

Michigan Medicaid Long Term Care Reimbursement Methodologies

Report to the Michigan Medicaid Long Term
Care Taskforce

October 11, 2004

Michigan Department of Community Health
Medical Services Administration

**LONG TERM CARE
INSTITUTIONAL
PROVIDERS' MEDICAID
REIMBURSEMENT**

Background

- Public Act 275 of 1982
- William Ryan Task Force (20 members)
- Two provider peer groups established for rate development methodologies:
 - Group 1 Free standing nursing homes
 - Group 2 Hospital long term care units & county medical care facilities

Time Frame and Rate Basis

- Calculated annually to coincide with state fiscal year
- Facility annual cost reports are the basis for the rate
- Cost reports from prior calendar year contain the cost data used to calculate rates

Rate Components

- Variable
- Plant
- Add-ons

Variable

- Base Costs (Direct Patient Care)
 - Nursing staff salaries
 - Nursing supplies
 - Dietary costs
 - Laundry costs
 - Utilities
 - Social Services

Variable (cont'd.)

- Support Costs
 - Administration
 - Maintenance of plant operations
 - Medical Records
 - Consultants
 - Purchased services
 - Equipment maintenance and repair

Plant

- Interest Expense
- Property Taxes
- Depreciation Expense OR Return on Asset (Tenure)

Add-Ons

- Nurse Aide Training and Testing
- Quality Assurance Supplement
- Proportionate Share Pool Payment

Variable Rate Component

- Class Variable Cost Limit (VCL)
 - Limit for each group
 - Facility variable rate cannot exceed the peer group VCL

Variable Rate Component

cont'd.

- Support to Base Cost Limitation
 - Support-to-base cost ratio calculated for all providers
 - Limit calculated based on bed size groupings
 - 1-50 beds
 - 51-100 beds
 - 101-150 beds
 - 151+ beds
 - Facility support cost cannot exceed the bed size group limit

Plant Cost Component

(Privately Owned Facilities)

- Interest expense
 - Interest expense is limited to Facility's Capital Asset Value Limit
- Property taxes
- Historical capital asset times Return on asset value factor (tenure):

Plant Cost Component

(Privately Owned Facilities) (cont'd.)

- Historical Asset Values times Asset Update Factor
- Upper Capital Asset Value Limitation
- Lower Capital Asset Value Limitation
- Return on asset value (tenure factor) increases with length of ownership up to 12 years

Plant Cost Component

(County Medical Care Facilities
and Hospital LTC Units)

- Depreciation expense
- Property taxes
- Interest expense
- Plant cost limit
 - Limit calculated for each facility

Add-Ons

- Nurse Aide Training And Testing
 - Federal mandate – OBRA of 1987
 - Interim reimbursement up to \$0.80 per patient day
 - Cost settled each fiscal period

Quality Assurance Supplement (Privately-Owned Facilities)

- Supported by a tax on all non-government nursing facility and hospital LTC unit beds
- Also known as the “QAAP” tax
- Initiated with Public Act 303 of 2002

Quality Assurance Supplement

(Publicly-Owned Facilities)

- In effect July 2002 to September 2003
- Supported by appropriations

Proportionate Share Pool

- Payments are made to facilities pursuant to an upper payment limit test
- Pool is allocated to county medical care facilities based on previous year's Medicaid days

