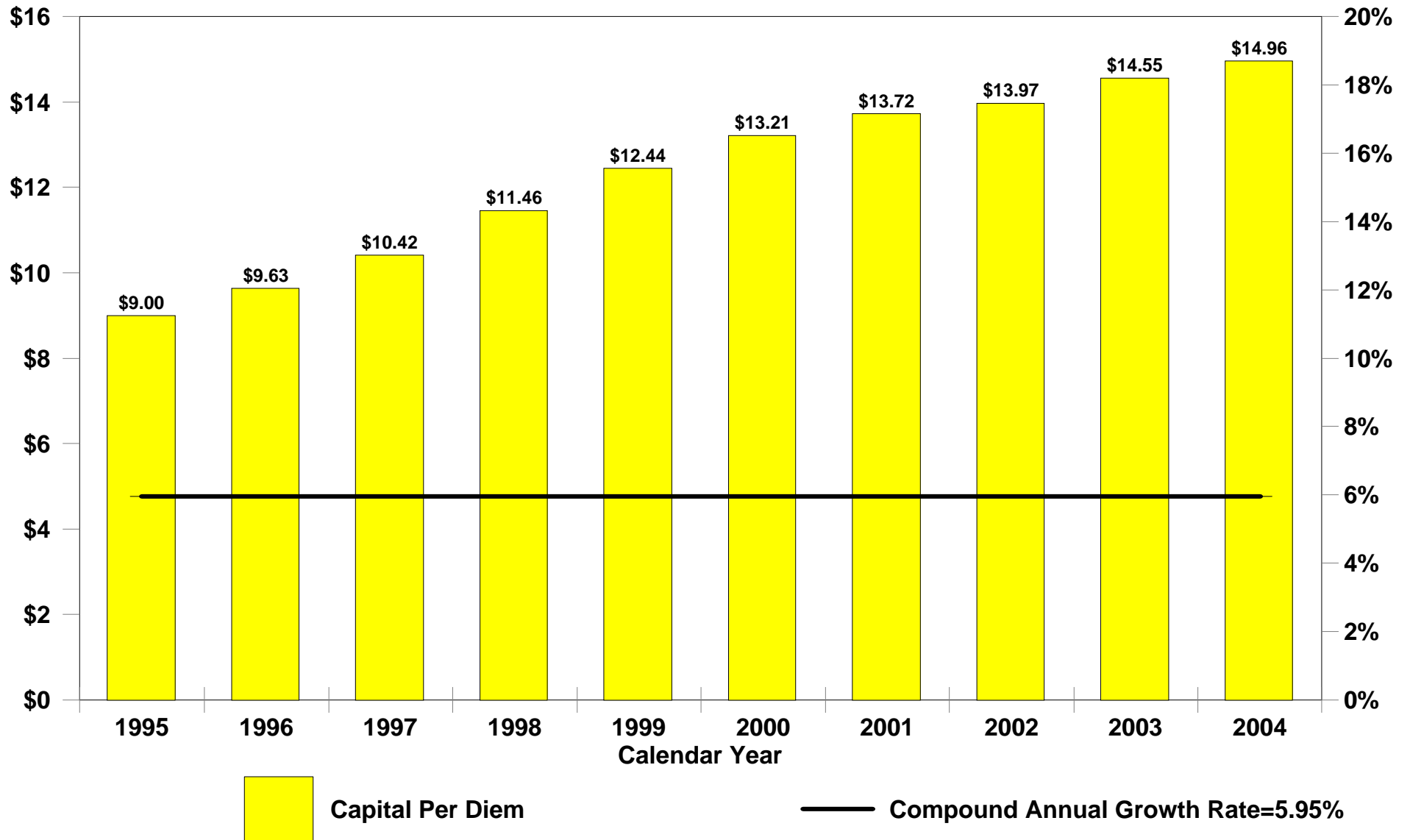
 % Change

 Compound Annual Growth Rate=4.55%

Nursing Facilities

Capital Expense Per Diem

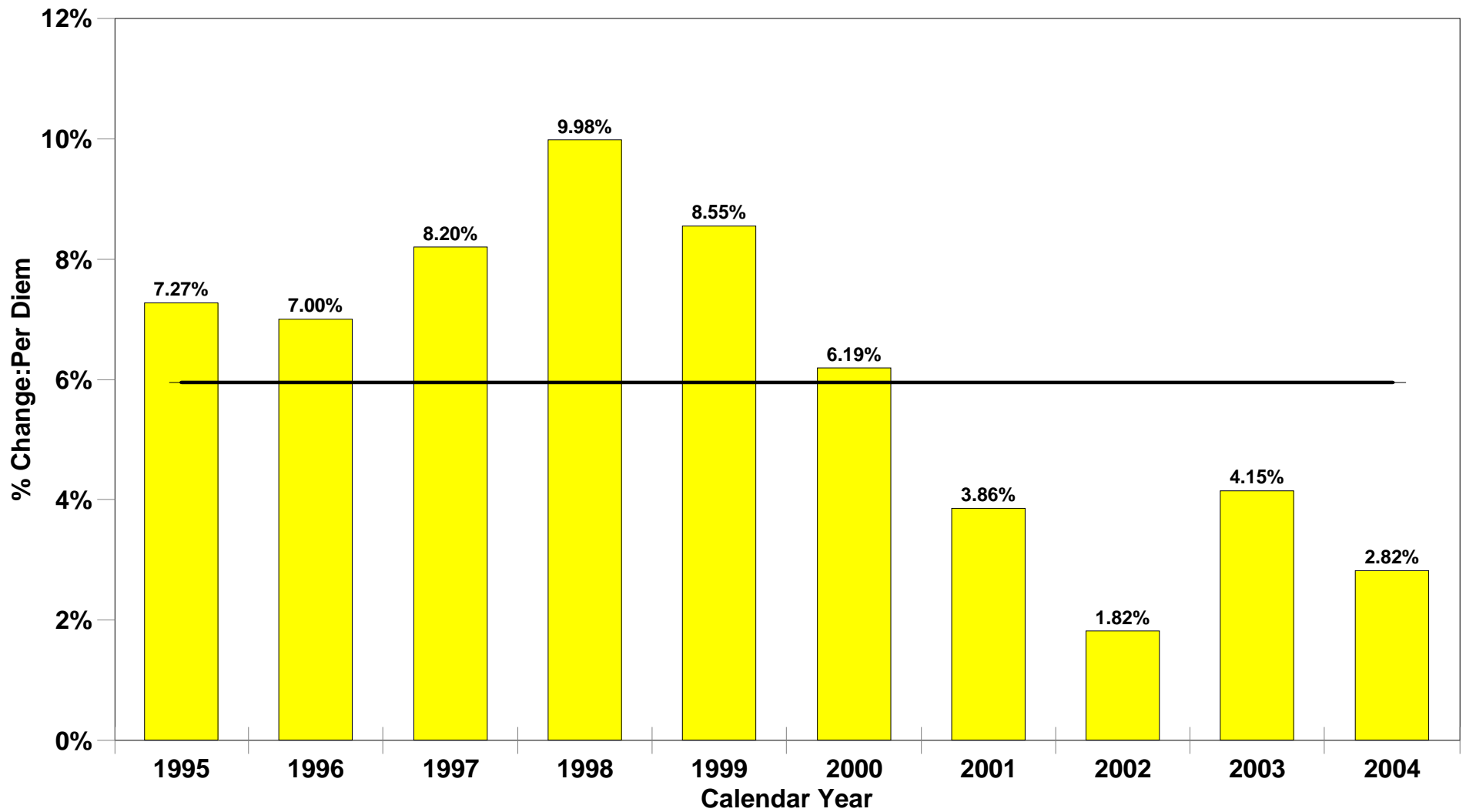
(1995- 2004)




Nursing Facilities

Capital Expense Per Diem

(1995 - 2004)



