

Nursing Home Work Group 2007 Allowable Costs Analysis

September 15, 2009

Agenda

- Review of Principles
- Comments on Quality Discussion (July 24th Meeting)
- 2007 Allowable Costs
 - Allowable Costs Methodology
 - Costs by Sponsorship, Size, Hospital-Based/Freestanding
- Industry Data Request for Regression Analysis
- Next Steps ~ Modeling Regional Price Methodology
 - Regions
 - WEF
 - CBSA – Medicare Regions
 - Other
 - Ceiling Reduction
 - Part B and Part D Offsets
 - Regression Analysis

Principles of Medicaid Reimbursement Reform

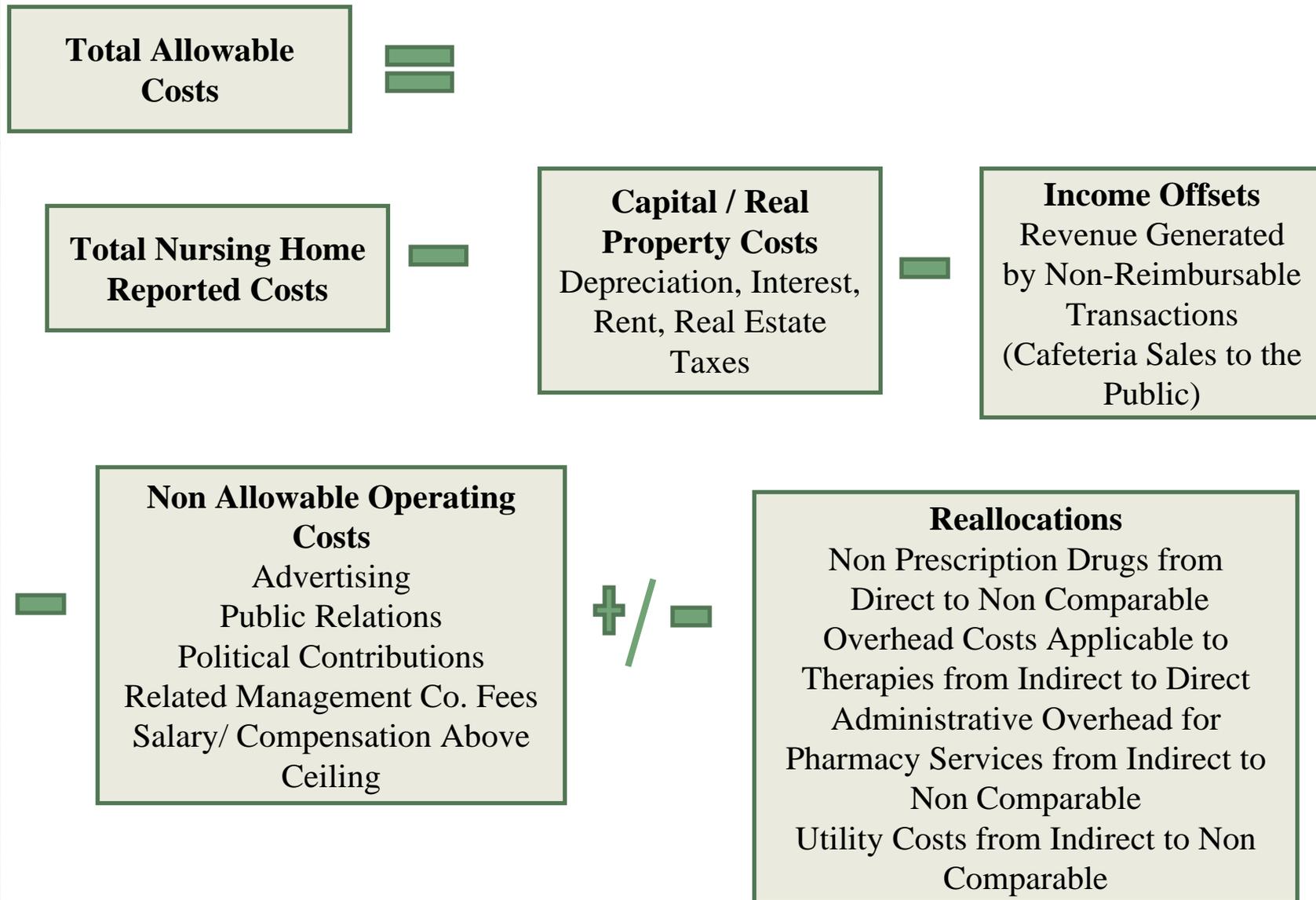
Medicaid rates should:

- Be transparent and administratively efficient; be predictable and facilitate timely payments
- Pay reasonably and adequately for quality care for Medicaid patients
- Encourage cost-effective care and promote efficiencies
- Include appropriate payment adjustments to reflect cost-influencing factors
- Encourage and reward quality care and promote care innovations
- Encourage care in the appropriate setting; assure adequacy of alternate settings
- Be updated periodically
- Comply with federal Medicaid rules
- Reinforce health systems planning and advance state health care programs
- Be consistent with available resources

Components of Nursing Home Costs

- ***Direct costs*** includes nursing administration, direct care staff, physical, occupational and speech therapy, pharmacy, and central service supply
- ***Indirect costs*** includes fiscal and administrative services, plant operation and maintenance, security, laundry and linen, housekeeping, and patient food service
- ***Non comparable costs*** includes medical directors office, laboratory services, radiology, dental, and hearing therapy, and utilities ~ these costs are facility specific in the Regional Pricing Model

Allowable Cost Methodology



Preliminary 2007 Allowable Costs for Regional Pricing Model

- Reflects allowable costs related to 574 facilities (excludes specialty facilities) that filed a properly certified full calendar year 2007 cost report on or before January 1, 2009 (Section 2808 2-c PHL).
 - Facilities authorized to submit cost reports for alternative 12 month periods are included (e.g., HHC and State facilities that file that do not begin January 1st)
 - 9 facilities that have closed since 2007 are included
 - 61 Facilities did not meet the filing criteria - costs are excluded in this analysis
 - 5 Facilities with data anomalies excluding pending further review
- Allowable costs are all inclusive (i.e., they have not been adjusted for Part B and Part D offsets)
- Allowable costs have not been adjusted for ceiling reduction

New York's Nursing Homes Sponsorship, Affiliation, Size, Regions

Region	Sponsor			Free Standing/ Hospital Based		Facility Size		
	Proprietary	Voluntary	Public	Free Standing	Hospital Based	300 Beds or More	80 Beds or Less	Less than 300 (299 to 81 Beds)
CENTRAL	12	24	5	34	7	6	11	24
LONG ISLAND	54	15	3	69	3	12	5	55
NEW YORK CITY	95	60	5	157	3	46	10	104
NO. EASTERN	19	27	9	50	5	4	12	39
NO. METRO	42	37	6	78	7	7	9	69
ROCHESTER	17	24	4	39	6	5	12	28
UTICA	14	35	4	42	11	1	15	37
WESTERN	20	34	9	52	11	1	10	52
Total 574	273	256	45	521	53	82	84	408

Proprietary Facilities Have the Lowest Costs Per Day and Highest Case Mix

Sponsor	# of Facilities	2007 Direct Costs Per Day	2007 Indirect Costs Per Day	2007 Total Costs (Direct & Indirect) Per Day	2007 Case Mix
Proprietary	273	\$126.55	\$57.32	\$183.87	1.02
Voluntary	256	135.08	71.52	206.60	1.00
Public	45	159.69	81.41	241.10	0.90

Proprietary Facilities Which Have Highest Case Mix Use a Different Mix of Direct Care Staff

Sponsor	Average Direct Salaries & Fringes Per Bed	Average RN FTE Per Bed	Average LPN FTE Per Bed	Average Aide & Orderly FTE Per Bed	Total Average RN, LPN, & A&O FTE Per Bed	Average 2007 Case Mix
Proprietary	\$ 32,450	0.06	0.12	0.42	0.60	1.02
Voluntary	\$ 39,929	0.11	0.14	0.52	0.77	1.00
Public	\$ 49,504	0.12	0.14	0.55	0.81	0.90

Excludes facilities that did not report 2007 FTE data

Smaller Facilities Have Lower Direct and Indirect Costs

Bed Size	Number of Facilities	2007 Direct Costs Per Day	2007 Indirect Costs Per Day	2007 Total Costs (Direct and Indirect)	2007 MDS Case Mix
300 or More Beds	82 Proprietary 28, Voluntary 40, Public 14	\$ 152.08	\$75.60	\$227.68	1.00
81 to 299 Beds	408 Proprietary 209, Voluntary 172, Public 27	129.75	61.86	191.61	1.01
80 Beds or Less	84 Proprietary 36, Voluntary 44, Public 4	129.81	73.63	203.44	0.97

