Maximizing your Medicaid Rate

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Outline and Objectives

- Can you impact your Medicaid rate
- What goes into your Medicaid rate
- What impacts your rate-positive and negative
- How much can you change your rate
- If you change your costs tomorrow, when will that change impact your rates
- If you change your acuity, when will that change impact your rates

Can you Change your Medicaid Rate?

- Are you over the cap on
  - Indirect only-is it possible to reclass costs to direct or exempt
  - Direct only-can you reclass to indirect or exempt
  - Both Indirect and Direct-can you reclass to exempt
- Are you subject to a LOCC-if so, only way is to increase private rate or increase Medicaid ancillary charges
- Even so, you can work to change your rate

Refresher…..

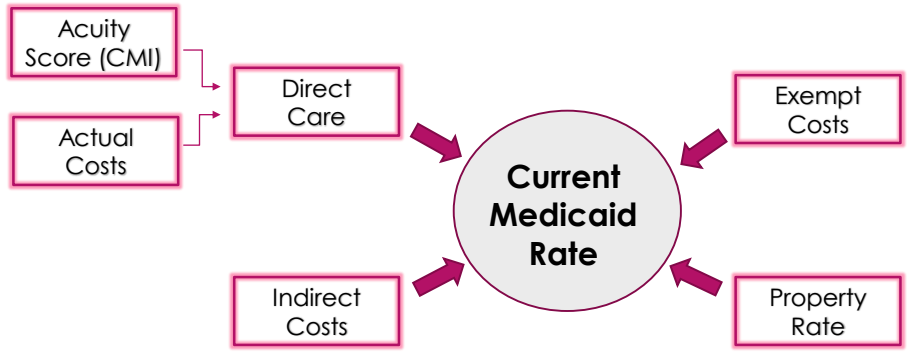
- Idaho Medicaid pays SNFs on a cost-based system
- Rates are based on a prior year's cost report
- There are no retrospective settlements to the cost report year*
- Total costs are placed into Indirect, Direct, Exempt, Property, and disallowed
- Property is basically fixed unless you rebuild your facility
- We will not consider the provider tax in this discussion

*Mass Claims Adjustment…..

Refresher…..

- Your rate letter in June each year gives you your interim Medicaid rate beginning July 1. At some point in the future, an audit will verify expenses and your cost report will be finalized. At that point, you will receive another rate sheet which states it is your final Medicaid rate per quarter. You will have a Mass Claims Adjustment which adjusts all claims from the beginning of the RATE year, not the cost report year.

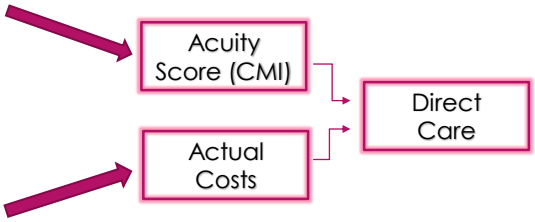
What goes into your Medicaid Rate?



Direct Care Component

MDSs submitted each quarter
34-grouper model, nursing weights only
Cost report period versus rate period
All therapy RUGs collapsed into 4 groups-ADLs only

Nursing and Social Services wages/benefits
Nursing supplies
Raw food (not case mix adjusted)
Direct ancillary costs

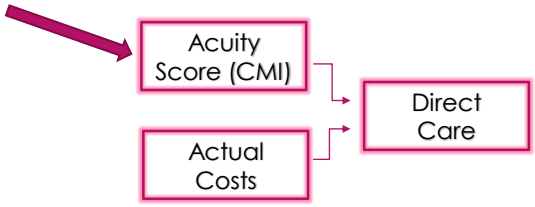


So, what can you change???

Direct Care Component

MDSs submitted each quarter
- Make sure to be prompt and accurate on MDSs
- When to evaluate for Part B
- Restorative care-frequently missed..6-7 days/wk
- Is ADL coding accurate
- Review list quarterly-focus on low ADL scores

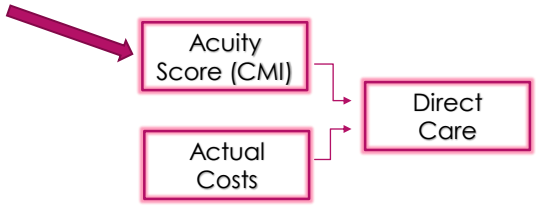
34-grouper model, nursing weights only
Cost report period versus rate period
All therapy RUGs collapsed into 4 groups-ADLs only