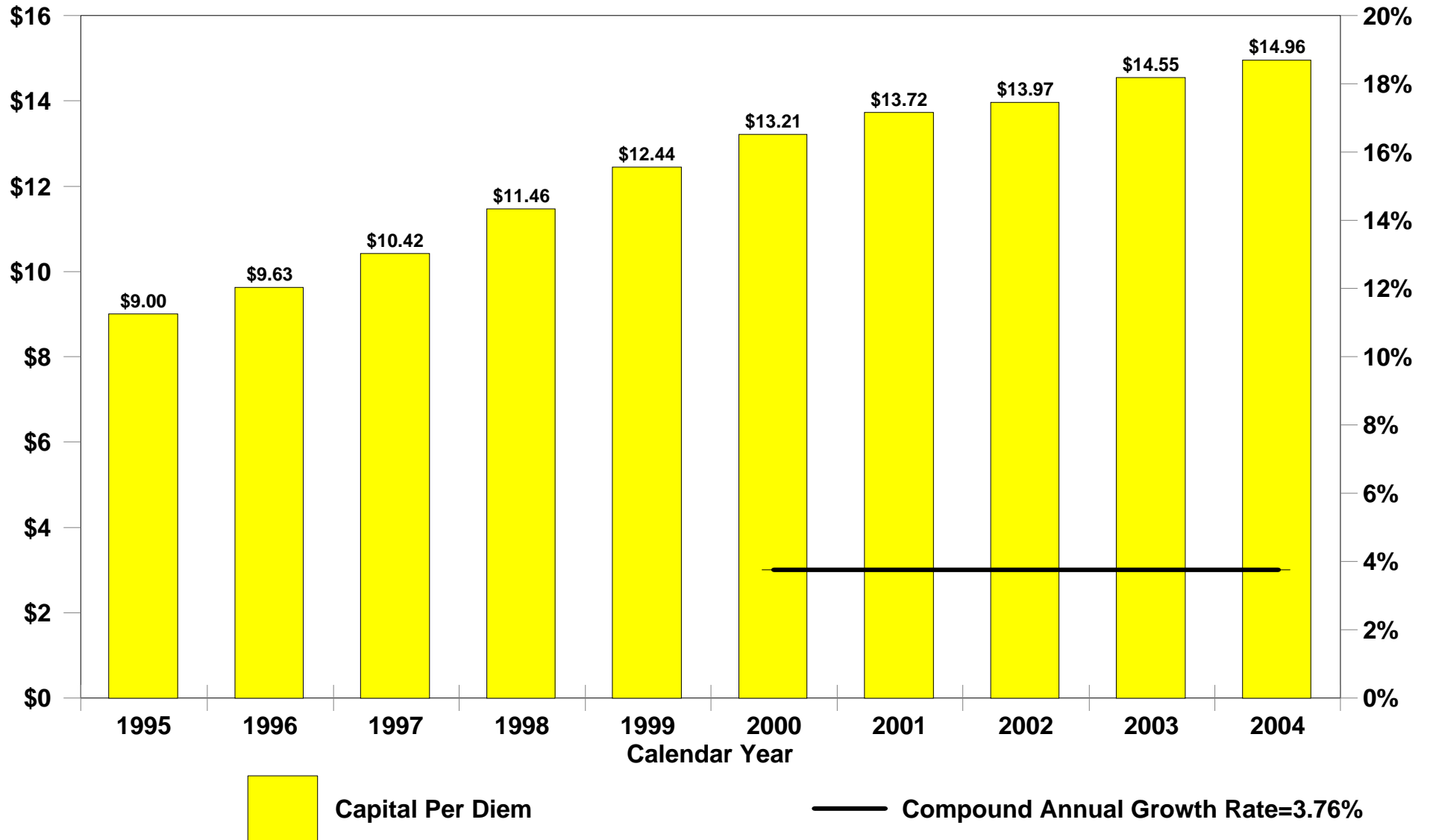
 % Change

 Compound Annual Growth Rate=5.95%

Nursing Facilities

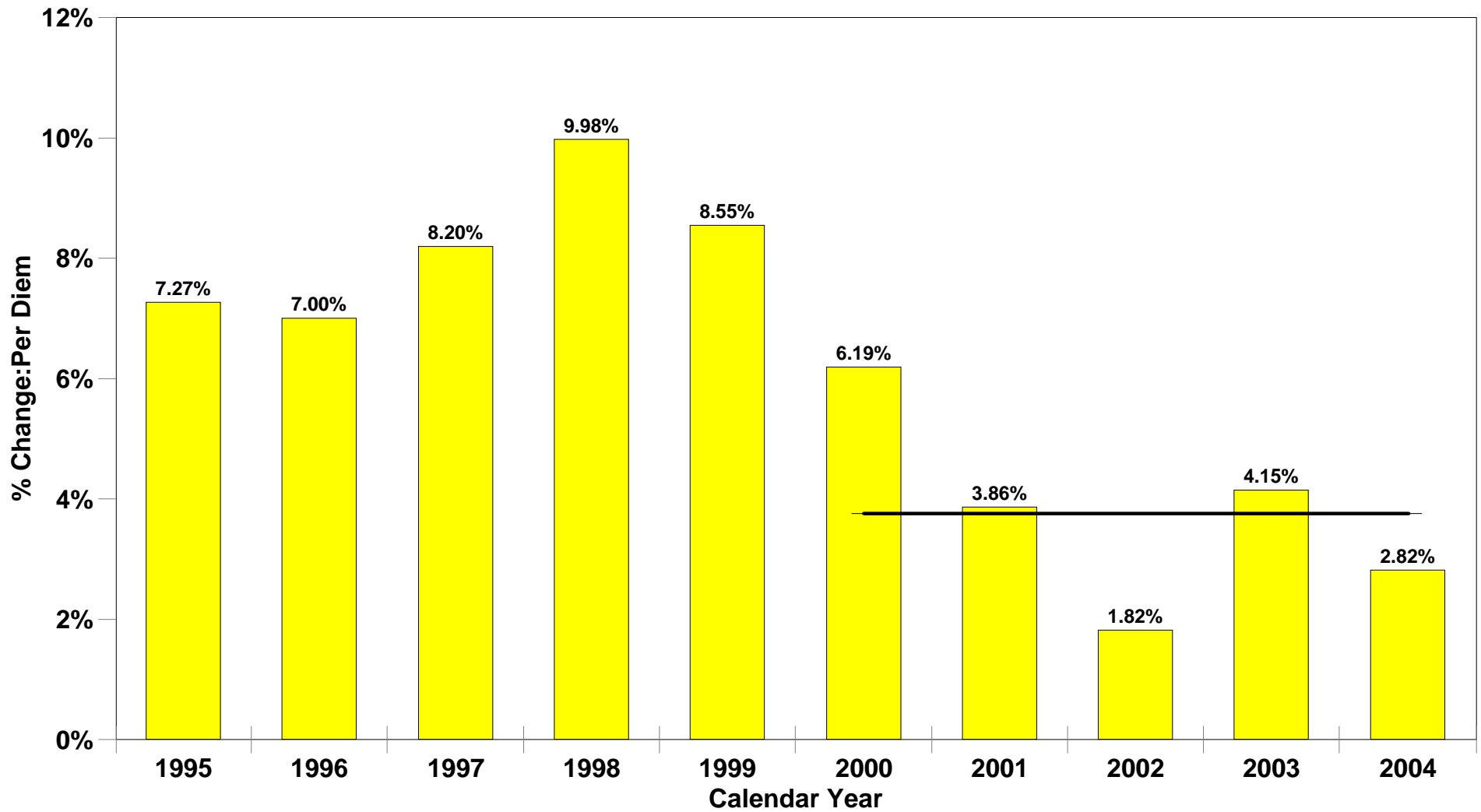
Capital Expense Per Diem


(1995 - 2004)



Nursing Facilities Capital Expense Per Diem

(1995 - 2004)



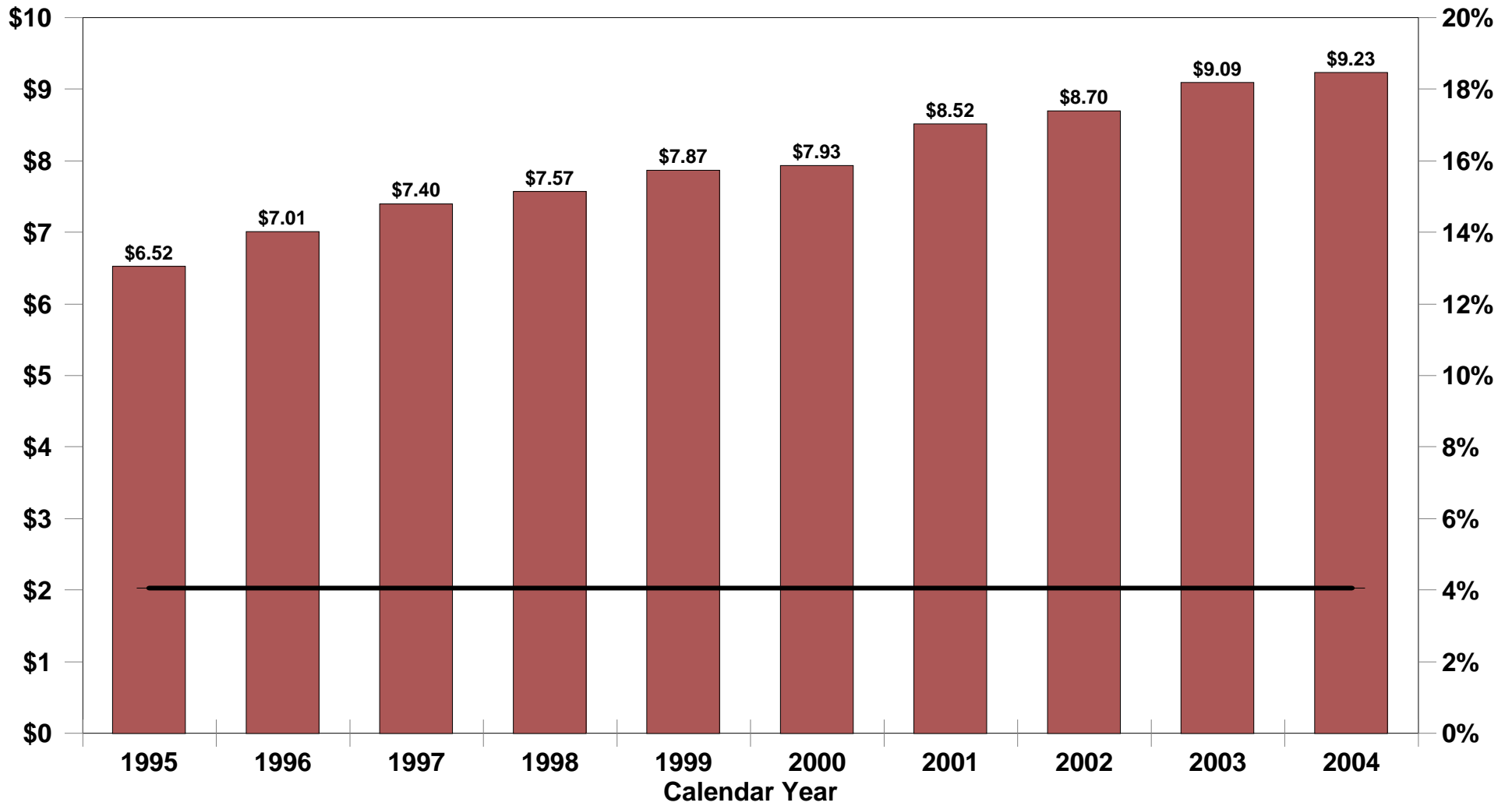
 % Change

 Compound Annual Growth Rate=3.76%

Nursing Facilities

Protected Expense Per Diem

(1995 - 2004)



