

State of Vermont
Division of Rate Setting

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Agency of Human Services

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To: DAIL Advisory Board and Other Interested Parties
From: Kathleen Denette, Director of Rate Setting
RE: Methods Used in the Determination of Nursing Home Rates
Date: Prepared for the April 14, 2016 meeting of the Board



There is a formal rate setting process for nursing home rates. Rates are determined using allowable costs in a base year. They are inflated from the base year to the new rate year each July 1. During the year rates are adjusted quarterly for changes in acuity based on information from the MDS 3.0 forms filed with CMS and accessed by DAIL.

Nursing home reimbursement is a cost-based system with the control of a review of costs by an auditor at the Division of Rate Setting. Other controls on the rates are limits/caps on various portions of the rate as spelled out in the rate setting rules. The State review of costs is an essential control and is necessary for the determination of allowable costs. The review is done by applying the appropriate regulations. This process requires audit staff familiar with financial accounting with the skills to understand complex issues that occur in the finances of nursing homes.

The rules for nursing home rate setting are "METHODS, STANDARDS AND PRINCIPLES FOR ESTABLISHING MEDICAID PAYMENT RATES FOR LONG-TERM CARE FACILITIES" and are referred to as the Vermont Division of Rate Setting Rules or V.D.R.S.R. These rules, plus numerous Practices and Procedures, have been promulgated by the Division and are used in the rate setting process. The nursing home rules and Practices and Procedures can be found at <http://humanservices.vermont.gov/departments/office-of-the-secretary/ahs-drs>.

The rules are promulgated according to the Vermont Administrative Procedures Act. They are part of the State Plan and must be approved by the Centers for Medicare and Medicaid. They are developed and maintained by the Division of Rate Setting.

Are their limits on what will be paid to the nursing homes?

There are several different factors that limit the amounts paid in per diem rates to nursing homes.



Nursing home do not get their full costs unless they are at or below the median costs, have no cost disallowances during the DRS review of their cost report and no adjustment to their actual days for the 90% occupancy limit.

First, we will look at costs found to be unallowable by auditors as they review the nursing home's annual Medicaid cost report. The auditors apply the rules to determine which costs must be excluded from the allowable costs. Only allowable costs have the potential for inclusion in reimbursement.

During the review of the base year 2013 cost reports, DRS auditors disallowed \$2.7 million of costs. These costs will not be included in the provider's reimbursement. Most of these adjustments will affect the rates for four years as 2013 costs are the base for most rate components for four years.

Second, there is a 90% occupancy limit in V.D.R.S.R. Actual days are not used as the divisor unless the home is at or above 90% occupancy. When this is not the case, 90% occupancy is imputed.

Recent calculations show this limits reimbursement to nursing homes by about \$3.5 million per year.

To arrive at a per diem rate the Division must divide allowable costs by resident days. In cases where the home is operating at less than 90% of its capacity, the rules state that the lowest number of days that can be used as the divisor/denominator of the calculation is the number of days of service that would have been given if the facility was operating at 90% of their capacity.

If occupancy at a nursing home is less than 90% in the year when the costs were incurred, the Division must use an imputed occupancy of 90%. If a home is running at 70% annual occupancy of 100 beds, their actual occupancy would be $70\% \times 100 \text{ beds} \times 365$ or 25,550 days for that year. Per V.D.R.S.R., as this home is operating at less than 90% occupancy, the Division must divide allowable costs by the days of service as if the home was operating at 90% occupancy. The number of days for the home's rate calculation would be $90\% \times 100 \text{ beds} \times 365$ days or 32,850 days. This change in the days used in the calculation has a significant impact on the per diem rate. The lower the occupancy at the nursing home, the greater the impact.

For our example, assume annual costs of \$6,000,000. If these costs were divided by actual days of 25,550 (70% occupancy at a 100 bed home), the result would be a per diem of \$234.83.

