MSA MEDICAL SERVICES ADMINISTRATION

Bulletin

Michigan Department of Community Health

Distribution: Nursing Facilities 04-01
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Hospice 04-01

Issued: June 1, 2004

Subject: Revision to Nursing Facilities Bulletin 03-08, Section 2

Effective: October 1, 2003

Programs Affected: Medicaid

Section 2 of Nursing Facilities Bulletin 03-08, issued October 1, 2003, outlined Nursing Facility Quality Programs for FY 2003-2004 and defined a nursing facility's utilization (for purposes of the quality programs) as all routine nursing care and therapeutic leave days billed to Medicaid by the facility, plus all routine nursing and therapeutic leave days where Medicaid paid room and board for hospice residents. Due to program and systems needs, this methodology is being changed. A nursing facility's utilization will include all routine nursing care and therapeutic leave days billed to Medicaid by the facility. Quality supplements for hospice days will be included in the per diem rate paid to hospices for room and board in nursing facilities. It will be the responsibility of the hospice provider to pass the quality supplement on to the nursing facility. As outlined in Medicaid hospice policy, hospices will receive 95% of the nursing facility reimbursement.

Note: This policy applies only to fee-for-service reimbursement. For beneficiaries who are enrolled in Medicaid managed care plans, the rate of reimbursement from the health plan to the hospice and from the hospice to the nursing facility will be based on their negotiated contracts.

Section 2: Nursing Facility Quality Programs for FY 2003-2004

2.1 Quality Assurance Assessment Program (QAAP) for Class I Nursing Facilities and Class III Non-Publicly-Owned Hospital LTC Units

To comply with Public Act 113 of 2003, the Department of Community Health is making changes to Class I nursing facility reimbursement. The Act continues the Quality Assurance Assessment Program (QAAP) and directs the Department to incorporate funds resulting from collection of the quality assurance assessment fee into the Medicaid reimbursement to nursing facilities.

Effective for fiscal year 2003-2004, Class I nursing facilities will receive a QAAP payment as a monthly gross adjustment. The monthly gross adjustment for an individual nursing facility will be determined based on the facility's annual historical Medicaid utilization, multiplied by the facility's Quality Assurance Supplement (QAS) on a per resident day basis for FY 2003-2004, divided by 12. A facility's Medicaid utilization will include all routine nursing care and therapeutic leave days billed to Medicaid by the facility.

It is the Department's intention that nursing facilities that provide hospice care for residents by contracting with a hospice provider also benefit from this quality program. Nursing facility room and board rates paid to hospices will be increased in accordance with the QAAP methodology as defined in the bulletin. It is the responsibility of the hospice provider to pay the room and board rate to the nursing facility as specified in their contract for services.

A facility's QAS is equal to the lesser of the facility's variable rate base or variable cost limit times the Quality Assurance Assessment Factor (QAAF) determined by the Department. A provider's QAS will be reconciled at the end of the fiscal year to accommodate the actual Medicaid utilization; changes to the variable rate from filed, audited cost report data; and to adjust the total increase initially estimated to accommodate the fixed pool of funds established by the QAAP and any legislative offsets to that pool.

The QAAF is determined based on the estimated pool of funds created by collection of the quality assurance assessment fee and the projected number of Medicaid nursing facility days for the fiscal year. The estimated QAAF for FY 2003-04 is 21.8% for Class I and non-publicly owned Class III nursing facilities.

See Attachment A, pages 2-5 (of Nursing Facilities Bulletin 03-08), for an example of the QAS calculation for Class I nursing facilities. See Attachment B, page 4, for an example of the QAS calculation for non-publicly owned Class III nursing facilities.

2.2 Quality Assurance Adjustment for Publicly-Owned Class III Nursing Facilities (County Medical Care Facilities and Publicly-Owned Hospital LTC Units)

The Quality Assurance Adjustment for publicly-owned Class III nursing facilities in fiscal year 2003-2004 will be a continuation of the 3% increase outlined in Nursing Facilities Bulletin 03-05 issued June 1, 2003. Effective for fiscal year 2003-2004, Class III nursing facilities will receive a quality payment as a monthly gross adjustment. The monthly gross adjustment for an individual nursing facility will be determined based on the facility's annual historical Medicaid utilization multiplied by the facility's Quality Assurance Supplement (QAS) on a per resident day basis for FY 2003-2004, divided by 12. A facility's Medicaid utilization will include all routine nursing care and therapeutic leave days billed to Medicaid by the facility.

It is the Department's intention that nursing facilities that provide hospice care for residents by contracting with a hospice provider also benefit from this quality program. Nursing facility room and board rates paid to hospices will be increased in accordance with the QAAP methodology as defined in the bulletin. It is the responsibility of the hospice provider to pay the room and board rate to the nursing facility as specified in their contract for services.

The QAS is equal to the lesser of the facility's variable rate base or variable cost limit times a Quality Assurance Assessment Factor (QAAF) of 3%. A provider's QAS will be reconciled at the end of the fiscal year based on the actual Medicaid utilization and to reflect changes to the facility's Variable Rate Base from filed, audited cost report data.

See Attachment B, page 2 (of Nursing Facilities Bulletin 03-08) for an example of the QAS calculation for publicly-owned Class III nursing facilities.

2.3 Quality Assurance Assessment Program (QAAP) for Class V Nursing Facilities (Ventilator Dependent Care Units)

Effective for fiscal year 2003-2004, Class V ventilator dependent care units will receive a QAAP payment as a monthly gross adjustment. The monthly gross adjustment for an individual unit will be determined based on the unit's annual historical Medicaid utilization multiplied by the unit's Quality Assurance Supplement (QAS) on a per resident day basis for FY 2003-2004, divided by 12. A unit's Medicaid utilization will include all days billed to Medicaid by the unit. The QAS is equal to the Class I variable cost limit multiplied by the Quality Assurance Assessment Factor (QAAF) determined by the Department.

The QAAF is determined based on the estimated pool of funds created by collection of the quality assurance assessment fee and the projected number of Medicaid nursing facility days for the fiscal year. The estimated QAAF for FY 2003-04 is 21.8% for Class V units.

A provider's QAS will be reconciled at the end of the fiscal year to accommodate the actual Medicaid utilization and to adjust the total increase initially estimated to accommodate the fixed pool of funds established by the QAAP and any legislative offsets to that pool.

Manual Maintenance

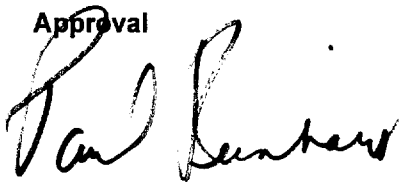
Replace Section 2 of Nursing Facilities Bulletin 03-08, issued October 1, 2003, with this bulletin. Retain all other sections and appendices of Nursing Facilities Bulletin 03-08.

Nursing Facilities Bulletin 03-08, issued October 1, 2003, may be found on the MDCH website at www.michigan.gov/mdch, Providers, Information for Medicaid Providers, Medicaid Policy Bulletins.

Questions

Any additional questions regarding this bulletin should be directed to Provider Support, Department of Community Health, P.O. Box 30731, Lansing, Michigan 48909-8231 or e-mail ProviderSupport@michigan.gov. When you submit an e-mail, be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may telephone toll-free 1-800-292-2550.

Approval



Paul Reinhart, Director
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