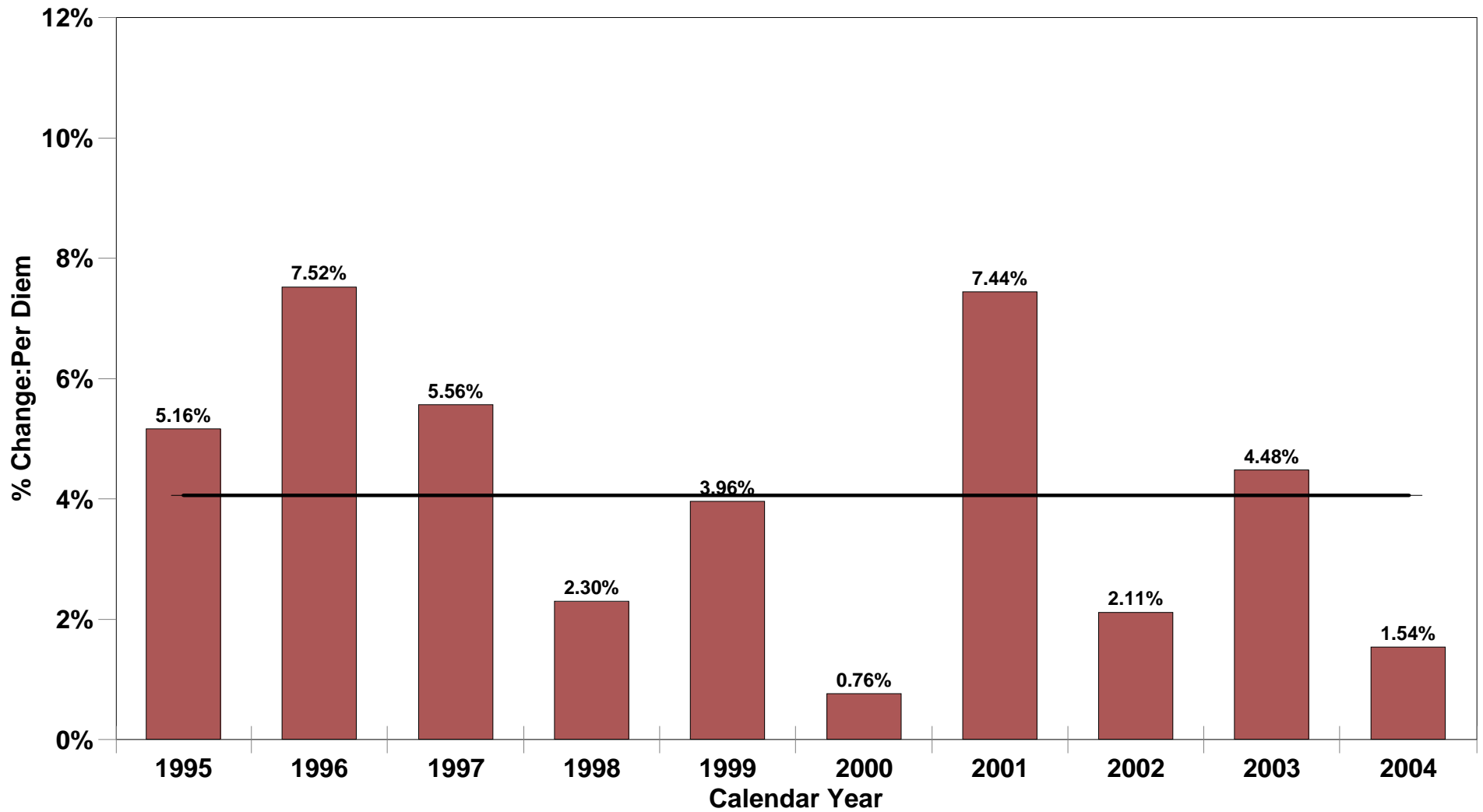
Protected Per Diem

Compound Annual Growth Rate=4.06%

Nursing Facilities

Protected Expense Per Diem

(1995 - 2004)



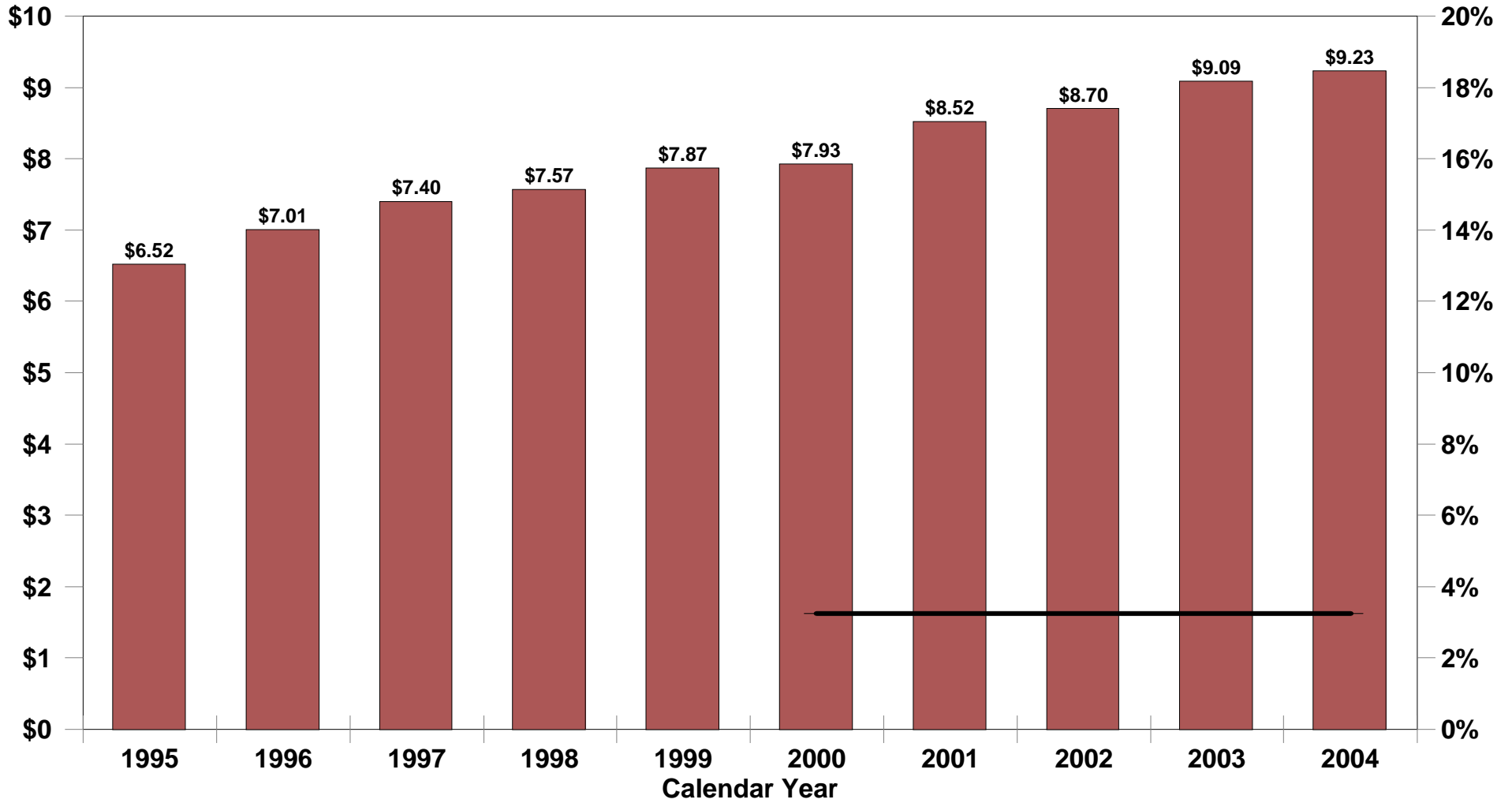
 % Change

 Compound Annual Growth Rate=4.06%

Nursing Facilities

Protected Expense Per Diem

(1995 - 2004)



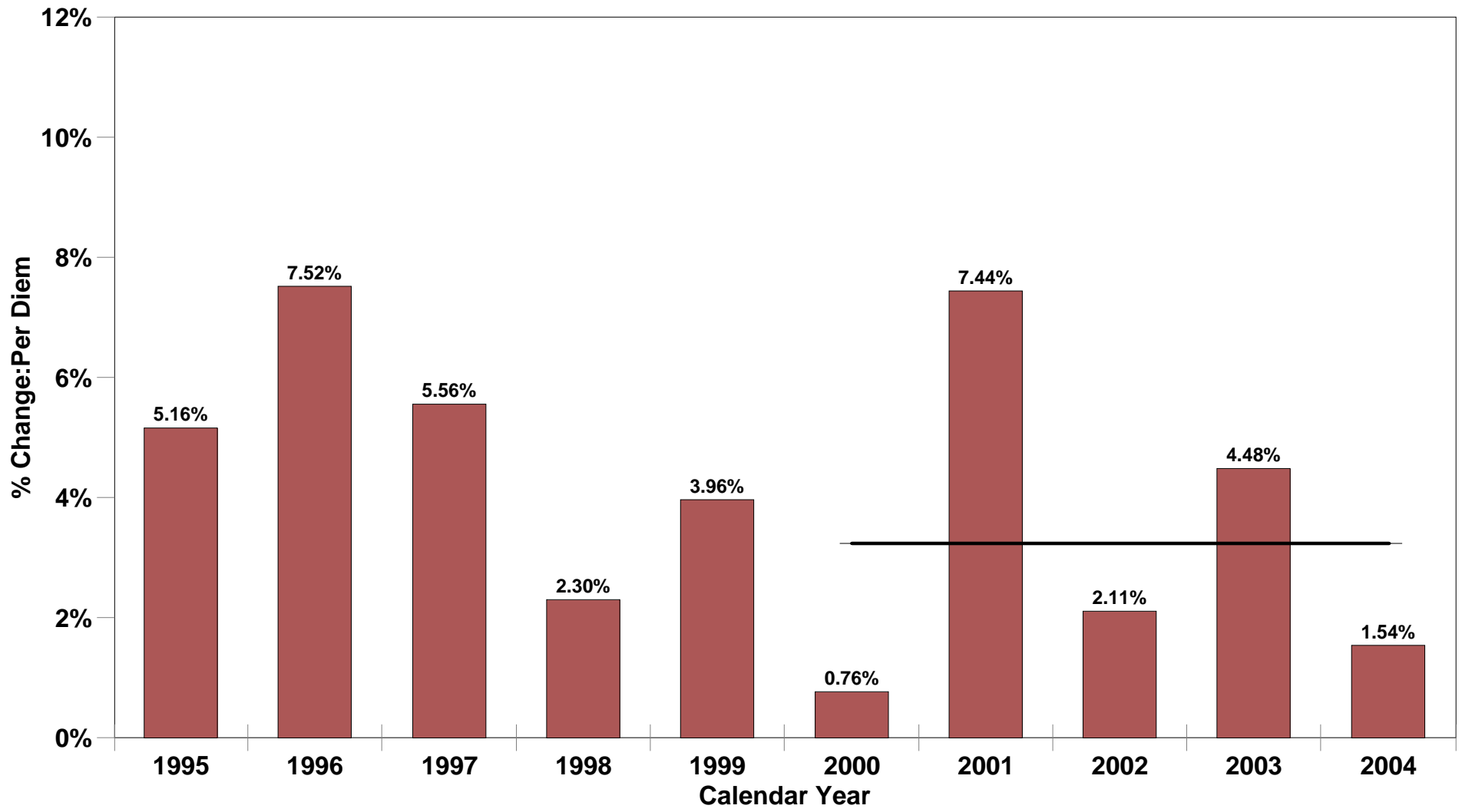
 Protected Per Diem

 Compound Annual Growth Rate=3.24%

Nursing Facilities

Protected Expense Per Diem

(1995 - 2004)