Using the required 90% minimum occupancy would yield a very different per diem. The \$6,000,000 annual allowable cost would be divided by 32,850 (90% occupancy at a 100 beds home) which gives a per diem of \$182.64 per day. If the costs remain at \$6,000,000 per year, the provider will not be able to earn back their actual costs unless they really do increase their occupancy up to 90%. Running at 70% occupancy again (assuming only Medicaid residents are in the nursing home) would only reimburse \$4.6 million over the course of a year. This is the effect of the 90% occupancy limit. Most rate components are subject to the 90% occupancy adjustment; however, nursing costs (RN, LPN, LNA) are not subjected to the minimum occupancy requirement which protects these costs from potential exclusion from the rates.

This limit exists as the floor for an occupancy level that is considered necessary for the efficient delivery of nursing home services.

Third, there are caps set at 105% of the median per diem costs for large portions of nursing home costs that are not directly related to nursing care. Costs affected would be administrative costs, housekeeping, dietary operations, food, plant operations, utilities, activities and social services.

The median is the number where half the values in a group of numbers are greater and half the values are less than this midpoint or median figure. The per diem reimbursement for large portions of the costs are affected by these caps. The per diems are grouped; the medians determined and the maximum amount paid for the affected components of the rates is 105% of the median. A high cost facility would not be reimbursed their full costs because of these caps.

14 facilities were capped in Indirect costs (administrative, housekeeping, plant operations) and 15 were capped in Resident care costs (food, utilities, social services, activities). Attachments A-1 and A-2 show the median limits calculations for Resident Care costs and Indirect cost limits from the rate model.

What records and documents are required to be filed with the Division by nursing homes?

Providers must report census to DRS each month.

Providers must have an annual financial audit and provide the audited financial statements to the Division.

An annual Medicaid cost report must be received by the Division with a trial balance, adjusting entries, and a copy of the nursing home's Medicare cost report (as nursing homes also have to file an annual cost report with Medicare).

Responses to all DRS auditors' questions must be provided during the timeframe requested and financial records must be available for inspection by the Division.

Homes have to complete MDS forms as required by CMS.

ATTACHMENTS

Attachment A – Effect of Caps at 105% of median on Resident and Indirect Care

Attachment B - Graph of cumulative gains and losses at Vermont nursing homes for their fiscal periods of 2012, 2013 and 2014

Attachment C - Example of a monthly census report which must be sent to the Division

Attachment D – Recent census of all the Vermont nursing homes who accept Medicaid residents