Midsize Facilities Have Lower Costs and Different Mix of Direct Care Staff

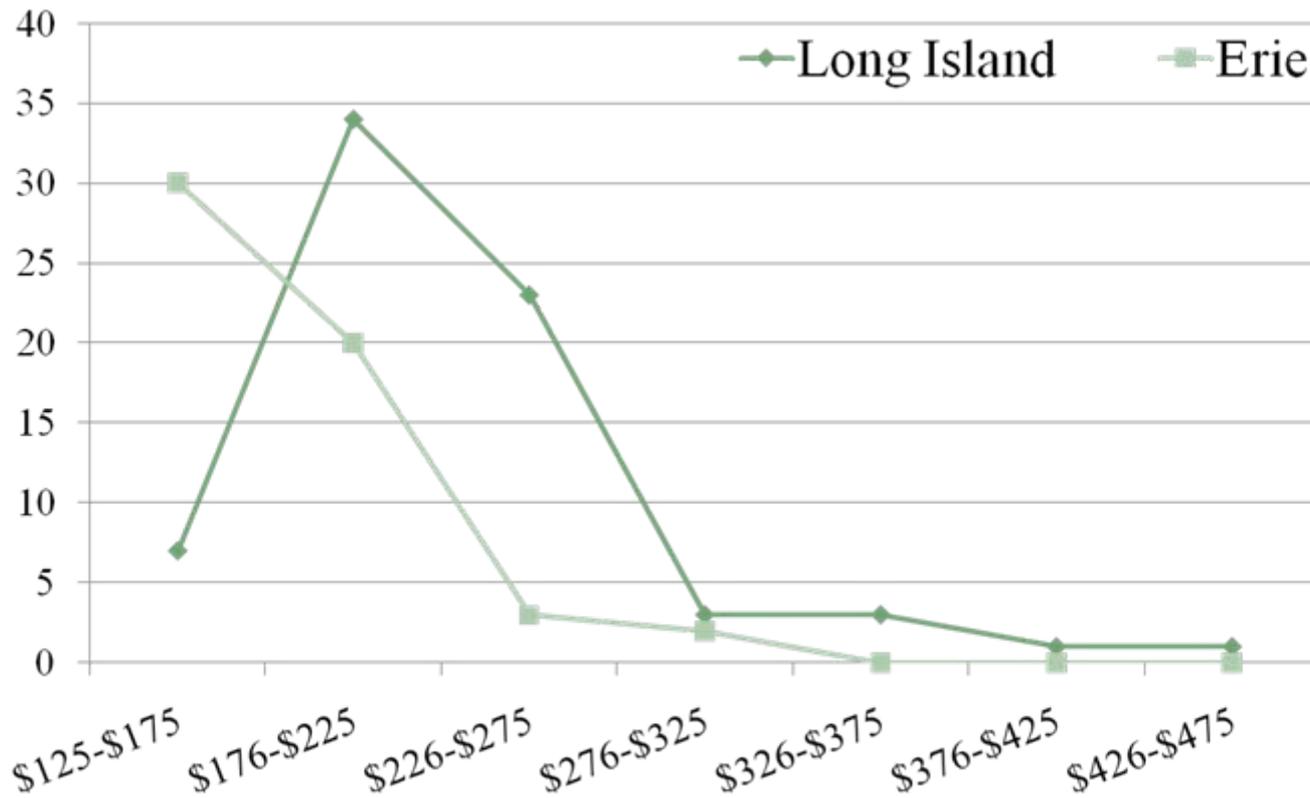
Bed Size	Average Direct Salaries & Fringes Per Bed	Average RN FTE Per Bed	Average LPN FTE Per Bed	Average Aide & Orderly FTE Per Bed	Total Average RN, LPN, & A&O FTE Per Bed	Average of 2007 All Payor Case Mix
300 or More Beds	\$ 43,858	0.10	0.11	0.49	0.70	1.00
80 Beds or Less	\$ 37,667	0.09	0.12	0.49	0.70	0.97
81 to 299 Beds	\$ 35,651	0.08	0.14	0.47	0.69	1.01

Excludes facilities that did not report 2007 FTE data

Hospital Based Reported Costs are 19% Higher than Free Standing Reported Costs

Facility Type	Number of Facilities	2007 Direct Costs Per Day	2007 Indirect Costs Per Day	2007 Total Direct & Indirect Costs Per Day	2007 MDS Case Mix
Non- Hosp Based Free Standing NF	521	\$131.92	\$63.22	\$195.14	1.01
Hospital Based	53	143.07	88.39	231.46	0.97

Costs Per Day Vary Significantly Within Regions



Regression Analysis

- Per Industry request, DOH is in the process of using regression analysis to help identify factors that explain direct and indirect cost differentials among facilities
- Variables include:
 - Sponsorship
 - Size of Facility
 - Bed size
 - Square Foot
 - Case Mix
 - Hospital Based / Non-Hospital Based Facility
 - Labor Costs
 - Mix of Direct Care Staffing