Maintenance Of Effort

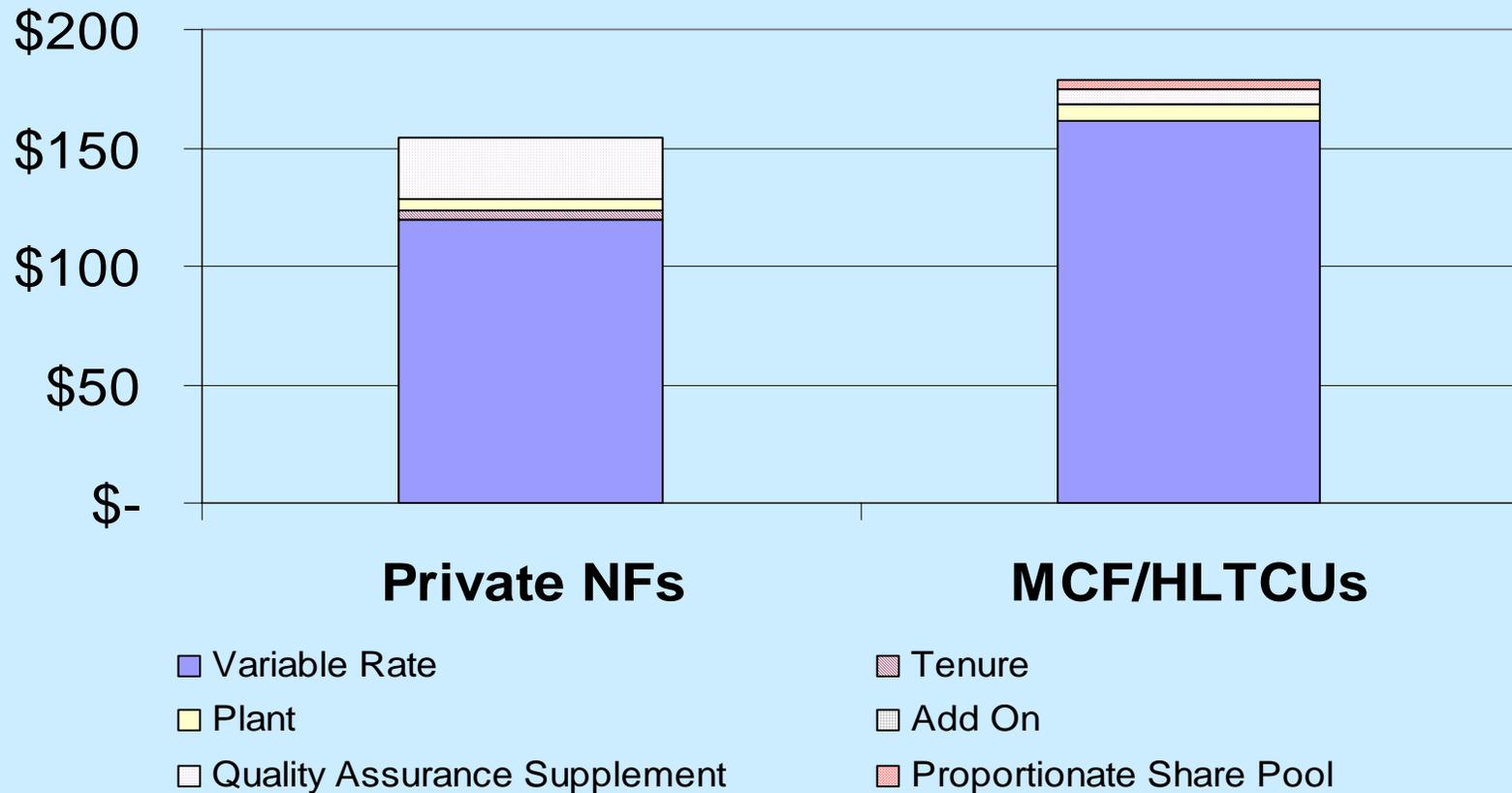
(Government-Owned Facilities Only)

- Public Act 408 of 1984
- Facilities county maintenance of effort rate determined annually
- Facilities payback the county maintenance of effort rate for each Medicaid resident day of care rendered

Reimbursement Components For Michigan Medicaid Nursing Facility Per Diems

	Private NFs	MCF/HLTCUs
Variable Rate	\$ 119.76	\$ 161.48
Tenure	\$ 4.03	\$ -
Plant	\$ 4.41	\$ 6.73
Add On	\$ 0.21	\$ 0.33
Quality Assurance Supplement	\$ 26.06	\$ 5.90
Proportionate Share Pool	\$ -	\$ 4.20
	\$ 154.46	\$ 178.64
	Private NFs	MCF/HLTCUs
Variable Rate	77.5%	90.4%
Tenure	2.6%	0.0%
Plant	2.9%	3.8%
Add On	0.1%	0.2%
Quality Assurance Supplement	16.9%	3.3%
Proportionate Share Pool	0.0%	2.4%
	100.0%	100.0%

Reimbursement Components For Michigan Medicaid FY 2005 Nursing Facility Per Diems



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