



**MEDICAL CARE POLICY ADMINISTRATION
DEPARTMENT OF HEALTH AND MENTAL HYGIENE**

201 WEST PRESTON STREET • BALTIMORE, MARYLAND 21201

Parris N. Glendening
Governor

Martin P. Wasserman, M.D., J.D.
Secretary

**MARYLAND MEDICAL ASSISTANCE PROGRAM
Nursing Home Transmittal No. 160**

June 26, 1998

Nursing Home Administrators

FROM: Joseph M. Millstone, *JMM* Director
Medical Care Policy Administration

NOTE: Please ensure that appropriate staff members in your organization are informed of the contents of this transmittal

Proposed Amendments to Nursing Facility Regulations - Fiscal Year 1999
Reimbursement Parameters

ACTION:
Emergency Regulations
Proposed Regulations (Permanent Status)

EFFECTIVE DATE:
7/1/98
1/1/99

WRITTEN COMMENTS TO:
Michele Phinney, 201 W. Preston Street
Baltimore, Maryland 21201
Fax (410) 333-7687 or
Call (410) 767-6499

PROGRAM CONTACT PERSON:
Stephen E. Hiltner, Supervisor
Nursing Home Program
(410) 767-1447

COMMENT PERIOD EXPIRES: 8/17/98

The Maryland Medical Assistance Program proposes to amend Regulations .08 - .11 and 20 under COMAR 10.09.10 Nursing Facility Services. The following changes are proposed:

(continued on reverse side)

Reimbursement parameters will be adjusted as required to achieve cost containment savings of \$9.5 million, consistent with the Program's fiscal year 1999 budget. The parameters provide a rate increase when compared with those in effect for fiscal year 1998.

The maximum per diem rate for administrative/routine costs is to be increased from 112 to 114 percent of the median cost for each reimbursement class.

The maximum per diem rate for other patient care costs is to be increased from 117 to 119 percent of the median in each reimbursement class.

Efficiency incentives in the administrative/routine and other patient care cost centers increase from 30 percent to 40 percent of the difference between the provider's cost and the ceiling, with a maximum efficiency incentive in each cost center of 10 percent of the ceiling.

The net capital value rental rate is to be increased from 7.07 to 7.87 percent.

The maximum profit allowed in the nursing cost center is to be increased from 7.0 to 7.5 percent of the provider's nursing service rate.

The required recalibration of nursing procedure and activity times and personnel category weights will be postponed until July 1, 1999. In addition, due to the elimination of a Consumer Price Index used in calculating some administrative and routine costs, an alternative index has been selected.

The proposed amendments, as submitted to be published in the Maryland Register, are attached.

JMM:ra
Attachment

cc: Nursing Home Liaison Committee

10.09.10 Nursing Facility Services

.08 Rate Calculation—Administrative and Routine Costs.

A. (text unchanged)
B. The final per diem rate for administrative and routine costs in each reimbursement class is the sum of:
(1) (text unchanged)
(2) An efficiency allowance equal to the lesser of 50 percent ~~(30)~~ 40 percent for the period July 1, ~~[1995]~~ 1998 through June 30, ~~[1998]~~ 1999) of the amount by which the allowable per diem costs in §B(1) of this regulation are below the maximum per diem rate for this cost center, or 10 percent of the maximum per diem rate for the cost center.

C. — D. (text unchanged)
E. Maximum per diem rates for administrative and routine costs in each reimbursement class shall be established according to the following:
(1) — (4) (text unchanged)

(5) The maximum per diem rate for each *reimbursement* class shall be 115 percent (~~[112]~~ 114 percent for the period July 1, ~~[1997]~~ 1998 through June 30, ~~[1998]~~ 1999)

of the lowest aggregate indexed current interim per diem cost, from §E(1) of this regulation, which is equal to the aggregate indexed current interim per diem costs associated with at least 50 percent of the paid Medical Assistance days in the reimbursement class.

F — G. (text unchanged)

.09 Rate Calculation — Other Patient Care Costs.

