



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS



Roxane A. Townsend, M.D.
SECRETARY

November 6, 2007

Nursing Home Administrators

Dear Administrator:

RE: Louisiana Medicaid Nursing Facility Floor Calculation

Nursing facilities paid under the Louisiana case-mix reimbursement system are subject to a spending floor. If the sum of annual direct care and care-related costs do not meet or exceed a facility's spending floor, the difference must be refunded to the Medicaid program. The floor is applicable to cost reports beginning on or after January 1, 2003.

Several Louisiana nursing facilities have requested direction on how to monitor their direct care and care-related spending on a quarterly and annual basis in comparison to the required spending under the Medicaid direct care and care-related floor. To assist in this comparison, we have prepared the following explanations and examples. While we hope these explanations and examples will be of help to facilities, the rule must be the final source for direction. The rule is published in the Louisiana Register, section (LAC 50:VII.1301-1311).

Direct Care and Care-Related Expenses

To effectively monitor direct care and care-related expenses, facilities must first identify which expenses on their general ledger and/or cost reports qualify as direct care and care-related. The direct care and care-related expense classifications are based on a combination of the Medicare cost centers and the Medicaid supplemental cost report. Below is a list of the Medicare and Medicaid cost report expenses included in direct care and care-related.

<i>Direct Care</i>	<i>Care-Related</i>
Direct Patient Care Nursing Salaries - NF & SNF cost centers (Medicare Cost Report)	Direct Patient Care Costs – Non-Salary - NF & SNF cost centers (Medicare Cost Report)
Direct Patient Care Contract Nursing - from Medicaid Supplemental Schedule 12	Nursing Administration (Medicare Cost Report)
Allocated Employee Benefits for the Above	Social Services (Medicare Cost Report)
	Patient Activities (Medicare Cost Report)
	Food (Raw Food from Medicaid Supplemental)
	Allocated Employee Benefits for the Above

Based on the expenses a facility would normally code to the above noted cost centers on the cost report, a facility can determine which expenses on their general ledger would be considered direct care and care-related.

The account cross-walk used to complete your Medicare and Medicaid cost reports is very useful in completing this step. This cross-walk is usually prepared by your cost report preparer to assist them in completing the Medicare and Medicaid cost reports. The cross-walk typically shows all of the facility's general ledger accounts and the cost report line number where the expense was coded. If the cross-walk is not available, we would suggest discussing the account coding with your cost report preparer.

It is important that only allowable nursing facility expenses from the above noted cost centers be considered when comparing to the floor. For example, if a nursing facility also has a residential or assisted living unit, they would need to remove any food, nursing, employee benefits, nursing administration, social services, and patient activities expenses that would normally be allocated to that unit on your Medicare cost report (usually through the worksheet B-1 step-down). These allocation percentages are available on your Medicare cost report worksheet B series. Again, consult with your cost report preparer if you are unsure of how to allocate to these units.

As noted above, employee benefits are allocated to the direct care and care-related components using the same method as the Medicare cost report (usually based on gross salaries).

Quarterly/Monthly Monitoring

Once a facility has determined which accounts on their general ledger relate to direct care and care-related costs, they can begin monitoring their spending on a quarterly or monthly basis. The Department of Health and Hospitals will only calculate the floor on an annual basis using the facility's audited or desk-reviewed cost report. The quarterly/monthly review process is only a suggestion to assist facilities in managing their spending.

1. Facilities should sum their allowable direct care and care-related costs for the period (quarter or month) and divide the total by the number of total resident days for the same period. This calculation results in a direct care and care-related per diem cost.
2. The direct care and care-related per diem cost can then be compared to the total floor from the rate sheet covering the same period. If the per diem cost is greater than or equal to the floor, spending meets the expectations of the rule.

It is important to note that the direct care and care-related floor is applied in total so it is not necessary to split the direct care and care-related costs when comparing to the floor from the facility's Medicaid rate sheet.

Total Facility-specific Floor for Quarter 1		\$35.25
Allowable Direct care / care-related cost for Quarter 1	\$250,000	
Total resident days for Quarter 1	<u>7,500</u>	
Calculated direct care / care-related cost per diem		\$ 33.33
Spending Shortfall (Spending Must be Increased to Meet the Floor)		\$ 1.92

Annual Monitoring

After filing the annual Medicare and Medicaid cost reports, each facility can calculate their actual final spending compared to their floor. This can be used to calculate the potential refund to the Medicaid program if annual direct care and care-related spending did not meet or exceed the floor. It is only a preliminary number since final results will depend on any changes made during the cost report audit or desk review.

1. At the end of the cost report fiscal year, a weighted average floor must be calculated based on the direct care and care-related floors found on each facility's Medicaid quarterly (and monthly in the case of 2/1/07 and 3/1/07) rate sheets and the number of calendar days the rate sheet covers. All rate sheets that overlap any part of the cost report period must be used in the weighted-average calculation.
2. Total allowable direct care and care-related costs from the cost report are divided by the number of total resident days from the cost report. This calculation results in a direct care and care-related per diem cost.
3. The direct care and care-related per diem cost can be compared to the annual weighted-average floor (calculated in #1 above) covering the same period. If the per diem cost is greater than or equal to the floor, spending meets the expectations of the rule. If the per diem cost is below the floor, the facility must refund the difference as shown in the following example.

Cost Report Period of 1/1/2003 – 12/31/2003					
	Rate Effective Date				Totals
	1/1/2003	4/1/2003	7/1/2003	10/1/2003	
Facility-specific floor *	\$35.25	\$35.75	\$36.25	\$36.75	
Days in Period	90	91	92	92	365
	\$3,172.50	\$3,253.25	\$3,335.00	\$3,381.00	\$13,141.75
Day-weighted floor average (\$13,141.75 / 365 days)					\$ 36.00
Allowable Direct care / care-related cost per cost report					\$1,000,000
Total resident days per cost report					30,000
Total direct care / care-related cost per diem					\$ 33.33
Per diem amount to be repaid to Medicaid					\$ 2.67
Total Medicaid days paid from 1/1/2003 to 12/31/2003					20,000
Total to be repaid to Medicaid					\$53,400

** Direct care, wage-increase, and care-related floors are summed together when comparing to the cost per diem*

Nursing Home Administrators

November 1, 2007

Page 4

If you have any questions concerning this memorandum, please contact Bob Hicks at 1-800-374-6858 x 1249 or e-mail bhicks@mslc.com.

Sincerely,



Kent Bordelon

Director of DHH Rate & Audit Review Section

KEB/mw

cc: Senator Joe McPherson
Joe Donchess, LNHA
Mark Berger, LNHA
Myers & Stauffer

Jerry Phillips, Medicaid Director
Ray Dawson, Deputy Medicaid Director
Karen Contrenchis, GSAHSA
Postlethwaite & Netterville