 % Change

 Compound Annual Growth Rate=3.24%

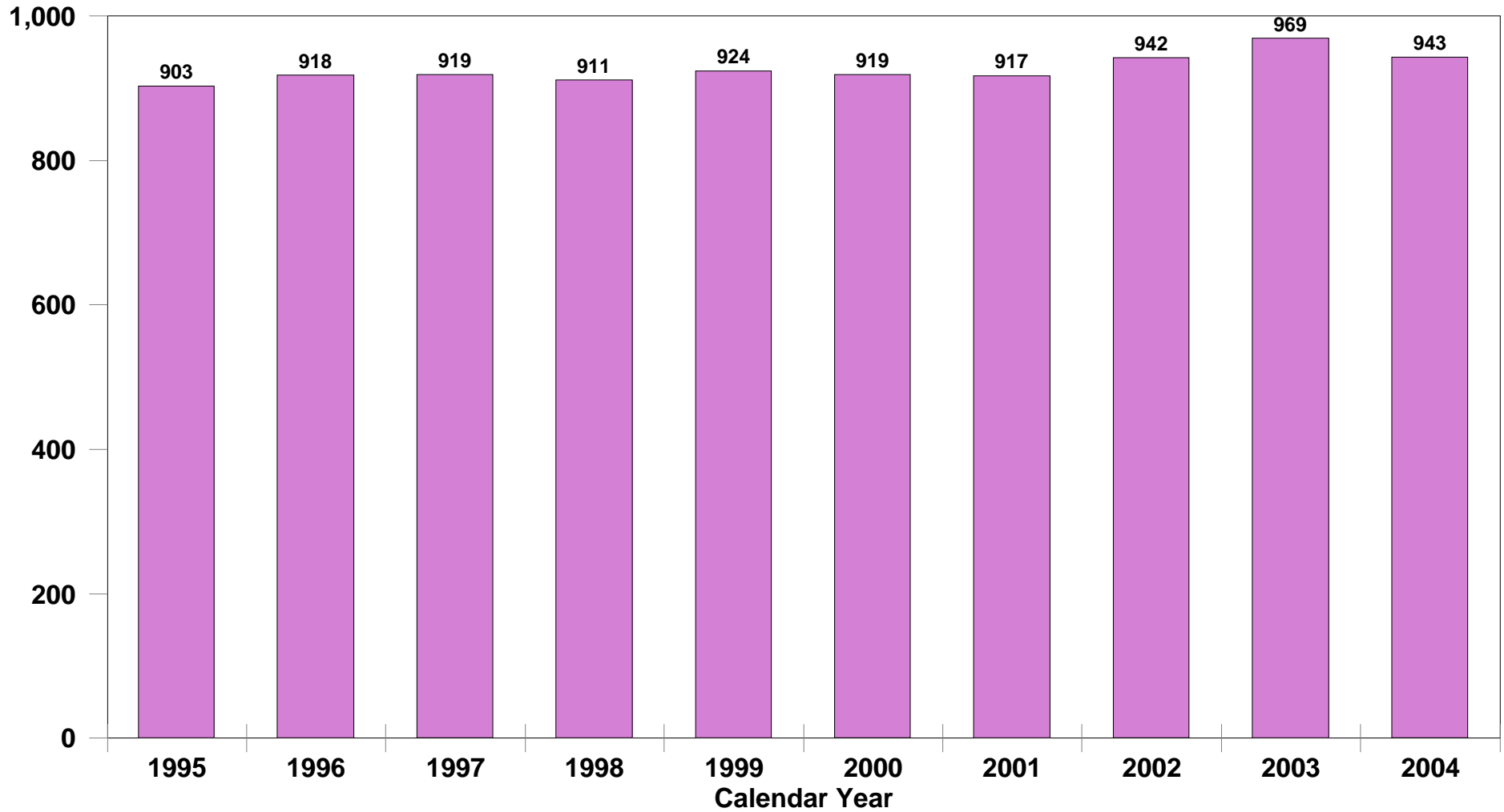
Facility Information

- < **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)

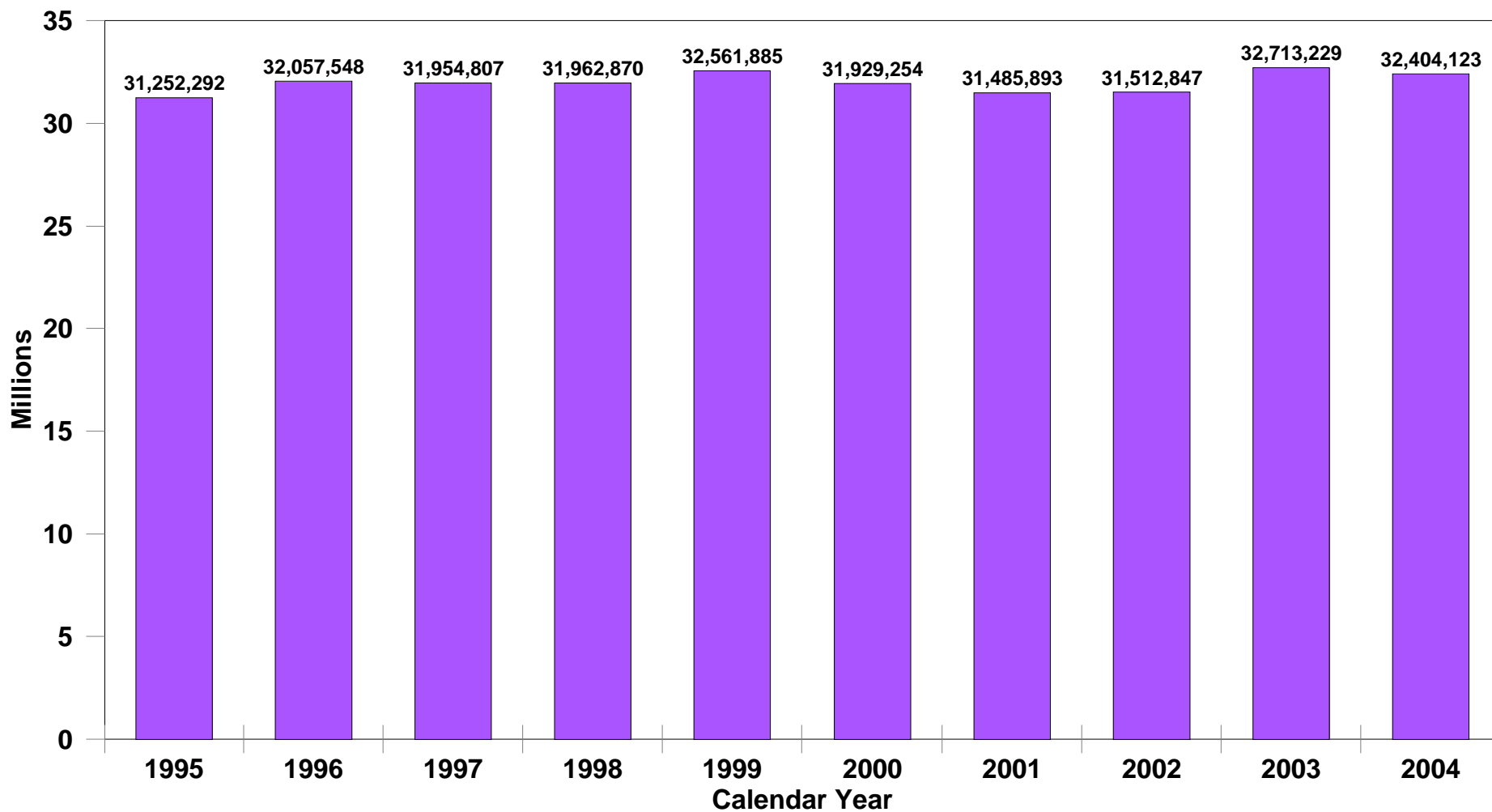


Number of Facilities

Nursing Facilities

Bed Days Available

(1995 - 2004)

