

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR NURSING FACILITIES

7. RATE ADJUSTMENTS BETWEEN REBASING PERIODS (continued)

Beginning July 1, 2005, additional funds made available to the Oklahoma Health Care Authority for Nursing Facilities Serving Adults will be used to adjust the rates of payments in the following method:

Definitions:

Base Rate is defined as that rate in effect on June 30, 2005, for a facility. Any changes will be made through future Plan changes if required.

Direct Care Costs are defined as those costs for salaries (including professional fees), benefits and training for registered nurses, licensed practical nurses, nurse aides and certified medication aides.

Other Costs are defined as the total allowable routine and ancillary costs (including capital and administrative costs) of nursing facility care less the Direct Care Costs.

- (1) As of July 1, 2005, individual rates of payment will be established as the sum of the Base Rate plus add-ons for Direct Care and Other Costs.
- (2) Annually, any funds over and above those to cover the Base Rate will be used to create two pools of funds to be used to establish the rate add-ons for each facility (a statewide uniform rate add-on).
 - (a) The Other Cost pool will be 30% of the available funds. This pool of funds will be divided by the total estimated Medicaid days to determine the add-on for each facility (a statewide uniform rate add-on).
 - (b) The Direct Care cost pool will be 70% of the available funds. This pool of funds will be used to establish facility specific add-ons to the rates. These add-ons will be determined as follows:

Step One: The OHCA will construct an array of the facilities' allowable Direct Care per patient day (as reported on the cost report for the most recent reporting period), with each facility's value in the array being the lesser of actual cost per day or a ceiling set at the 90th percentile of the array of all facilities.

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Step Two: For each facility in the array, the Direct Care Cost established in step one will be multiplied by their estimated annual Medicaid days and added together to calculate the aggregate estimated Medicaid direct care cost. The estimated annual Medicaid days will be determined by using the latest CY MMIS paid days. In the case of facilities with less than a year's experience, then the OHCA will determine an estimate from any available actual data for that facility or like facilities.

Step Three: The Direct Care Pool of available funds will be divided by the aggregate estimated Medicaid Cost determined in step two to determine an add-on percent for Direct Care.

Step Four: The Direct Care add-on for each facility will be determined by applying the percent calculated in step three to each facility's per patient day Direct Care Value determined in step one.

Step Five: The sum of the Base Rate and add-ons for Direct Care and Other Costs will be the facility specific rate for the period. The only exceptions to this logic are for homes that do not file a report and for new homes established in the rate year. For homes not filing a cost report, the rate will be the sum of the base rate plus the Other Cost add-on, only. For new facilities beginning operations in the rate year, the rate will be the median of those established rates for the year.

- (c) For the rate period beginning 7/1/05, the total funds available for establishing the pools in (a) and (b) is zero (0).
- (d) For the rate period beginning July 1, 2006 the total available pool amount for establishing rates as described in (a) and (b) is \$71,396,300.

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