



HEALTHCARE AND FAMILY SERVICES
NURSING HOME RATE CALCULATION
HANDBOOK

FY 2009
Effective January 1, 2009

INTRODUCTION

This packet is designed to assist facilities in calculating January 1, 2009 nursing and support reimbursement rates. (Your capital component has not changed from your last rate notice.) It contains step-by-step instructions for calculating your nursing and support rates. There may be a difference of one or two cents between the rates that have been calculated and the rates issued by HFS. This is due to differences in the way decimal fractions are handled. HFS calculates rates by computer and the computer carries all operations out to the eighth place.

REIMBURSEMENT SYSTEM FOR NURSING FACILITIES

GENERAL DESCRIPTION

Key Features

The Illinois reimbursement system for nursing facilities is a prospective system; that is, the rates are set for each facility for a subsequent rate period. The rates remain in effect for the rate period and there is no retroactive reconciliation of rates to actual expenditures during the rate period.

The reimbursement rates are facility specific. Individual rates are set for each nursing facility, taking into account such factors as, individual facility costs, variations in patient case mix, geographical location, and other facility characteristics such as occupancy level.

Illinois uses a case mix or patient need based system to establish the direct care payment rate. The direct care rate is based on a measure of a nursing facility's patient case mix, which reflects the individual needs of patients within the facility and the actual services being provided to the patients. A quarterly MDS assessment for each Medicaid-eligible resident is used to determine the average patient need and service levels within each nursing facility. This, combined with the nursing rate in effect on 12/31/2006, provides the basis for determining the direct care reimbursement rate. The latest Inspection of Care on record with the Department has been used to establish the nursing rate in effect on 12/31/2006.

Components of the Reimbursement Rate

The reimbursement rate has three components:

1. Nursing and Direct Care Component
2. Support Service Component
3. Capital Component

Nursing and Direct Care Component

The nursing and direct care component covers costs associated with direct care, nursing, and other group care related health and treatment services. The rate includes payment for assisting patients in meeting basic functional and special health needs and for rehabilitative and restorative nursing care.

The facility rate is based on an MDS assessment for each Medicaid-eligible resident, which is completed initially upon admission and then quarterly for the duration of the resident's stay in the LTC facility. Designated specific categories of direct care services are assessed for each patient and the data compiled to determine the case mix for each facility. The categories of service each have multiple patient need levels and accompanying preset direct care staff times. Staff times are totaled for all patients in a facility and applied to the average wages for the geographic region in which the facility is located. The facility's average per diem per capita cost for direct care is derived from this information. This is the facility's MDS base rate.

Amounts are added for direct care consultants, nursing and health care supplies and director of nursing services. A per diem supply cost for exceptional care needs is also added to the rate. This is the facility's total MDS based nursing rate.

The facility's nursing rate in effect at 12/31/2006 is then blended with the MDS based nursing rate to calculate the facility rate that will be effective 1/1/2009.

A facility's rate depends on the patient need and service levels and the geographic location of the facility. Nurse aide training is reimbursed through separate systems.

Support Services Component

The support service rate covers the general service and administration costs associated with residential care. It includes costs of food, laundry, housekeeping, utilities, maintenance, administration, insurance, dietary, and general office services. These are costs that do not vary significantly with varying patient need levels.

Allowable costs for each facility are compiled from the facility cost report and updated to the rate year using various updating factors. The per diem per capita cost for each facility is derived and these costs for all facilities within designated geographic regions of the State are ranked from highest to lowest. The cost value at the 75th percentile is set as the ceiling for payment.

Facilities with per diem costs at or above the 75th percentile ceiling are reimbursed at a level equal to the 75th percentile value. Facilities having per diem per capita costs below the 75th percentile receive their full per diem per capita cost, plus a profit payment. The profit payment serves as an incentive for efficient and economic operation of the facility.

Capital Component

The capital rate provides reimbursement for the capital costs that include mortgage interest and asset depreciation but does not use these “costs” in the rate calculation. The rate is calculated based upon a blending of

- 1) The inflated historical cost per bed of the building
- 2) The uniform cost per bed for all facilities in the same age and region.

This blended value per bed is multiplied by a rate of return on investment and converted to a per diem value. A standard amount is added for equipment, vehicle and working capital interest costs. Additionally, an inflated real estate tax cost per diem is added to arrive at the total capital rate.

The capital component methodology and rate are not being changed at this time. They will remain at the amount as reported on your last rate notification.