Rescare

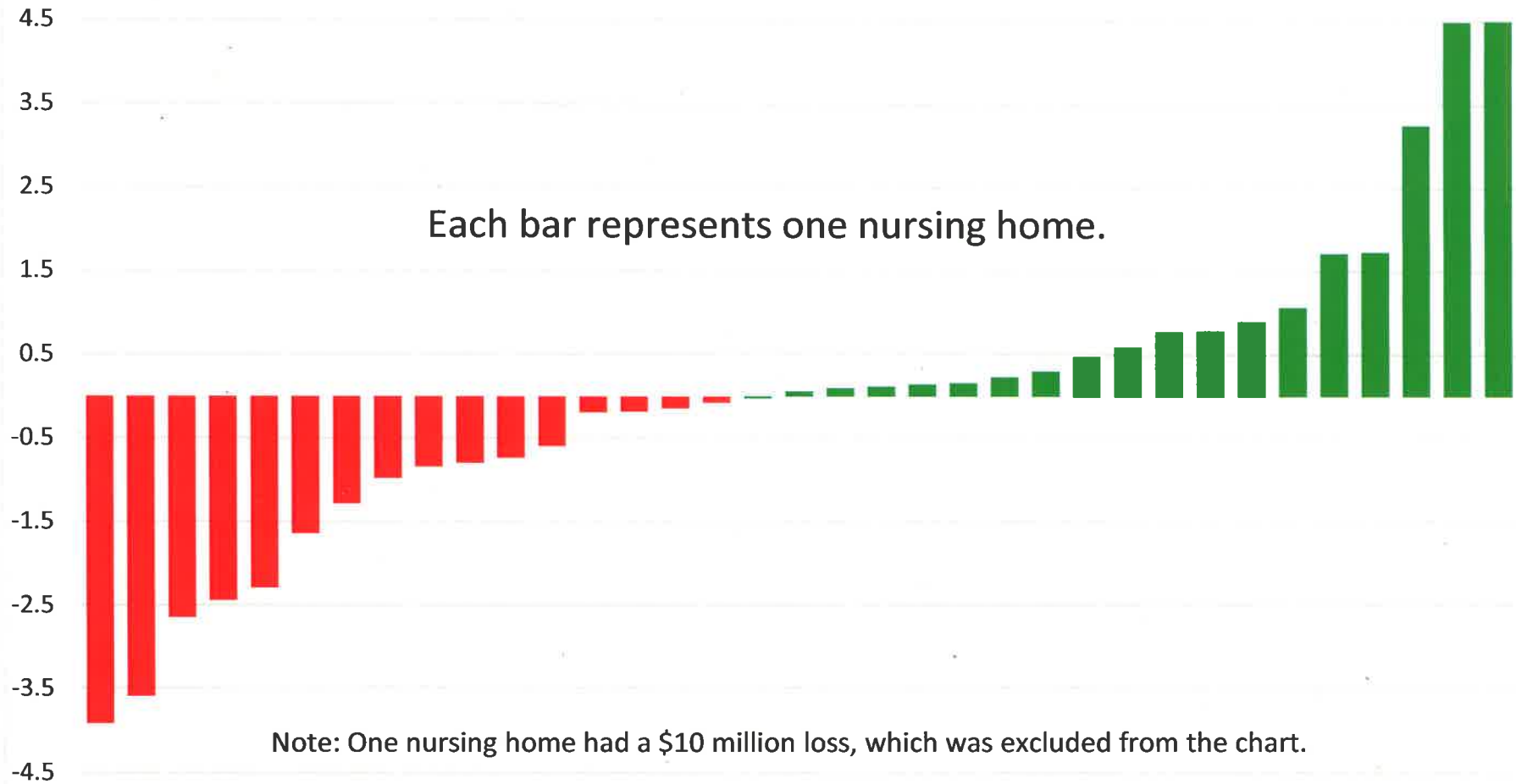
Resident Care

Year end	Resident care costs per CR13Cos as of 1/6/16	Total days	Res care	Fiscal yr Adjust	Resi Care inflated to Year end	Median+	Inflation	Amount over Median Plus 5%
Linked to DON tab	Days subject to 90% occupancy	per diem		Yellow is over median +	22.494	4.5200%		
Bel Aire	Dec-13	216,921	14,477	14.984	14.984	14.984	15.661	0.000
Bennington	Dec-13	659,159	32,850	20.066	20.066	20.066	20.973	0.000
Berlin	Dec-13	832,355	46,319	17.970	17.970	17.970	18.782	0.000
Birchwood Terrace	Dec-13	1,021,328	50,034	20.413	20.413	20.413	21.336	0.000
Brookside - WRJ	Dec-13	511,220	22,010	23.227	23.227	22.494	23.511	0.733
Burlington	Dec-13	904,182	41,562	21.755	21.755	21.755	22.738	0.000
Cedar Hill	Dec-13	369,184	13,691	26.965	26.965	22.494	23.511	4.471
Centers for Living & Rehab	Sep-13	989,878	42,705	23.179	23.262	22.494	23.511	0.768
Copley Manor	Sep-13	604,367	25,864	23.367	23.451	22.494	23.511	0.957
Crescent Manor	Dec-13	394,407	16,038	24.592	24.592	22.494	23.511	2.098
Derby Green	Sep-13	141,976	8,175	17.367	17.429	17.429	18.217	0.000
Eden Park - Brattleboro	Dec-13	620,911	26,280	23.627	23.627	22.494	23.511	1.133
Eden Park - Rutland	Dec-13	880,460	42,534	20.700	20.700	20.700	21.636	0.000
Franklin County Rehab	Dec-13	595,958	21,543	27.664	27.664	22.494	23.511	5.170
Gifford	Sep-13	322,974	10,730	30.100	30.208	22.494	23.511	7.714
Gill Odd Fellows	Feb-13	317,315	15,111	20.999	21.318	21.318	22.281	0.000