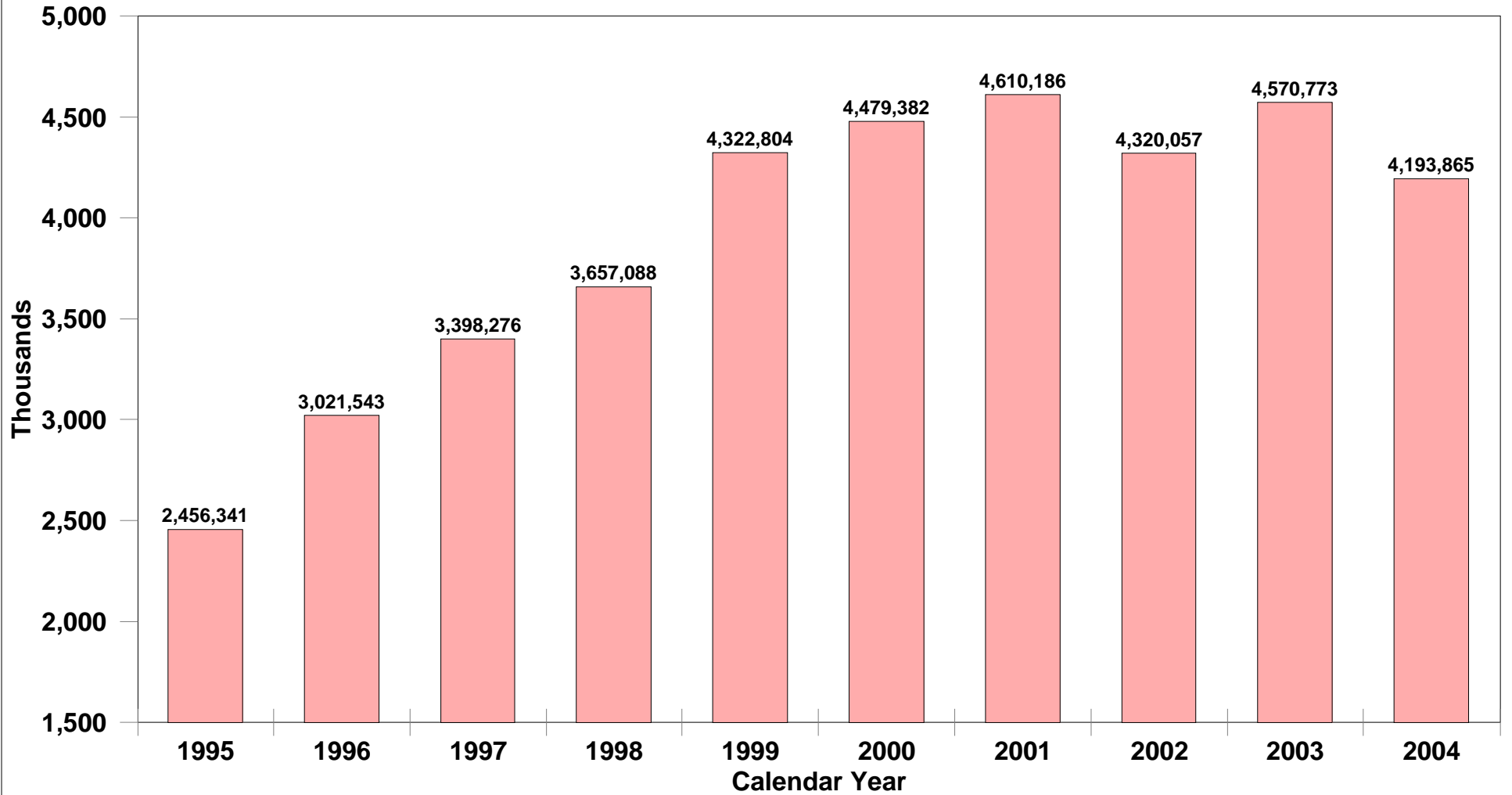


Bed Days Available

Nursing Facilities

Vacant Bed Days Available

(1995 - 2004)

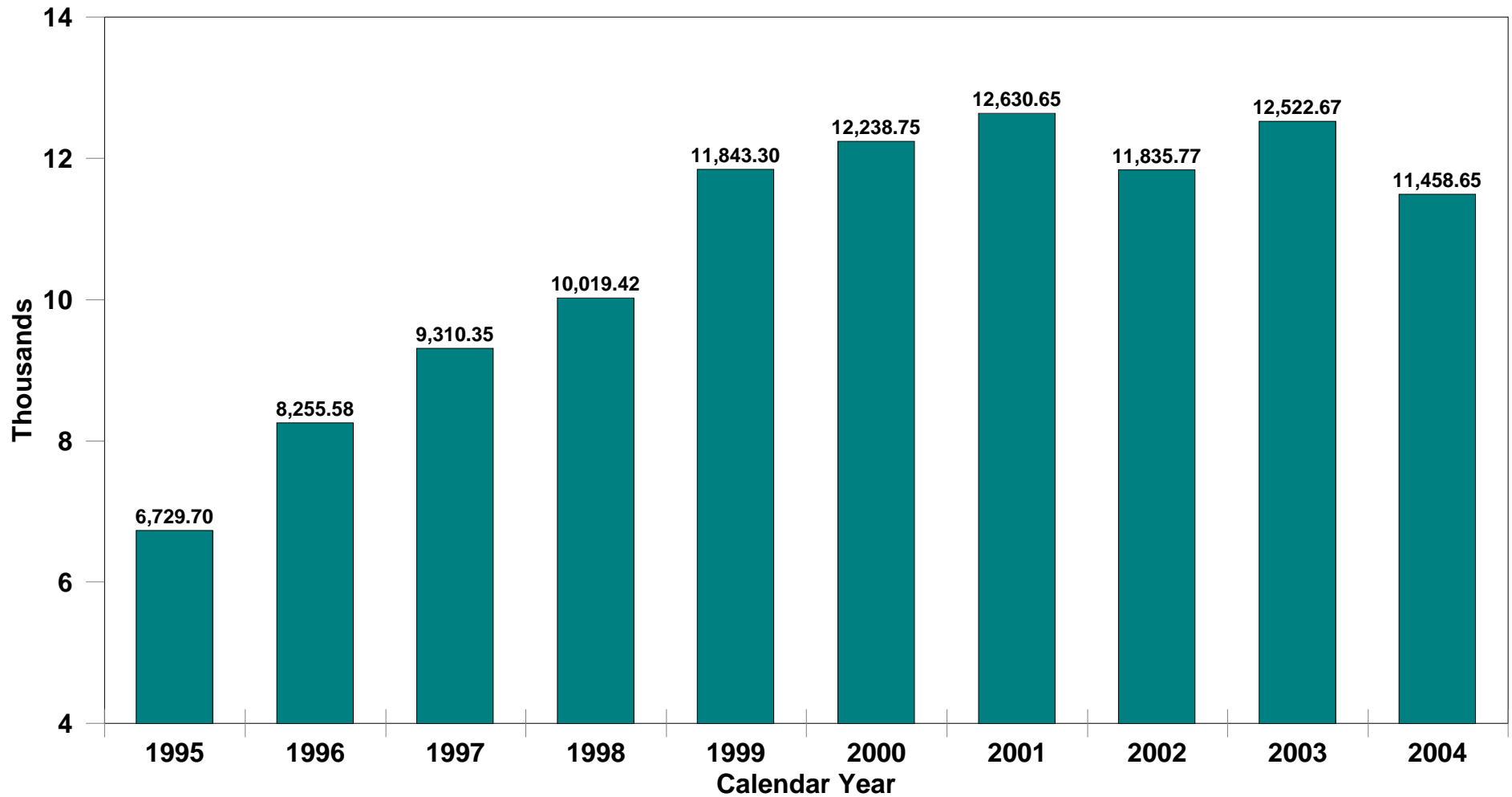


 Vacant Beds Available

Nursing Facilities

Estimated Vacant Beds

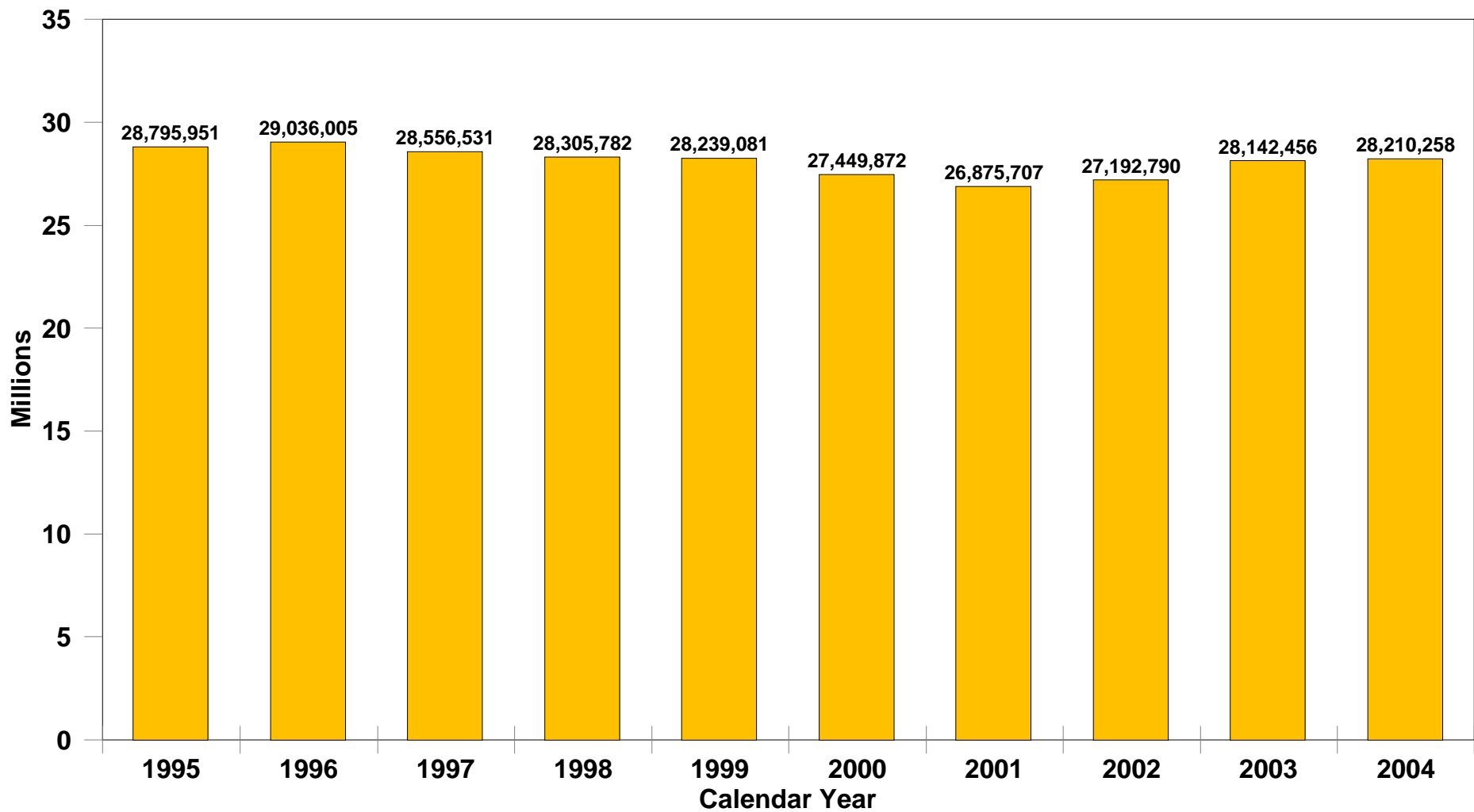
(1995 - 2004)