NURSING CALCULATION

01/01/2009

JANUARY 1, 2009
CALCULATION OF NURSING RATE

Overview

This part of the packet is for calculating the nursing rate effective January 1, 2009. The MDS portion of the nursing rate is based upon the Medicaid eligible residents in the facility on September 30, 2008 as determined by the Medicaid Management Information System (MMIS) on November 30, 2008, using the most recent MDS OBRA (AA8a=01,02,03,04,05, 10) assessment in the quarter ending 9/30/2008. Residents for whom MDS resident identification information is missing or inaccurate, or for whom there is not a current MDS assessment for the quarter shall be placed in the lowest acuity level for calculation purposes. The 12/31/06 rate portion of the nursing rate is based upon the nursing rate in effect on 12/31/2006, along with your Exceptional Care program clients at 6/30/2006.

To calculate your nursing rate, you will need to:

- Step 1: Associate the allowable staff times with the assessment scores for each individual resident assessed. A table of assessment scores and times according to category of service is provided for this purpose.
- Step 2: Determine the total amount of allowable staff time for all individuals assessed by staff type –Unlicensed, RN, LPN, social worker, and activity.
- Step 3: Determine the costs for the total allowable staff time using the table of wages provided for this purpose.
- Step 4: Determine the amount of vacation time using a proportion of the total allowable staff time. Then, figure the vacation time cost using the table of wages provided for this purpose.
- Step 5: Add your total allowable staff time costs and vacation time costs to get your total costs for all Medicaid residents. Then, divide the total costs by the number of Medicaid eligible residents to get your average per diem cost.
- Step 6: Determine the amount to be added to your average per diem cost for director of nursing (DON), consultants and supplies. Select the total factor for these costs from the table of factors provided for this purpose, add 1.000 to the factor and multiply your per diem cost by this amount.
- Step 7: Determine the amount of supply cost to be paid and divide the total costs by the number of Medicaid eligible residents to get your average per diem cost. Add this to the total from Step 6.

Step 8: Blend the MDS based nursing rate calculated in Step 7 with the nursing rate in effect on 12/31/2006 (which should include any EC add-on amount) to get the final nursing rate effective January 1, 2009.

INSTRUCTIONS

Form I

Step 1: Make a copy of Form I for each Medicaid eligible resident in the facility. Using Form I, record the assessment scores for each resident under the column titled "Score". Obtain your assessment scores from the MDS Verification. Complete a separate Form I for each resident.

Step 2: Using Table I, select the various staff times which correspond with each score for each category of service and record the times in the appropriate columns on Form I.

Step 3: Determine Line 51. Add the five time columns (Unlicensed, RN, LPN, Social Worker and Activity) and the Supply Add-on column and record the totals on Line 51. NOTE: Do not total the assessment scores listed in the first column.

Note: Residents whom MMIS says are in the facility on September 30, 2008, but cannot be matched to an assessment (default) are assumed to have an Activity of Daily Living score of 1 and a score of 0 in all other scoring categories.

Form II

Use Form II to compile and total your facility's staff time for all Medicaid eligible residents. Record each resident's total unlicensed, RN, LPN, social worker, activity times, and Supply Add-on from Form I, Line 51 (column totals). Total the times and Supply Add-ons for all residents and record on Line 26 (column totals) of Form II.

Form III

Line 1: Using Form III, enter the total **unlicensed** time for all residents from Form II, Line 26 (column totals). Enter the unlicensed wage from Table III. Multiply these figures to get your unlicensed time costs.

Line 2: Enter the total **RN** time for all residents from Form II, Line 26 (column totals). Enter the RN wage from Table III. Multiply these figures to get your RN time costs.

Line 3: Enter the total **LPN** time for all residents from Form II, Line 26 (column totals). Enter the LPN wage from Table III. Multiply these figures to get

your LPN time costs.