Green Mountain	Dec-13	496,826	24,383	20.376	20.376	20.376	21.297	0.000
Greensboro	May-13	336,371	10,289	32.692	32.971	22.494	23.511	10.477
Haven Hlthcare-Rutland	Dec-13	714,450	33,836	21.115	21.115	21.115	22.069	0.000
Haven Hlthcare-St. Albans	Dec-13	553,707	37,778	14.657	14.657	14.657	15.319	0.000
Helen Porter	Sep-13	921,435	35,053	26.287	26.381	22.494	23.511	3.887
Maple Lane	Dec-13	386,468	24,013	16.094	16.094	16.094	16.821	0.000
Mayo	Dec-13	509,451	17,838	28.560	28.560	22.494	23.511	6.066
McGirr								0.000
Morrisville Center								0.000
MountainView Center	Dec-13	876,376	51,903	16.885	16.885	16.885	17.648	0.000
Mt. Ascutney Hospital								0.000
Newport	Dec-13	285,482	16,425	17.381	17.381	17.381	18.167	0.000
Pine Knoll	Dec-13	417,362	19,710	21.175	21.175	21.175	22.132	0.000
Prospect								0.000
Redstone Villa	Dec-13	230,413	9,855	23.380	23.380	22.494	23.511	0.886
Rowan Court	Dec-13	675,611	31,536	21.423	21.423	21.423	22.391	0.000
Springfield	Dec-13	552,498	33,507	16.489	16.489	16.489	17.234	0.000
St. Johnsbury	Dec-13	710,105	36,135	19.651	19.651	19.651	20.539	0.000
Starr Farm	Dec-13	945,777	50,838	18.604	18.604	18.604	19.445	0.000
Thompson House	Dec-13	339,689	14,844	22.884	22.884	22.494	23.511	0.390
Union House	Dec-13	336,586	15,541	21.658	21.658	21.658	22.637	0.000
Vernon Green	Dec-13	608,462	20,567	29.584	29.584	22.494	23.511	7.090
Woodridge	Sep-13	1,444,523	50,261	28.741	28.844	22.494	23.511	6.350
		20,724,187	964,233					
			Median		21.423			
		20,724,187	Median + 5%		22.494	105%	23.511	