A. (text unchanged)

B. The final per diem rate for Other Patient Care costs in each reimbursement class is the sum of:

(1) (text unchanged)

(2) An efficiency allowance equal to the lesser of 50 percent (~~[30]~~40 percent for the period July 1, ~~[1995]~~1998 through June

30, ~~[1998]~~ 1999) of the amount by which the allowable per

diem costs in §B(1) of this regulation are below the maximum per diem rate for this cost center, or 10 percent of the maximum per diem rate for the cost center.

C. — D. (text unchanged)

E. Maximum per diem rates for other patient costs in nursing facilities shall be established using the provisions described in Regulation .08E of this chapter except that 120

percent (~~[117]~~ 119 percent for the period July 1, ~~[1997]~~ 1998

through June 30, ~~[1998]~~ 1999) of the lowest aggregate in-

dexed current interim per diem cost which is equal to the aggregate indexed current interim costs associated with at least 50 percent of the paid Medical Assistance days in the reimbursement class shall be used instead of the percentage expressed in Regulation .08E(5) of this chapter and except that the table of monthly indices listed under Regulation .21 of this chapter shall be used instead of that presented in Regulation .20 of this chapter.

F. — G. (text unchanged)

.10 Rate Calculation — Capital Costs.

A. — K. (text unchanged)

L. The net capital value rental for those facilities which are subject to rate determination under §C of this regulation is determined through the following steps:

(1) — (9) (text unchanged)

(10) The value of net capital from §I(8) of this regula-

tion shall be multiplied by 0.0911 (~~{0.0707}~~ 0.0787) for the period July 1, ~~[1997]~~ 1998 through June 30, ~~[1998]~~ 1999) in order to generate the net capital value rental.

M. — R. (text unchanged)

.11 Rate Calculation—Nursing Service Costs.

A. — B. (text unchanged)

C. The final Medical Assistance reimbursement for nursing services is the lesser of:

(1) (text unchanged)

(2) The sum of the:

(a) (text unchanged)

(b) Amount of the reimbursements calculated under

§B(1) of this regulation multiplied by 0.085 (~~{0.07}~~ 0.075) for

the period July 1, ~~[1997]~~ 1998 through June 30,

~~[1998]~~ 1999), and

(c) — (d) (text unchanged)

D. — F. (text unchanged)

G. The resident-specific standard reimbursement rates shall be determined by the following steps:

(1) — (6) (text unchanged)

(7) Multiply the hourly wages plus benefits applicable to each reimbursement class by procedure and activity times using the weights associated with each personnel category to determine the nursing service unadjusted standard per diem reimbursement rates for each reimbursement class. *Current procedure and activity times and personnel category weights are established by the table under Regulation .25B of this chapter,*

and shall be recalibrated effective July 1, ~~[1998]~~ 1999, and at least

every 5 years after that.

(8) — (9) (text unchanged)

H. — U. (text unchanged)

20 Table of Indices—

and Routine Costs.

Cost Category

Salaries and wages—
Administrative
Medical records
Inservice training

Administrative employee
benefits

Administrative supplies
Central office overhead
Dues and subscriptions
Adjustments not related to
specific administrative
accounts

Management services
Nonproperty insurance
Business taxes and
licenses
Auto expenses
Legal and accounting
expenses
Travel
Communications
Data processing

Contracted services
Other administrative
expenses

Associated Price Index

Price Index for All Urban Consumers (CPI-U), All Items, Baltimore, from U.S. Department of Labor, Bureau of Labor Statistics, CPI Detailed Report, Table 16.

Effective for services rendered on or after July 1, 1993, indexing is based upon the ratio of total benefits to total wages for administrative and office personnel from providers' desk-reviewed annual cost reports. The proportional change in the ratio is converted to a proportional change in benefits by taking the sum of the proportional ratio change, the proportional salary index change, and the product of the two.

CPI-U, Commodity and Service Group Index for Nondurables Less Food and Beverages, Baltimore, from CPI Detailed Report, Table 16.

CPI-U, Special Index for Services Less Medical Care, Baltimore, from CPI Detailed Report, Table 16.

CPI-U, [mean of other inpatient services and outpatient services] Nursing Homes and Adult Daycare, from CPI

Report, Table 4.