- Line 4: Enter the total **social worker** time for all residents from Form II, Line 26 (column totals). Enter the social worker wage from Table III. Multiply these figures to get your social worker time costs.
- Line 5: Enter the total **activity** time for all residents from Form II, Line 26 (column totals). Enter the activity wage from Table III. Multiply these figures to get your activity time costs.
- Line 6: Add the **costs** entered on Lines 1, 2, 3, 4, and 5 and enter the cost sum.
- Line 7: Add the **times** entered on Lines 1, 2, 3, 4, and 5 and enter the time sum.
- Line 8: Enter the time sum (Line 7) and multiply the time by .05 to obtain your vacation time. Enter this in the space provided.
- Line 9: Enter the vacation time from Line 8. Enter the “proportioned” wage from Table III. Multiply these figures to get your vacation cost. Enter this in the space provided.
- Line 10: Sum the costs from Lines 6 and 9 to get your total cost. Enter this in the space provided.
- Line 11: Enter the number of Medicaid Eligible residents in the facility.
- Line 12: Divide line 10 by line 11 to obtain your average per diem cost.
- Line 13: Enter your total DON, Consultant and Supply factor from Table II and add 1.0000 to get your multiplier.
- Line 14: Multiply Line 13 (DON, Supply, Consultant multiplier) by Line 12 (average per diem cost) to obtain the final per diem cost.
- Line 15: Enter the total supply add-on from Form II and divide it by the number of Medicaid Eligible residents from line 11.
- Line 16: Add line 14 (calculated nursing rate) to line 15 (supply cost add-on per diem) to obtain the total MDS based nursing rate.
- Line 17: Enter the percentage of the MDS based nursing rate to be paid. (Refer to the rate calculation sheet included in this packet.
- Line 18: Multiply line 16 (total MDS based nursing rate) by line 17 (percentage of MDS based nursing rate to be paid) to obtain the portion of the MDS based nursing rate to be paid.

Line 19: Enter your actual nursing rate in effect on December 31, 2006, and then enter any EC add-on rate (as determined by HFS). Add the two amounts to obtain the 12/31/06 nursing rate with EC blend.

Line 20: Percentage of 12/31/06 rate to be paid is 1 minus the line 17 amount.

Line 21: Multiply the line 20 amount by the line 19 (12/31/06 nursing rate with EC blend) to get the portion of the 12/31/06 nursing rate to be paid.

Line 22: Add line 18 (portion of the MDS based nursing rate to be paid) to line 21 (portion of the 12/31/06 nursing rate to be paid) to get the total nursing rate to be paid.

Note: If the MDS based nursing rate is not calculated, the nursing rate to be paid will be the nursing rate in effect on December 31, 2008.

Line 23: Enter any Vent Add-on rate (as determined by HFS).

Line 24: Add line 22 to line 23 to get the final total nursing rate to be paid.

FORM I

NURSING RATE TIME CALCULATIONS

Provider _____

Facility ID _____

HSA _____

Assessment Date (R2b) _____

Resident _____

Category Service	Score	Unlicensed Time	RN Time	LPN Time	Soc Wk Time	Activity Time	Supply Add-On
1 Base Social Work and Activity Time							
2 Activities of Daily Living	_____	_____	_____	_____	_____	_____	_____
3 Passive Range of Motion	_____	_____	_____	_____	_____	_____	_____
4 Active Range of Motion	_____	_____	_____	_____	_____	_____	_____
5 Splint/Brace Assistance	_____	_____	_____	_____	_____	_____	_____
6 Bed Mobility Restorative	_____	_____	_____	_____	_____	_____	_____
7 Mobility(transfer)Restorative	_____	_____	_____	_____	_____	_____	_____
8 Walking Restorative	_____	_____	_____	_____	_____	_____	_____
9 Dressing/Grooming Restorative	_____	_____	_____	_____	_____	_____	_____
10 Eating Restorative	_____	_____	_____	_____	_____	_____	_____
11 Amputation/Prosthetic Care	_____	_____	_____	_____	_____	_____	_____
12 Communication Restorative	_____	_____	_____	_____	_____	_____	_____
13 Other Restorative	_____	_____	_____	_____	_____	_____	_____
14 Scheduled Toileting	_____	_____	_____	_____	_____	_____	_____
15 Continence Care	_____	_____	_____	_____	_____	_____	_____
16 Pressure Ulcer Prevention	_____	_____	_____	_____	_____	_____	_____
17 Moderate/Intensive Skin Care	_____	_____	_____	_____	_____	_____	_____
18 Ostomy Care	_____	_____	_____	_____	_____	_____	_____
19 IV Therapy	_____	_____	_____	_____	_____	_____	_____
20 Injections	_____	_____	_____	_____	_____	_____	_____
21 Oxygen Therapy	_____	_____	_____	_____	_____	_____	_____
22 Chemotherapy	_____	_____	_____	_____	_____	_____	_____
23 Dialysis	_____	_____	_____	_____	_____	_____	_____
24 Blood Glucose Monitoring	_____	_____	_____	_____	_____	_____	_____
25 End Stage Care	_____	_____	_____	_____	_____	_____	_____
26 Infectious Disease	_____	_____	_____	_____	_____	_____	_____
27 Acute Medical Conditions	_____	_____	_____	_____	_____	_____	_____
28 Pain Management	_____	_____	_____	_____	_____	_____	_____
29 Discharge Planning	_____	_____	_____	_____	_____	_____	_____
30 Nutrition	_____	_____	_____	_____	_____	_____	_____