Estimated Vacant Beds

Nursing Facilities Inpatient Days

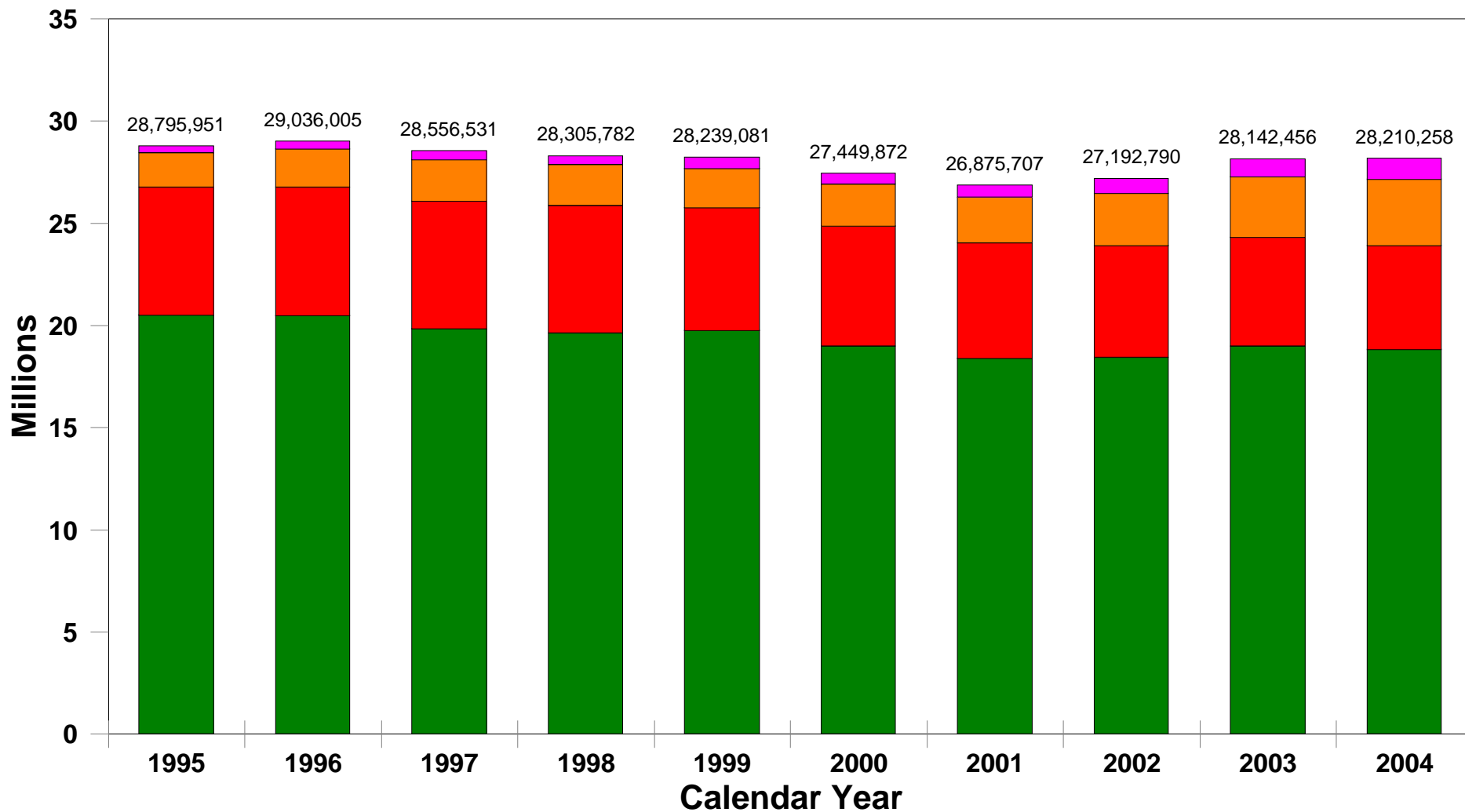
(1995 - 2004)



 Inpatient Days

Nursing Facilities Inpatient Days

(1995 - 2004)



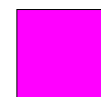
Medicaid Days



Private Days



Medicare Days

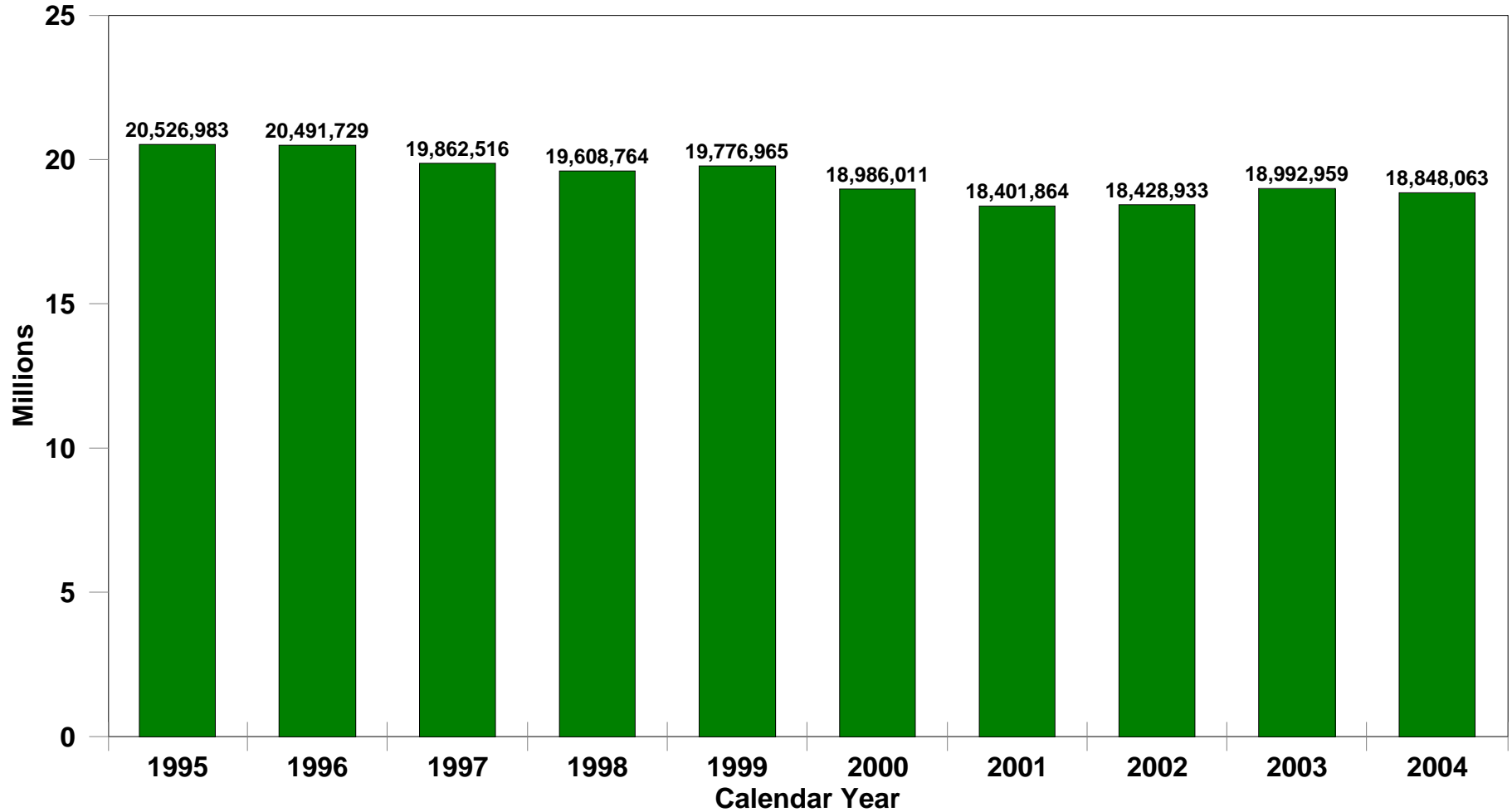


Veterans/Other Days

Nursing Facilities

Medicaid Days

(1995 - 2004)

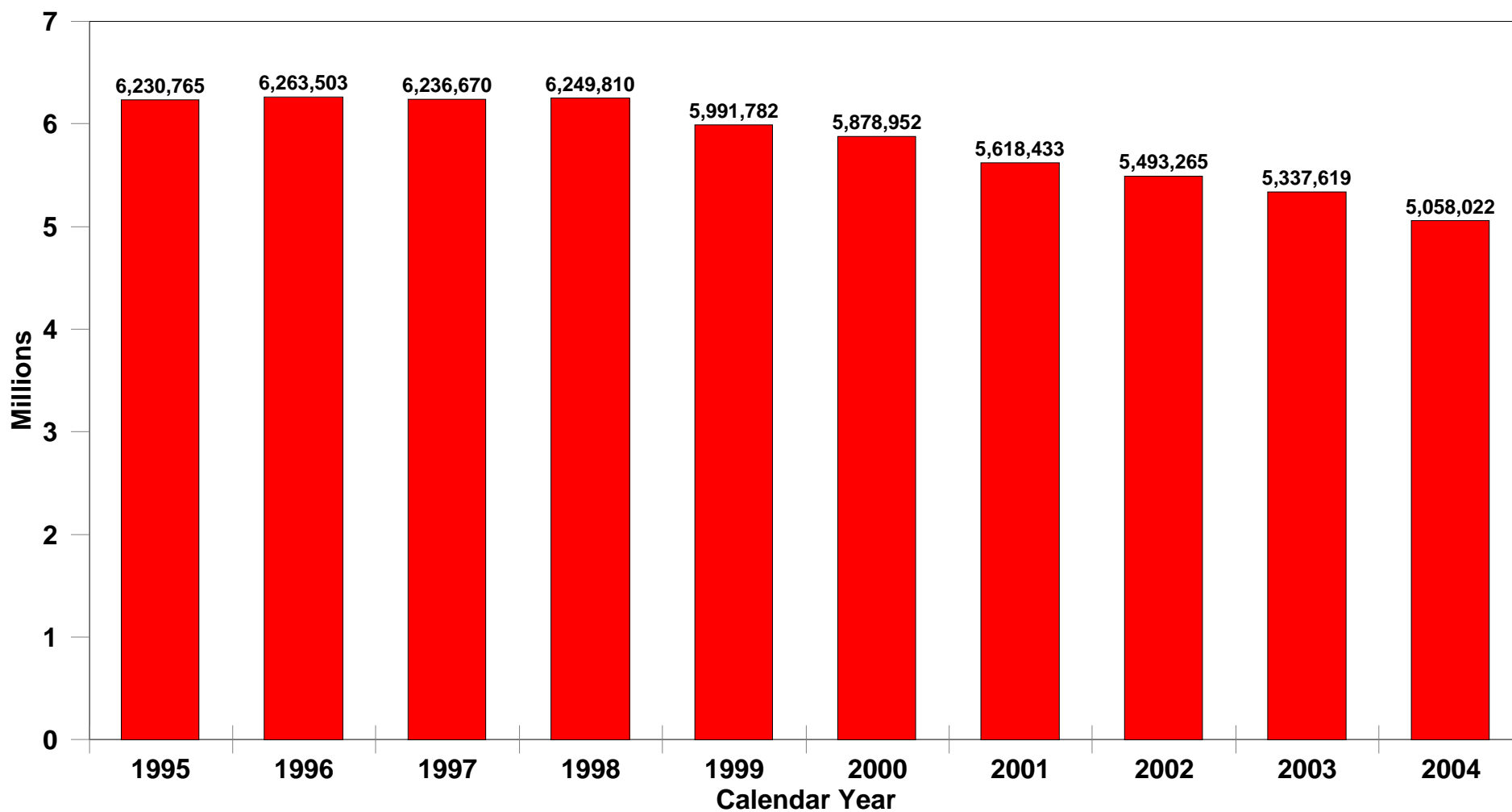


 Medicaid Days

Nursing Facilities

Private Days

(1995 - 2004)