Indirect Cost Category

Year end	Indirect \$ Base Year 2013 costs from CR13cos on 1/6/16	Total days subject to minimum occupancy BY 2013	Indirect \$ Base Year 2013 costs from CR13cos on 1/6/16 per diem	Fiscal yr inflation adjustment to bring to calendar year	Indirect Care inflated to Year end	Median plus 5% shows if limited	Inflation	Amount over cap
Bel Aire	Dec-13 790,752	14,477	54.621		54.621	54.621	56.938	\$ (0.16) not capped/un
Bennington	Dec-13 1,370,908	32,850	41.732		41.732	41.732	43.503	\$ (13.04) not capped/un
Berlin	Dec-13 1,891,740	46,319	40.842		40.842	40.842	42.575	\$ (13.93) not capped/un
Birchwood Terrace	Dec-13 2,431,681	50,034	48.601		48.601	48.601	50.663	\$ (6.18) not capped/un
Brookside - WRJ	Dec-13 1,184,503	22,010	53.818		53.818	53.818	56.101	\$ (0.96) not capped/un
Burlington	Dec-13 2,264,393	41,562	54.482		54.482	54.482	56.793	\$ (0.29) not capped/un
Cedar Hill	Dec-13 899,117	13,691	65.672		65.672	54.776	57.100	\$ 10.90 capped by this
Centers for Living & Reh	Sep-13 2,665,571	42,705	62.418	0.2990%	62.605	54.776	57.100	\$ 7.83 capped by this
Copley Manor	Sep-13 1,413,428	25,864	54.648	0.2990%	54.811	54.776	57.100	\$ 0.04 capped by this
Crescent Manor	Dec-13 1,093,093	16,038	68.156		68.156	54.776	57.100	\$ 13.38 capped by this
Derby Green	Sep-13 383,915	8,175	46.962	0.2990%	47.102	47.102	49.101	\$ (7.67) not capped/un
Eden Park - Brattleboro	Dec-13 1,642,522	26,280	62.501		62.501	54.776	57.100	\$ 7.72 capped by this
Eden Park - Rutland	Dec-13 2,361,055	42,534	55.51		55.510	54.776	57.100	\$ 0.73 capped by this
Franklin County Rehab	Dec-13 1,022,828	21,543	47.478		47.478	47.478	49.492	\$ (7.30) not capped/un
Gifford	Sep-13 1,169,049	10,730	108.951	0.2990%	109.277	71.47	74.502	\$ 54.50 capped by this
Gill Odd Fellows	Feb-13 771,812	15,111	51.076	0.8624%	51.516	51.516	53.702	\$ (3.26) not capped/un
Green Mountain	Dec-13 1,270,038	24,383	52.087		52.087	52.087	54.297	\$ (2.69) not capped/un
Greensboro	May-13 743,895	10,289	72.3	0.5984%	72.733	54.776	57.100	\$ 17.96 capped by this
Haven Hlthcare-Rutland	Dec-13 1,764,782	33,836	52.158		52.158	52.158	54.371	\$ (2.62) not capped/un
Haven Hlthcare-St. Albar	Dec-13 1,702,269	37,778	45.06		45.060	45.060	46.972	\$ (9.72) not capped/un
Helen Porter	Sep-13 2,337,807	35,053	66.693	0.2990%	66.892	54.776	57.100	\$ 12.12 capped by this
Maple Lane	Dec-13 909,514	24,013	37.876		37.876	37.876	39.483	\$ (16.90) not capped/un
Mayo	Dec-13 1,210,252	17,838	67.847		67.847	54.776	57.100	\$ 13.07 capped by this
McGirr								
Morrisville Center								
MountainView Center	Dec-13 2,372,330	51,903	45.707		45.707	45.707	47.646	\$ (9.07) not capped/un
Mt. Ascutney Hospital								
Newport	Dec-13 704,770	16,425	42.908		42.908	42.908	44.728	\$ (11.87) not capped/un
Pine Knoll	Dec-13 724,749	19,710	36.771		36.771	36.771	38.331	\$ (18.01) not capped/un
Prospect								
Redstone Villa	Dec-13 610,696	9,855	61.968		61.968	54.776	57.100	\$ 7.19 capped by this
Rowan Court	Dec-13 1,568,568	31,536	49.739		49.739	49.739	51.849	\$ (5.04) not capped/un
Springfield	Dec-13 1,346,355	33,507	40.181		40.181	40.181	41.886	\$ (14.60) not capped/un
St. Johnsbury	Dec-13 1,438,908	36,135	39.82		39.820	39.820	41.509	\$ (14.96) not capped/un
Starr Farm	Dec-13 2,652,136	50,838	52.168		52.168	52.168	54.381	\$ (2.61) not capped/un
Thompson House	Dec-13 933,173	14,844	62.865		62.865	54.776	57.100	\$ 8.09 capped by this
Union House	Dec-13 711,321	15,541	45.771		45.771	45.771	47.713	\$ (9.01) not capped/un
Vernon Green	Dec-13 1,276,016	20,567	62.042		62.042	54.776	57.100	\$ 7.27 capped by this
Woodridge	Sep-13 3,551,432	50,261	70.661	0.2990%	70.872	54.776	57.100	\$ 16.10 capped by this
		51,185,376	964,233					14 facilities capped
			Median		52.168			
			Median plus 5%		54.776		57.100	
			137%		71.47016		\$ 74.502	
Vermont Vets	5,021,960							

Actual Gains/Losses by Vermont Nursing Homes from 2012 through 2014 (in \$million)



Vermont Nursing Facility Resident Days by Payor - Monthly Report

IMPORTANT: This form should be filed monthly on or before the 15th day of the following month.