FORM I
NURSING RATE TIME CALCULATIONS

Provider _____

Facility ID _____

HSA _____

Assessment Date (R2b) _____

Resident _____

Category Service	Score	Unlicensed Time	RN Time	LPN Time	Soc Wk Time	Activity Time	Supply Add-On
31 Hydration	_____	_____	_____	_____	_____	_____	
32 Psychosocial Adaptation	_____	_____	_____	_____	_____	_____	
33 Psychotropic Medication Monitoring	_____	_____	_____	_____	_____	_____	
34 Psychiatric Services (Section S)	_____	_____	_____	_____	_____	_____	
35 Skills Training (Section S)	_____	_____	_____	_____	_____	_____	
36 Close or Constant Observation(Section S)	_____	_____	_____	_____	_____	_____	
37 Cognitive Impairment/Memory Assistance	_____	_____	_____	_____	_____	_____	
38 Dementia Care Unit	_____	_____	_____	_____	_____	_____	
39 Respiratory Services	_____	_____	_____	_____	_____	_____	_____
40 Ventilator Care	_____	_____	_____	_____	_____	_____	_____
41 Weaning from Ventilator	_____	_____	_____	_____	_____	_____	
42 Morbid Obesity	_____	_____	_____	_____	_____	_____	_____
43 Complex Wounds	-	-	-	-	-	-	_____
44 Traumatic Brain Injury	-	-	-	-	-	-	_____
45 Column Subtotals	_____	_____	_____	_____	_____	_____	
46 Communication 1% of Subtotal	_____	_____	_____	_____	_____	_____	
47 Vision Problems 2% of Subtotal	_____	_____	_____	_____	_____	_____	
48 Accident/Fall Prevention 3% of Subtotal	_____	_____	_____	_____	_____	_____	
49 Restraint Free 2% of Subtotal	_____	_____	_____	_____	_____	_____	
50 Activities 2% of Subtotal	_____	_____	_____	_____	_____	_____	

FORM II NURSING RATE TIME CALCULATIONS

Provider name _____

Number of Medicaid Eligible Residents in the facility _____

Resident	Unlicensed Time	RN Time	LPN Time	Soc Wk Time	Activity Time	Supply Add-on
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						
13.						
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21.						
22.						
23.						
24.						
25.						
26. COLUMN TOTALS						

NURSING RATE CALCULATION

1. Unlicensed Time _____x Unlicensed Wage _____= Unlicensed Cost \$
2. RN Time _____x RN Wage _____= RN Cost \$
3. LPN Time _____x LPN Wage _____= LPN Cost \$
4. Social Worker Time _____x Soc Wk Wage _____= Social Worker Cost \$
5. Activity Time _____x Activity Wage _____= Activity Cost \$
6. Total Cost (sum of lines 1-5) = \$
7. **TIME SUM** _____ (Sum of times on lines 1 - 5)
8. Time Sum (line 7) _____x .05 = Vacation Time
9. Vacation Time (line 8) _____x Proportioned Wage _____= Vacation Cost \$
10. Sum of Costs (lines 6 and 9) = total cost \$
11. Number of Medicaid eligible residents
12. Total cost (line 10) \$_____ divided by number of residents (line 11)
= your average per diem cost \$
13. Total DON, Supply, Consultant Factor (from Table II) _____ + 1.0000 = your
DON, Supply, Consultant Multiplier
14. DON, Supply, Consultant Multiplier (line 13) _____ x your average per diem
cost (line 12) \$ _____ = Calculated Nursing Rate \$ _____.
15. Total Supply cost \$ _____ divided by residents (line 11) = supply cost add-on per
diem \$_____
16. Total MDS Based Nursing Rate (line 14 + line 15) \$_____
17. Percentage of MDS based Nursing Rate to be paid: _____
18. Portion of MDS Based Nursing Rate to be paid (line 16 * line 17)=\$_____
19. Nursing Rate in effect on 12/31/2006 \$_____ + EC Add-on Rate for EC
population at 6/30/2006 \$_____ = 12/31/06 Nursing Rate with EC Blend
\$_____
20. Percentage of 12/31/06 Rate to be Paid = (1 – line 17) = _____
21. Portion of 12/31/06 Nursing Rate to be paid (line 19 * line 20)=\$_____
22. Total Nursing Rate (line 18 + line 21) = \$_____
23. Vent add-on Rate = \$_____
24. Final Total Nursing Rate with Vent Add-on (line 22 + line 23)=\$_____