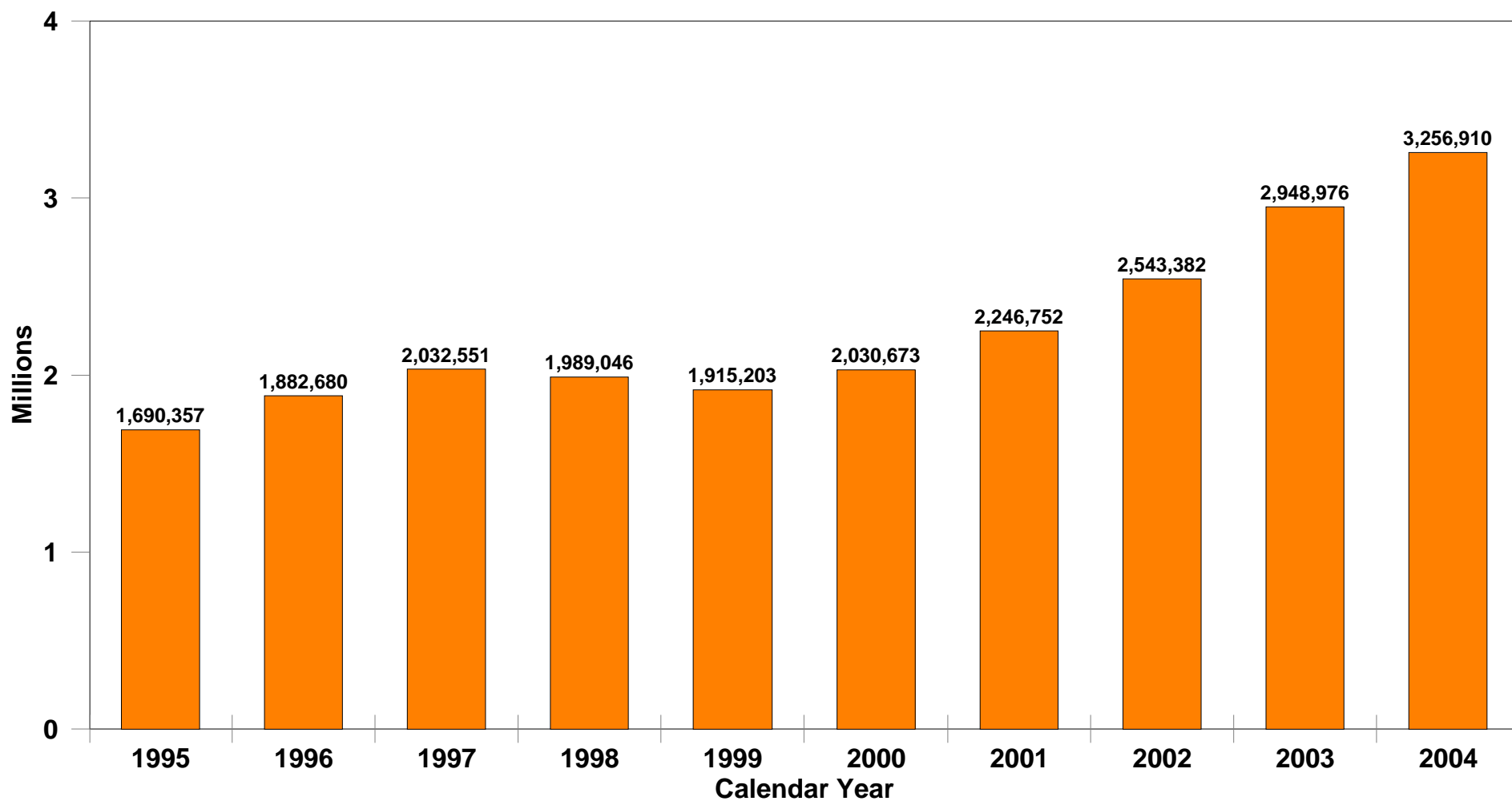


 Private Days

Nursing Facilities

Medicare Days

(1995 - 2004)

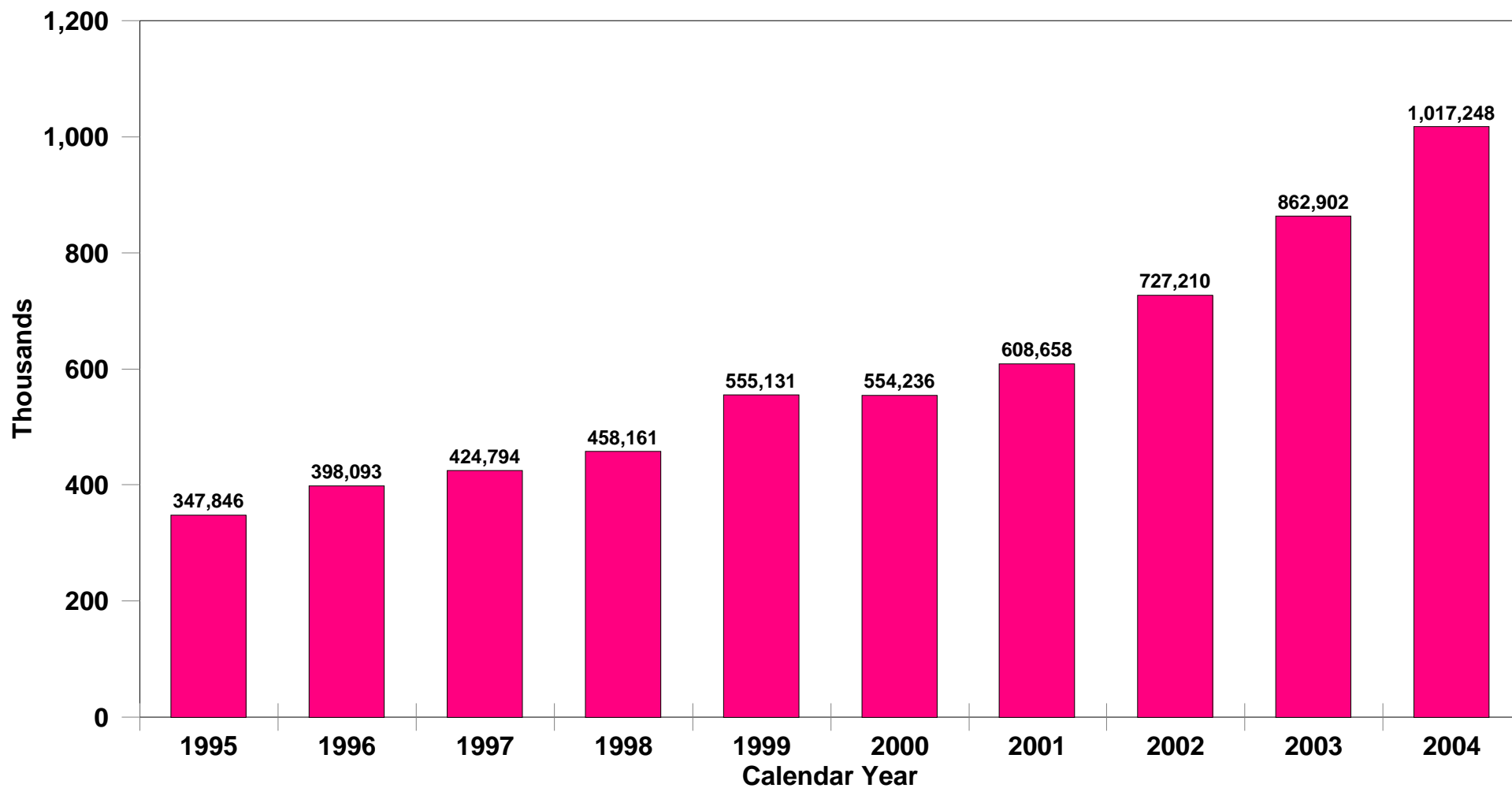


 Medicare

Nursing Facilities

Veterans/Other Days

(1995 - 2004)



