

Distribution: Long Term Care 01-08

Issued: December 1, 2001

Subject: Implementation of:

- FY 2002 Rates for Class I & Class III Providers
- Executive Order 2001-9

Effective: As indicated.

Programs Affected: Medicaid

PURPOSE

This policy bulletin implements the zero percent (0%) inflationary allowance for state Fiscal Year 2002, the Fiscal Year 2001-2002 Wage Pass-Through Program for Class I and Class III providers, and continuation payment for the fiscal year 2000-2001 Wage Pass-Through Program. Legislatively mandated changes require that the fiscal year 2001-2002 wage pass-through be absorbed within the zero percent (0%) inflationary allowance.

In anticipation of a shortfall in state tax revenues, Executive Order 2001-9 was issued in an effort to maintain balance in the state's budget. Executive Order 2001-9 requires a \$6,500,000 reduction in state general funds in the Medicaid Program's nursing facility budget in state Fiscal Year 2002. This will mean that reimbursement to nursing facilities must be reduced by \$14,894,592 gross dollars.

The order also eliminates the Quality Incentive Program that had been described in Medicaid Bulletin LTC-01-05 issued July 15, 2001.

AUTHORITY

This policy satisfies requirements of Public Act 296 and Public Act 60, respectively, the Department of Community Health Appropriations Acts for fiscal years 2000-2001 and 2001-2002, and Executive Order 2001-9.

EFFECTIVE DATES:

As indicated.

RATE SETTING CHANGES

According to the MDCH appropriations act (Public Act 60 for 2001), for rate periods beginning on or after October 1, 2001, Class I and Class III providers may elect to be paid a wage pass-through within the prospective rate. Those who elect this option must meet a minimum base wage threshold for post-probationary, Competency Evaluated Nurse Aides (CENA). There can be recognition of base wage and new benefit increases of up to \$0.50 per employee hour. The wage pass-through cannot be used to pay for previously negotiated wage increases. Providers who elect this option will have their inflationary allowance offset by the dollar amount of the wage pass-through.

Although the Wage Pass-Through Program exists in statute, a zero percent (0%) inflationary allowance eliminates any financial gain a provider might obtain with a wage pass-through request. Furthermore, no provider requested a wage pass-through in the last fiscal year. This means there will be no provider that will have a continuation wage pass-through. For these reasons there are no new forms and instructions included with this bulletin.

New rates determined using the zero percent (0%) inflationary allowance and the continuation payment for fiscal year 2000-2001 will be phased in by provider rate years beginning on or after October 1, 2001.

VARIABLE COST LIMIT

For rate years with a beginning date during the time period October 1, 2001 through September 1, 2002, the Class I and Class III Variable Cost Limits will be determined based on five point four percent (5.4%) inflation for the historic cost year and zero percent (0%) inflation factor for the prospective rate year.

INFLATIONARY ADJUSTOR CHANGES

The Legislature has appropriated zero percent (0%) for prospective rate increases for all Class I and Class III providers effective for fiscal year 2001-2002. The Variable Cost Component (VCC) rate will be calculated using five point four percent (5.4%) inflation for the historic cost year and zero percent (0%) inflation factor for the prospective rate year.

EXECUTIVE ORDER 2001-9

Executive Order 2001-9 requires a \$6,500,000 reduction in state general funds in the Medicaid Program's nursing facility budget in state Fiscal Year 2002. This will mean that reimbursement to nursing facilities must be reduced by \$14,894,592 gross dollars. The Department of Community Health will accomplish this reduction by retaining the current system of rebasing and by applying the rate reduction percentage.

The approach for achieving the necessary cost savings for Fiscal Year 2002 is as follows:

Based on projections from submitted cost reports that will be used in rebasing nursing facility rates in Fiscal Year 2002, it has been determined that rates will decline. The gross amounts saved as a result of this rebasing process will be subtracted from reduction targets. The remaining reduction necessary will be computed as a percentage reduction to be applied against the facility rates for nursing services provided during the last 9 months of state Fiscal Year, 2002.

The additional reimbursement reduction amount required to reach the targeted reimbursement reduction for Fiscal Year 2002 will be used to calculate a reduction factor to apply to the individual nursing facility VCC rate. The calculation of the percentage reduction considers the varying levels of nursing facility VCC amounts and Medicaid patient day utilization.

For all nursing facilities regardless of the facility rate year begin date, the uniform reduction factor will be applied to the VCC for nursing facility patient days provided between January 1 and September 30, 2002. This reduction will apply to the nursing patient days paid by the Medicaid Program for the nursing services rendered during this nine-month time period. It is anticipated that this percentage reduction to a nursing facility's VCC will be approximately 1.0%.

Effective October 1, 2002, each facility's rate will be reinstated to the calculated level that resulted from rebasing.

MANUAL UPDATE

Retain this bulletin in the LTC manual until cost settlements or audits are completed for the relevant fiscal year. All previously published wage pass-through bulletins may be removed when relevant cost settlements/audits are completed.

QUESTIONS

Questions regarding this policy and requests for wage pass-through forms may be directed to:


Data Analysis, Reimbursement and Settlement Division
Rate Development, Revenue Reimbursement and Payment Settlement Bureau
PO Box 30479
Lansing, Michigan 48909-7979

or E-mailed to DARS@michigan.gov

or Call (517) 335-5356

Forms (Excel 97) and the instructions (Word 6.0) will be available in an electronic software format at www.mdch.state.mi.us/mdch2/ltcforms, or upon request to the above office.

Approved


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