Facility Name: _____ Month: _____ Year: _____

Part I: Total Occupancy in Current Month (resident days, including paid hold days)											
Payors	Vermont Medicaid	Out-of-State Medicaid	Self-Pay	Medicare Part A	Medicaid for Children and Adults	Other Managed Care (HMO)	Commercial Insurance	Hospice	V. A.	Other (please explain in notes)	Total Resident Days
											0
Part II: Adjustments and reclassification from previous months (±resident days)											
Months/Year	Vermont Medicaid	Out-of-State Medicaid	Self-Pay	Medicare Part A	Medicaid for Children and Adults	Other Managed Care (HMO)	Commercial Insurance	Hospice	V. A.	Other (please explain in notes)	Total (If not zero, please explain in notes)
											0
											0
											0
											0
Notes and Comments:											

YTD Utilization- Based on Capacity

Division of Rate Setting Schedule of Reported Resident

Days by the Month

Between 90% and 85%

Between 85% and 80%

Between 80% and 50%

Prepared by Kathleen Denette
Director, Division of Rate Setting

Nursing Home	9	10	11	12	1
	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Bel-Aire	90.83%	90.69%	95.38%	94.94%	89.81%
Bennington	85.17%	86.42%	80.77%	80.52%	82.32%
Berlin	67.90%	72.29%	72.67%	70.33%	70.12%
Birchwood Terrace	91.13%	93.46%	91.55%	90.12%	92.88%
Brookside-WRJ	94.28%	89.26%	93.13%	89.99%	83.53%
Burlington	87.59%	89.91%	91.14%	91.78%	91.30%
Cedar Hill	88.97%	91.40%	94.44%	94.46%	95.37%
Centers for Living & Rehab	69.97%	68.19%	66.05%	73.80%	73.30%
Crescent Manor	77.59%	74.70%	77.00%	78.57%	78.14%
Derby Green	100.00%	99.44%	99.28%	98.88%	100.00%
Franklin County Rehab	90.68%	88.10%	94.43%	93.80%	93.85%
Gifford	100.00%	100.00%	98.00%	99.25%	98.06%
Gill Odd Fellows	87.17%	90.18%	87.25%	85.06%	90.25%
Green Mountain	84.52%	80.95%	80.55%	85.73%	79.45%
Greensboro	97.00%	98.49%	100.00%	96.34%	96.99%
Helen Porter	89.49%	92.66%	87.78%	87.77%	90.29%
Maple Lane	97.28%	94.37%	92.96%	91.87%	88.91%
Mayo	98.73%	99.03%	97.87%	98.13%	98.58%
McGirr	0.00%	0.00%	0.00%	0.00%	0.00%
Mountain View	82.30%	86.22%	77.47%	82.71%	83.73%
Mt. Ascutney	0.00%	0.00%	0.00%	0.00%	0.00%
Newport	94.20%	94.84%	96.00%	94.84%	94.84%
Pine Heights at Brattleboro	77.17%	82.34%	77.13%	81.13%	82.30%
Pine Knoll	91.28%	89.57%	89.50%	90.32%	85.48%
Pines at Rutland	88.13%	93.32%	91.25%	88.62%	89.47%
Prospect	0.00%	0.00%	0.00%	0.00%	0.00%
Redstone Villa	60.22%	57.85%	55.56%	60.54%	59.35%
Rowan Court	72.08%	70.40%	70.35%	69.62%	71.47%
Rutland Healthcare	79.89%	78.89%	76.72%	72.67%	72.31%
Springfield	88.27%	86.56%	85.75%	86.91%	86.37%
St. Albans Healthcare	65.33%	69.51%	71.16%	71.30%	69.31%
St. Johnsbury	83.85%	80.59%	80.33%	79.21%	77.16%
Starr Farm	89.67%	93.70%	90.60%	90.52%	92.43%
The Manor	99.63%	99.24%	99.35%	97.40%	97.49%
Thompson House	84.65%	88.15%	83.10%	89.12%	82.60%
Union House	90.61%	94.21%	93.79%	95.31%	95.09%
Vernon Green	87.50%	88.55%	90.00%	89.57%	93.12%
Veterans Home	93.36%	90.25%	90.85%	92.16%	91.24%
Woodridge	80.98%	84.48%	79.69%	73.50%	80.33%
Totals	84.66%	85.57%	84.24%	84.34%	84.48%

Attach ment D