Veteran/Other Days

Utilization - Trends

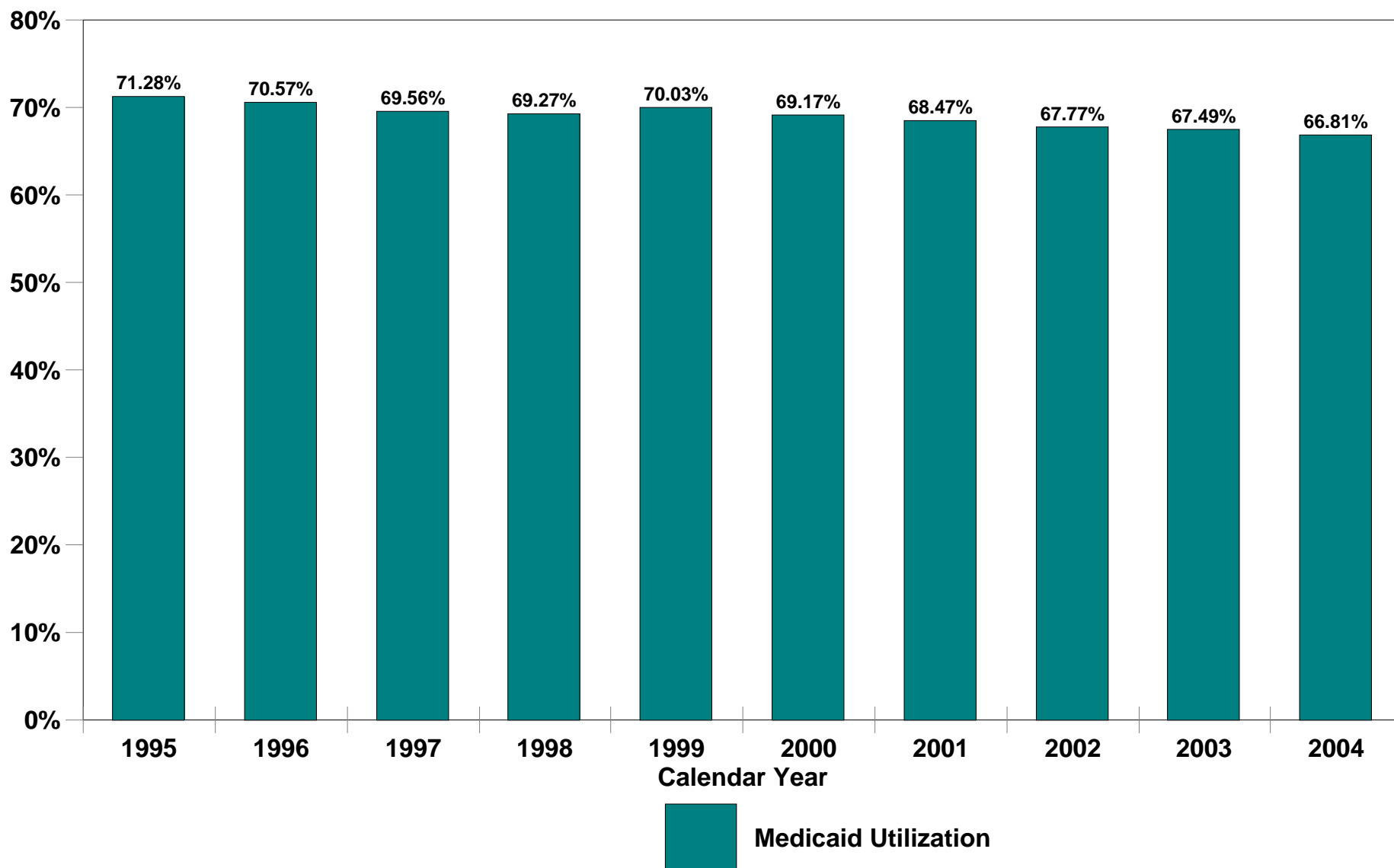
Cost Report

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

Nursing Facilities

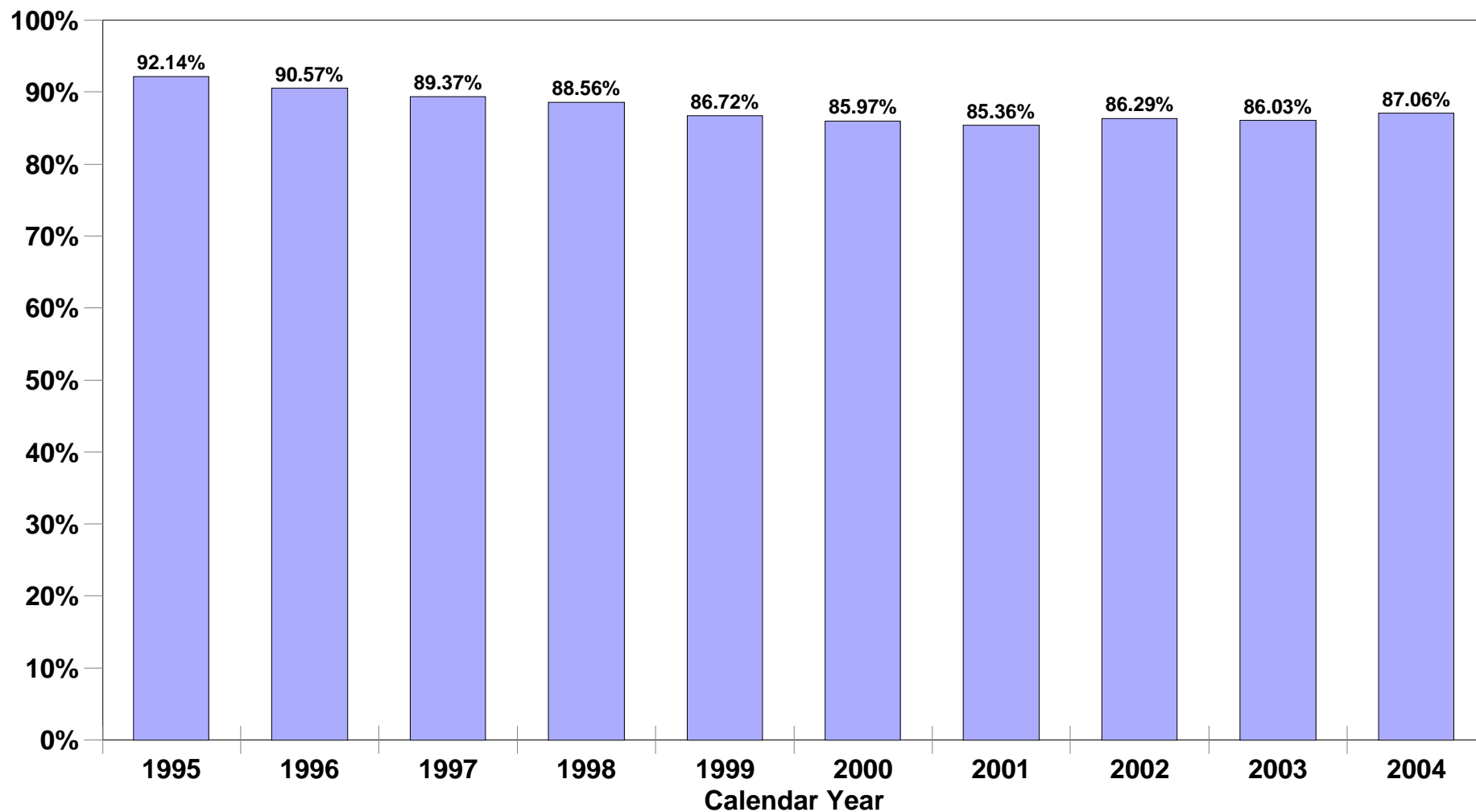
Medicaid Utilization

(1995 - 2004)



Nursing Facilities Occupancy

(1995 - 2004)

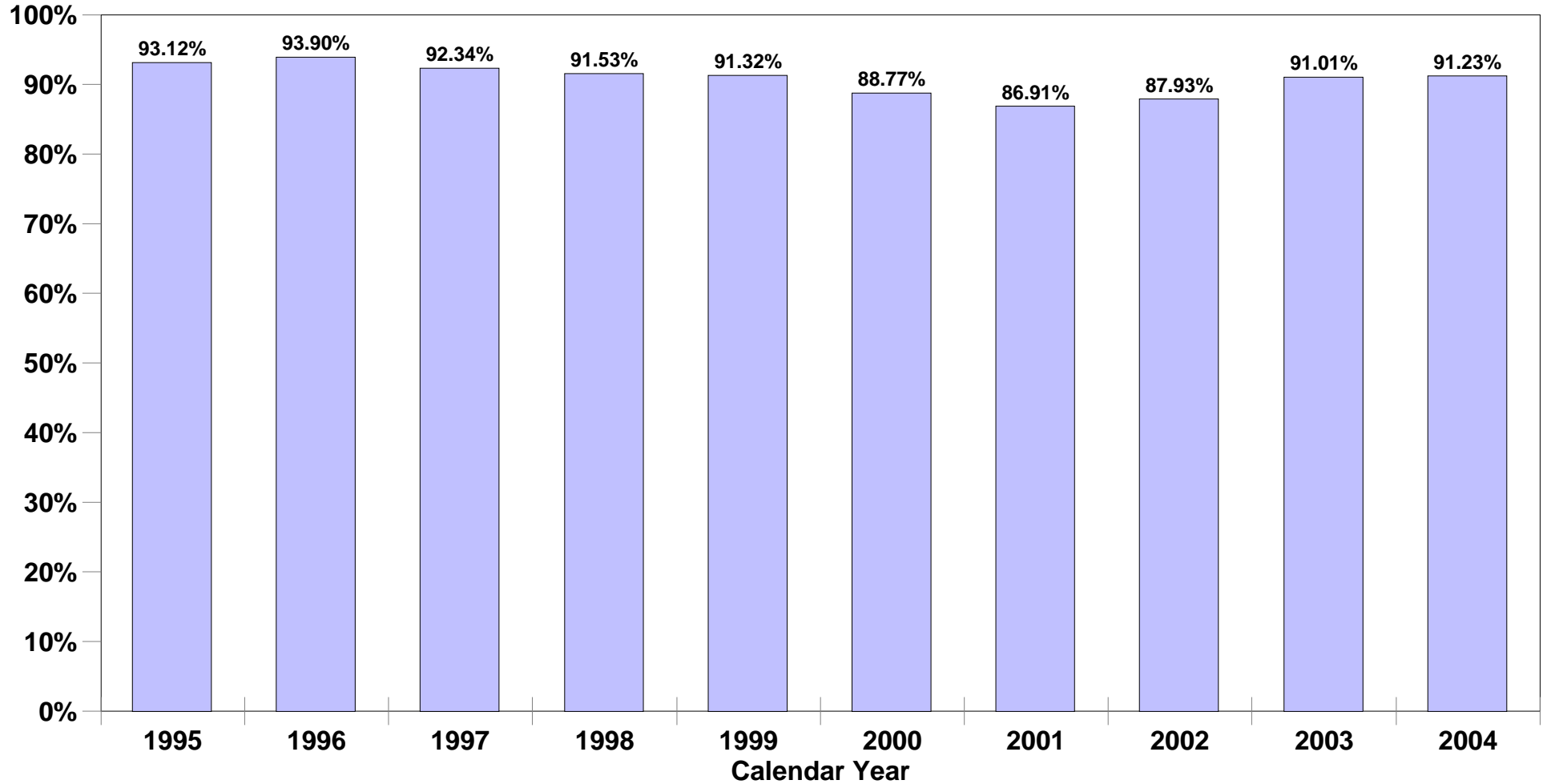


Occupancy

Nursing Facilities

Occupancy Level: Base Year 1993

(1995 - 2004)



Occupancy: Base Year 1993