**Table I.
STAFF TIME FOR NURSING FACILITY MDS BASED NURSING RATE**

	Score	Unlicensed	RN	LPN	SW	Activity
Activities of Daily Living/ Base Social Work and Activity	1	50	7.5	7.5	5	10
	2	62	9.5	9.5	5	10
	3	69	10.5	10.5	5	10
	4	85	12.5	12.5	5	10
Passive Range of Motion	1	10	3	3	0	0
	2	15	3	3	0	0
Active Range of Motion	1	8	2	2	0	0
	2	12	2	2	0	0
Splint/Brace Assistance	1	8	2	2	0	0
	2	12	2	2	0	0
Bed Mobility Restorative	1	10	3	3	0	0
	2	15	3	3	0	0
Mobility (Transfer) Restorative	1	10	3	3	0	0
	2	15	3	3	0	0
Walking Restorative	1	10	3	3	0	0
	2	15	3	3	0	0
Dressing or Grooming Restorative	1	10	3	3	0	0
	2	15	3	3	0	0
Eating Restorative	1	15	3	3	0	0
	2	20	3	3	0	0
Amputation/Prosthetic Care	1	10	3	3	0	0
	2	15	3	3	0	0
Communication Restorative	1	10	3	3	0	0
	2	15	3	3	0	0
Other Restorative	1	6	5	5	0	0
	2	6	7.5	7.5	0	0
Scheduled Toileting	1	22	1.5	1.5	0	0
Continence Care	1	12	.5	.5	0	0
	2	32	5	5	0	0
Pressure Ulcer Prevention	1	15	4	4	0	0
Moderate Skin Care / Intensive Skin Care	1	5	5	5	0	0
	2	5	15	15	0	0
Ostomy Services	1	5	2.5	2.5	0	0
IV Therapy	1	1	15	15	0	0
Injections	1	0	3	3	0	0
Oxygen Therapy	1	9	7.5	7.5	0	0
Chemotherapy	1	1	5	5	0	0
Dialysis	1	1	5	5	2	0
Blood Glucose Monitoring	1	0	1	1	0	0
End Stage Care	1	10	6	6	8	0
Infectious Disease	1	18	8.5	8.5	1	0
Acute Medical Conditions	1	1	11.5	11.5	1	0
Pain Management	1	4	4	4	1	1

Table I. Cont'd
STAFF TIME FOR NURSING FACILITY MDS BASED NURSING RATE

	Score	Unlicensed	RN	LPN	SW	Activity
Discharge Planning	1	0	8	8	16	0
Nutrition	1	2	.5	.5	0	0
	2	2	12	12	2	0
Hydration	1	10	2	2	0	1
Psychosocial Adaptation	1	12	3	3	8	2
Psychotropic Medication Monitoring	1	5	2.5	2.5	0	0
Psychiatric Services (Section S)	1	6	1.5	1.5	10	0
	2	13	2.5	2.5	20	0
	3	13	4.5	4.5	20	0
	4	16	5	5	25	0
Skills Training (Section S)	1	6	6	6	8	6
Close or Constant Observation (Section S)	1	6	2	2	5	0
Cognitive Impairment / Memory Assistance Services	1	6	0	0	0	4
	2	16	3	3	11	10
	3	21	5.5	5.5	16	15
Dementia Care Unit	1	15	4	4	10	10
Respiratory Services If P1aj=1, then a \$50.00 supply cost will be applied.	1	5	15	15	0	0
	2	10	24	24	0	0
Ventilator Care If P1al=1, then a \$150 supply cost will be applied. (any P1aj=1 supply cost will not be included.)	1	15	37.5	37.5	0	0
Weaning from Ventilator	1	5	15	15	0	0
Morbid Obesity A \$40.00 supply cost will be applied.	1	10	5	5	5	0
Complex Wounds A \$15.00 supply cost will be applied	1	0	0	0	0	0
Traumatic Brain Injury A \$50.00 supply cost will be applied	1	0	0	0	0	0
Sub-Total Minutes (add all the minutes for each wage type to this point.)						
Communication	1	1% of subtotal minutes	1% of subtotal minutes	1% of subtotal minutes	1% of subtotal minutes	1% of subtotal minutes
Vision Problems	1	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes

Table I. Cont'd
STAFF TIME FOR NURSING FACILITY MDS BASED NURSING RATE

	Score	Unlicensed	RN	LPN	SW	Activity
Accident/Fall Prevention	1	3% of subtotal minutes	3% of subtotal minutes	3% of subtotal minutes	3% of subtotal minutes	3% of subtotal minutes
Restraint Free	1	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes
Activities	1	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes	2% of subtotal minutes
Grand Total Minutes (add the sub- total minutes and the percentage minutes for each of the 5 categories above.)						