Remember that higher CMI scores per quarter this year will give you a higher base in a subsequent year

Direct Care Component

Acuity Score Math
- Case Mix Index (CMI) for total facility during the cost report period divided by state average for the same period multiplied by state cap gives you your facility cap
- Medicaid CMI for the rate period divided by facility wide CMI for the cost report period gives the adjustment to direct costs per patient day
- Check your CMI for each rate period for trends, comparison to cost report period, etc.
- Review list quarterly-focus on low ADL scores



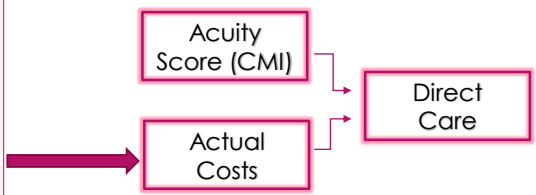
Direct Care Component

Nursing and Social Services wages/benefits
- Have you been cutting hours/total wages
- Need to watch PPD costs
- More focus on YTD costs, not current month
- Cutting costs below prior years rates will cause your rates to go down next year

Nursing supplies
- Allocated on per patient day

Raw food (not case mix adjusted)
- Allocated on per patient day

Direct ancillary costs
- Are you billing for supplies? If not, central supply (indirect costs), plus LOCC impact



Indirect Cost Component

Indirect costs
- Wages/benefits for Admin, Dietary, maintenance, activities, laundry, housekeeping, medical records
- Supplies for above departments
- Linens, bedding
- Small equipment purchases under $5,000
- Other administrative costs-postage, training, travel, etc.
- General maintenance items

→ Indirect Costs

What can you change?
- Cutting salary/supply expense this year cuts rates next year
- Expense what you can on equipment-otherwise it is property
- If you are over on Indirect and are not billing ancillaries, start billing them and it will go to Direct
- If you are over the cap, are there NATCEP costs here?

Exempt Cost Component

Exempt Costs
- Utilities
- Property Taxes
- Property Insurance
- NATCEP costs

These are a direct pass-through allocated on a PPD basis

→ Exempt Costs

What can you change?
- Are all expenses included? Some may be paid by corporate office or owners.
- Expenses associated with NATCEP-included here or direct?

Property Rate Component

Property
- Depreciation
- Amortization

Paid via the Marshall-Swift Valuation Index based on age of building
Building age has been frozen since 1991
(40-age)/40 x MSV
Current year MSV is $28.80

What can you change?
- Can purchases be made which total less than $5,000
- Theoretically possible to "re-age" but almost impossible now
- Only way to re-age a building is to build a new one

What impacts your rate

- Costs incurred-watch your current rate versus current costs. Cutting costs per patient day will cut your rates
- Census-as census goes up or down, closely monitor costs
- Mix-higher Medicare census=higher non-Medicaid acuity, which will pull direct costs away from Medicaid patients
- Cost allocations-what should be direct, indirect, etc.
- Property versus non-property. Depreciation for capitalized purchases disappears into property

How much can you change your rate

- Remember increased costs are allocated to the Medicaid patient costs on a per patient day basis
- If only 60% of your patient days are Medicaid, an increase of $1.00 PPD in staffing costs will increase your Medicaid rate approximately $0.60
- It will be slightly less than that if you have a strong Medicare mix because of the allocation of direct costs based on CMI scores

How much can you change your rate

- If you are in a Lower of Cost or Charges situation, each dollar you increase your private rate, you will increase your Medicaid rate
- Additionally, in an LOCC limitation situation, the more you increase your ancillary charges for the Medicaid residents, the more your overall Medicaid rate increases because the LOCC is calculated by adding Medicaid related ancillary costs per patient day to the private pay rate and comparing that number to the calculated Medicaid rate

How much can you change your rate

- Remember, it is possible to calculate a Medicaid rate by RUG category

PE2	1.012	$230.52
PE1	0.917	$218.81
PD2	0.932	$220.66
PD1	0.842	$209.58
PC2	0.799	$204.28
PC1	0.736	$196.52
PB2	0.702	$192.33
PB1	0.638	$184.44
PA2	0.543	$172.74
PA1	0.490	$166.21

The difference between PE1 and PE2 is a restorative therapy program. $11.71 per day or $82 per week for two restorative programs for 15 minutes each per day for 6-7 days

PA1 is the lowest level of care-check the MDSs of these patients to be sure they are accurate