TABLE I I
DIRECTOR OF NURSING, CONSULTANT AND SUPPLY ADJUSTMENT FACTOR

HSA	Rate Area	TOTAL FACTOR
1 & 10	Northwest	0.1115
2 & 4	Central	0.1318
3	West Central	0.1378
5	South	0.1353
6, 7 & 8	Chicago	0.1129
9	S. Suburbs	0.1202
11	St. Louis	0.1155

TABLE III
UPDATED PER MINUTE WAGE RATES BY STAFF TYPE AND RATE AREA

HSA	Rate Area	Unlicensed	RN	LPN	Social Worker	Activity Worker	Proprtn
1 & 10	Northwest	0.19259	0.36052	0.30033	0.23603	0.17585	0.23826
2 & 4	Central	0.17700	0.35225	0.27564	0.21313	0.16543	0.22091
3	West Central	0.16825	0.36901	0.26136	0.20062	0.15886	0.21514
5	South	0.16328	0.34112	0.25644	0.17666	0.15379	0.20285
6, 7 & 8	Chicago	0.18822	0.39404	0.31869	0.24640	0.18309	0.25219
9	S. Suburbs	0.19334	0.37109	0.30517	0.21190	0.17867	0.24298
11	St. Louis	0.17210	0.35508	0.27138	0.20938	0.16179	0.21638

NOTE: Wages have been multiplied by 1.1731 to include fringe benefits.

PART II

SUPPORT

CALCULATION

FISCAL YEAR 2009

CALCULATION OF SUPPORT RATES

This part of the calculation packet is for calculating your support rate. The rate is based on adjusted costs from your latest cost report on file with the Department as of March 31, 2005. You need to make sure you have adjusted your cost report to reflect any changes made by the field auditors or by the Bureau of Health Finance during the desk audit process. Audit adjustments made to Schedule V of the cost report should be posted to Column 9 of Schedule V (unless otherwise indicated) and the revised totals in Column 10 should be used in calculating your reimbursement rate. Each facility has been notified by mail of any adjustments made by the Bureau of Health Finance.

Unless otherwise specified, all line numbers refer to Schedule V of your 2004 or 2003 cost report.

INSTRUCTIONS AND CALCULATION STEPS

STEP I Adjust Support Service Costs to Include Correct Amounts of Fringe Benefits and Payroll Taxes.

Fringe benefits and payroll taxes are reported as a lump sum under General Administration expenses on your cost report (Page 3, Column 10, Line 22). You will need to take this amount out of General Administration expenses and calculate the correct portions of this lump sum to be added to your General Services and General Administration expenses. This is done by proration.

A. General Services:

- 1. Determine the proportion of general services wages to total wages.
2. Multiply the total lump sum fringe amount by this proportion to get the fringe amount for General Services.
3. Add the proportioned fringe amount to your total general service expenses to get your new total general services cost.

Take \$ _____ G.S. Wages (Column 1, Line 8)
Divide by \$ _____ Total Wages (Column 1, Line 45)
Equals _____ X \$ _____ Total Fringe (Col. 10, Line 22) = \$
Plus Total General Services (Col. 10, Line 8) + \$
NEW TOTAL GENERAL SERVICES COST = \$

B. General Administration:

1. Determine the proportion of General Administration wages to total wages.
2. Multiply the total lump sum fringe amount by this proportion to get the fringe amount for Gen. Adm.
3. Add the proportioned fringe amount to your total General Administration expenses.
4. Subtract the total lump sum fringe amount from your General Administration expenses to get your new total General Administration cost.

Take \$ _____ Gen. Adm. Wages (Column 1, Line 28)
Divide by \$ _____ Total Wages (Column 1, Line 45)
Equals _____ X \$ _____ Total Fringe (Col. 10, Line 22) = \$
Plus Total General Administration (Col. 10, Line 28) + \$
Minus Total Fringe (Column 10, Line 22) - \$
NEW TOTAL GENERAL ADMINISTRATION COST = \$

STEP II Adjust Support Service Costs for Inflation

To calculate the impact of inflation, different inflation factors are used for the General Service and General Administration costs of your cost report. These inflation factors are listed in Table I, Inflation Multipliers. To select the appropriate inflation factors, you need to calculate your base number using the formula outlined below. Once you have calculated your base number, find it in Table I. Select the inflation factors that correspond with your base number and use these in updating your support cost.

A. Base Number Calculation

Convert the beginning and ending dates of your cost reporting period (page 1, Schedule II of your cost report) into numbers and apply the following formula:

(Beginning Month + Ending Month) divided by 2:
(Beginning Day + Ending Day) divided by 60.8: +
(Beginning Year + Ending Year) multiplied by 6: +
Sum of the three lines: =
Subtract from the sum: - 23707.00
Base Number: =
Drop the decimal fraction to get a whole number
Final Base Number: =

If you have a decimal fraction that is greater than 0.4 and you round the whole number upward, it will reduce your multiplier and, consequently, your rate. So be sure you drop, not round, decimal fractions in this final step.

EXAMPLE: This example shows how to calculate the base number for a cost report covering a year starting July 1, 2003 and ending June 30, 2004.

First, convert the dates to numbers: 7/1/2003 & 6/30/2004

Next, put the numbers in the formula:

Add 7 (Beg. Mo.) + 6 (End. Mo.), then divide by 2:	6.500000
Add 1 (Beg. Day) + 30 (End. Day), then divide by 60.8:	+ .509868
Add 2003 (Beg. Yr.) + 2004 (End. Yr.), then multiply by 6:	
+24,042.00000	
Sum of the three lines:	=24,049.00987
Subtract from the sum:	- 23,707.00000
Base Number:	= 342.00987
Drop Decimal Fraction to get Final Base Number:	= 342

B. Select the Appropriate Inflation Multipliers

Refer to Table I, Inflation Multipliers, and find the multipliers that correspond with the base number you have calculated.

General Services Multiplier:
General Administration Multiplier:

Using the example above, the Inflation Multipliers from Table One which correspond with the base number 342 are 1.0415 for General Services and 1.0391 for General Administration.

C. Apply Inflation Multipliers to Update Cost

1. Multiply your New Total General Services Cost (from Step I,A) by the appropriate multiplier from Table I:

New Total General Service Cost (Step I, A)	\$	
General Services Multiplier (Step II, B)	X	
UPDATED GENERAL SERVICES COST =		\$

2. Multiply your New Total General Administration Cost (from Step I, B) by the appropriate multiplier from Table I:

New Total General Administration Cost	\$	
---------------------------------------	----	--

(Step I,B)		
General Administration Multiplier		X
(Step II,B)		
UPDATED GENERAL ADMINISTRATION COST		= \$

3. Total your updated Support Costs (1 and 2).

Updated General Services Costs (1)		\$
Updated General Administration Costs (2)		+ \$
TOTAL UPDATED SUPPORT COSTS		= \$

STEP III Convert Your Total Updated Support Costs (C, 3 above) to Per Diem Costs

Use one of the two procedures below to compute per diem costs.

- A. If the occupancy (Cost Report, page 2, Schedule III-C) is **equal to or above 93 percent**, divide your total updated support costs (Step II, C, 3, above) by the total patient days (Cost Report, Page 2, Schedule III-B, Column 5, Line 14).

Take Total Support Costs (Step II, C, 3 above):	\$
Divide by Total Patient Days (Cost Report):	
Equals SUPPORT COSTS PER DIEM:	\$

OR

- B. If the occupancy is **below 93 percent**, calculate 93 percent of the licensed bed days (cost report, page 2, Schedule III-A, column 4, line 7). Then subtract the total patient days (cost report, page 2, Schedule III-B, column 5, line 14) from the result and calculate one-third of the difference. Then add the one-third difference to the total patient days to obtain your adjusted occupancy. Next divide your total updated support costs (Step II, C, 3 above) by your adjusted occupancy.

Licensed Bed Days:		_____ (1)
Multiplied by:	X	_____ .93 (2)
Equals Line (1) X Line (2):	=	_____ (3)
Minus Total Patient Days:	-	_____ (4)
Difference, line (3) minus line (4):	=	_____ (5)
One-third of Difference, line (5) times 1/3:	=	_____ (6)
Plus Total Patient Days, line (4):	+	_____ (7)
Adjusted Occupancy, line (6) plus line (7):	=	_____ (8)

Take Total Support Costs (Step II, C, 3 above): \$
 Divide by Adjusted Occupancy, line (8):
 Equals SUPPORT COSTS PER DIEM: = \$

STEP IV Calculate Your Support Rate

The maximum allowable support reimbursement rate is the 75th percentile for your region. The 35th and 75th percentile rates by rate area are listed in Table II, Support Rate Percentiles by rate area. Use one of the three procedures below and refer to Table II to calculate your support rate.