When will cost changes impact rates

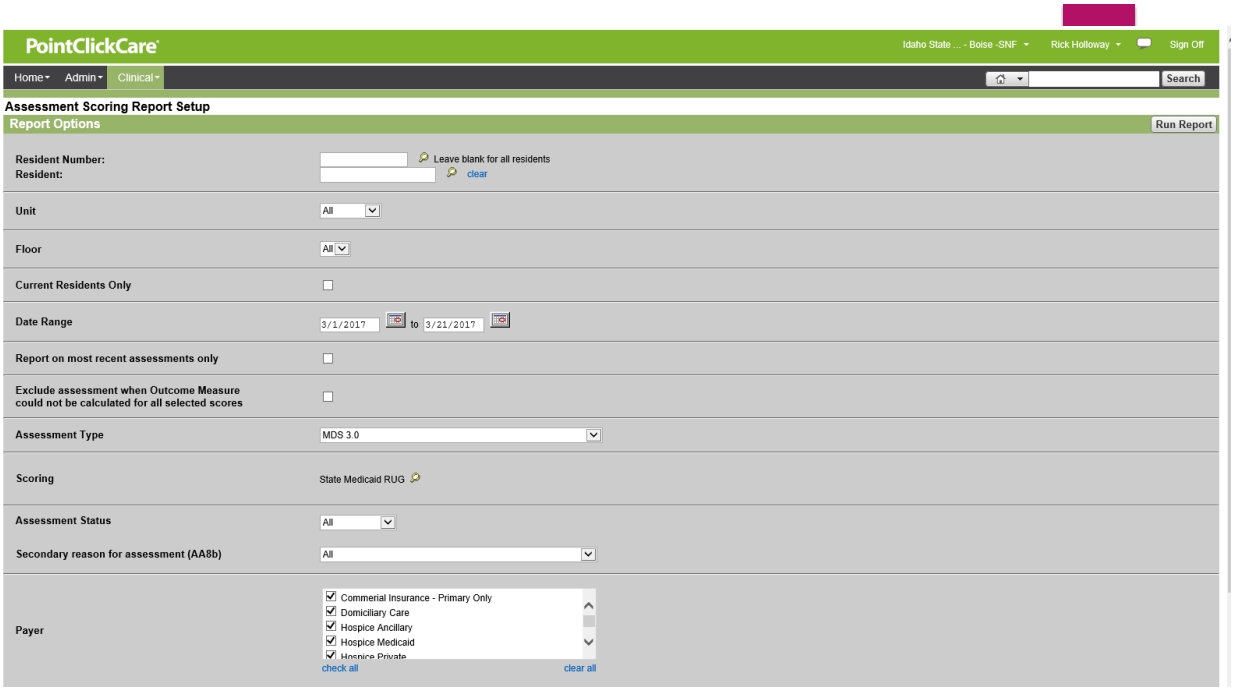
- There is a lag period between the cost report year and rate year. You can choose your own cost report year
- The Rate Year is always July 1-June 30
- If your cost report year end is 12/31, costs for a particular calendar year drive rates the following July 1
- If your cost report year end is 6/30, changes to costs won't impact rates for a year later. Example: cost report year 7/1/14-6/30/15 will be used to calculate Medicaid rates starting 7/1/16

When will acuity changes impact rates

- There is a lag period between the current acuity and when that acuity impacts your rates
- Acuity is calculated on a quarterly basis
- Current quarter Medicaid acuity scores impact the direct care component of your rate two quarters later
- Average facility wide acuity for the year impacts your direct care cap and rate when the current cost report is used to determine rates-up to 2 years in the future

Wrap up and Questions

- You can proactively drive your Medicaid rate
- With some work, you can project with some accuracy your Medicaid rate from your current financials
- Don't be surprised when your new rates come out
- Questions? Rick.Holloway@veterans.Idaho.gov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Rick Holloway
Sign Off
Home
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Clinical
Search
Assessment Scoring Report Setup
Report Options
Run Report
Resident Number:
Resident:
Leave blank for all residents
clear
Unit
All
Floor
All
Current Residents Only
Date Range
3/1/2017
to
3/21/2017
Report on most recent assessments only
Exclude assessment when Outcome Measure could not be calculated for all selected scores
Assessment Type
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Scoring
State Medicaid RUG
Assessment Status
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Secondary reason for assessment (AA8b)
All
Payer
Commerial Insurance - Primary Only
Domiciliary Care
Hospice Ancillary
Hospice Medicaid
Hospice Private
check all
clear all