- A. If your support costs per diem from Step III is **equal to or greater than the 75th percentile** for your rate area, then your support rate is the 75th percentile rate listed in Table II.
- B. If your support costs per diem from Step III is **equal to or greater than the 35th percentile, but less than the 75th percentile** for your rate area, then your support rate is your support costs per diem plus 50 percent of the difference between your support costs per diem and the 75th percentile rate listed in Table II. Use the following procedure to calculate your rate:

Take the 75 th Percentile Rate for your rate area: (Table II)		\$ _____	(1)
Subtract your Support Costs Per Diem: (2)		- \$ _____	
(Step III)			
Equals the Difference, Line (1) - Line (2):		= \$ _____	(3)
Multiply the Difference by .50, Line (3) X .50:		X _____	(4)
Equals One-half the Difference:		= \$ _____	(5)
Add your Support Costs Per Diem (Step III):		+ \$ _____	(6)
Equals your Support Rate, Line (5) + Line (6): _____ (7)		= \$ _____	

- C. If your support cost per diem from Step III is below the 35th percentile for your rate area, then your support rate is your support costs per diem plus 50 percent of the difference between your support costs per diem and the 75th percentile rate up to a ceiling. This ceiling is equal to 50 percent of the difference between the 35th and 75th percentiles plus \$.05. The ceiling for each rate area is listed in Table II. Use the following procedure to calculate your rate:

Take the 75 th Percentile Rate for your rate area: (Table II)		\$ _____	(1)
Subtract your Support Costs Per Diem: (Step III)		- \$ _____	(2)

Equals the Difference, Line (1) - Line (2):	= \$ _____ (3)
Multiply the Difference by .50, Line (3) X .50:	X <u> .50 </u> (4)
Equals One-half the Difference:	= \$ _____ (5)
Compare one-half the difference, Line (5), to the profit ceiling for your rate area in Table II, and	
Enter the Lower of the Two Amounts:	= \$ _____ (6)
Add your Support Costs Per Diem (Step III):	+ \$ _____ (7)
Equals your Support Rate, Line (6) + Line (7):	= \$ _____
_____ (8)	

D. Your Final TOTAL SUPPORT RATE from
 A, B, or C above: \$

INFLATION MULTIPLIERS

BASE NUMBER	GENERAL SERVICES MULTIPLIER	GENERAL ADMINISTRATION MULTIPLIER	BASE NUMBER	GENERAL SERVICES MULTIPLIER	GENERAL ADMINISTRATION MULTIPLIER
319	1.1223	1.1244	343	1.0628	1.0669
320	1.1211	1.1241	344	1.0618	1.0666
321	1.1177	1.1203	345	1.0595	1.0644
322	1.1165	1.1199	346	1.0585	1.0641
323	1.1154	1.1196	347	1.0575	1.0638
324	1.1035	1.1033	348	1.0504	1.0544
325	1.1024	1.1029	349	1.0494	1.0541
326	1.1012	1.1025	350	1.0484	1.0537
327	1.0936	1.0925	351	1.0414	1.0445
328	1.0924	1.0921	352	1.0404	1.0442
329	1.0913	1.0918	353	1.0394	1.0439
330	1.0889	1.0895	354	1.0325	1.0348
331	1.0878	1.0891	355	1.0315	1.0345
332	1.0868	1.0888	356	1.0305	1.0342
333	1.0861	1.0891	357	1.0269	1.0299
334	1.0850	1.0887	358	1.0259	1.0296
335	1.0839	1.0884	359	1.0249	1.0293
336	1.0794	1.0830	360	1.0179	1.0199
337	1.0784	1.0826	361	1.0169	1.0196
338	1.0773	1.0823	362	1.0160	1.0193
339	1.0716	1.0751	363	1.0083	1.0090
340	1.0706	1.0747	364	1.0074	1.0087
341	1.0695	1.0744	365	1.0064	1.0084
342	1.0639	1.0672	366	1.0000	1.0000

**TABLE II
SUPPORT RATE PERCENTILES BY RATE AREA**

HSA	RATE AREA	75TH PERCENTILE	35TH PERCENTILE	BELOW 35TH PROFIT CEILING
1 & 10	Northwest	48.45	39.86	4.345
2 & 4	Central	47.44	39.95	3.795
3	West Central	41.84	34.67	3.635
5	South	41.31	34.12	3.645
6, 7 & 8	Chicago	52.64	38.99	6.875
9	S. Suburbs	49.92	38.30	5.860
11	St. Louis	43.93	35.79	4.120