



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

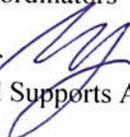
201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

**MARYLAND MEDICAL ASSISTANCE PROGRAM**

February 26, 2014

To: Nursing Home Administrators  
Nursing Home MDS Coordinators

From: Mark A. Leeds, Director   
Long Term Services and Supports Administration

Note: Please ensure that appropriate staff members in your organization are informed of the contents of this memorandum.

Re: Medicaid Shadow Rates

The Department of Health and Mental Hygiene is continuing its work to modernize its payment methodology for nursing facilities. The Department and the rate reform workgroup, including representatives from the Health Facilities Association of Maryland (HFAM) and The LifeSpan Network, have substantially agreed upon a new rate methodology. The new case mix methodology is expected to be implemented on a phased-in basis, beginning in Fiscal Year 2015. The phase-in schedule remains to be determined.

The proposed rate methodology is based on the current four cost centers, however the calculations for each will change. After full implementation, these components will be summed and each facility will bill a single rate for each day of care. The four cost centers are:

- Nursing (adjusted by the facility's Medicaid case mix index)
- Other Patient Care
- Administrative and Routine
- Capital

The only add-on component that remains will be an additional \$280 for each Medicaid ventilator day of care. During phase-in, the Department will pay all ventilator days using the new RUGs methodology. The Department will also continue its Pay-For-Performance program.

**Nursing**

The Nursing cost center price has been set for each of five regions. Each facility is assigned to its region based on county jurisdiction and does not take into account existing waivers for those facilities receiving rates outside of their jurisdiction/region.

Table 1 shows the starting price for each region and the counties within each region.

Table 1.

Nursing Prices		
Starting Price	Region	Counties
\$131.95	Baltimore Metro	Baltimore City, Baltimore
\$123.41	Central	Anne Arundel, Carroll, Howard
\$125.21	Washington Metro	Frederick, Montgomery, Prince George's, and Charles
\$123.96	Non Metro	Worcester, Somerset, Wicomico, Dorchester, Talbot, Caroline, Queen Anne's, Kent, St. Mary's, Calvert, Harford and Cecil
\$94.62	Western Maryland	Garrett, Allegany, and Washington

The facility-specific Nursing rate is comprised of the regional price multiplied by each facility's average Medicaid Case Mix Index (CMI) to adjust the Medicaid rate by the acuity of Medicaid residents within the facility. The grouper used to establish the CMI is Resource Utilization Group v. IV (RUG-IV) 48-group. The facility day-weighted average Medicaid CMI from the January – March (Q1) resident roster will affect the July – September (Q3) rate. Quarterly rate adjustments will be made according to the schedule in Table 2.

Table 2.

Resident Roster Quarter	Rate Quarter
January – March	July – September
April - June	October – December
July – September	January – March
October - December	April – June

In order to maintain level expenditures throughout the year consistent with the State's budget appropriation, the facility average Medicaid CMIs will be adjusted up or down for each rate quarter so the statewide average Medicaid CMI remains the same. For example, if the statewide Medicaid CMI for the July – September rate quarter is 1.00 but the statewide average for the October - December rate quarter increases to 1.03, each individual facility's Medicaid CMI for the October – December rate quarter will be decreased by 3% so that the statewide average Medicaid CMI for October – December remains at 1.00.

The Program will also be reviewing the facility's nursing costs and determining costs associated with the facility's Medicaid CMI. For example, if the CMI for Medicaid residents is 1% lower than the total facility CMI, the nursing costs for Medicaid residents will be determined by reducing the facility's average per diem nursing costs by 1%. If the facility's per diem nursing costs adjusted to the facility's Medicaid CMI are less than 95% of the facility's rate adjusted to the Medicaid CMI, the facility's rate adjusted to the Medicaid CMI will be reduced by the difference between the facility's per diem nursing costs adjusted to the facility's Medicaid CMI and 95% of the facility's rate adjusted to the Medicaid CMI.

#### **Other Patient Care and Administrative and Routine**

The Other Patient Care (OPC) and Administrative and Routine (A&R) rate components are paid as a price for each of four (4) regions. There is no facility-specific adjustment. Each facility in the region receives the same price, respectively, for each cost center. The Department will also continue its payments for kosher kitchens when applicable.

Each facility is assigned to its region based on county jurisdiction and does not take into account existing waivers for those facilities receiving rates outside of their jurisdiction/region.

The price paid for each region is listed in Table 3.

Table 3.

Other Patient Care and Administrative and Routine Prices			
OPC Price	A&R Price	Region	Counties
\$22.21	\$80.71	Baltimore City	Baltimore City
\$19.39	\$75.89	Baltimore Metro	Baltimore, Anne Arundel, Howard, Harford and Carroll
\$19.60	\$75.85	Washington Metro	Montgomery, Prince George's, and Charles
\$17.93	\$69.10	Non Metro	Frederick, Garrett, Allegany, Washington, Worcester, Somerset, Wicomico, Dorchester, Talbot, Caroline, Queen Anne's, Kent, St. Mary's, Calvert and Cecil

**Capital**

The Capital component includes a Fair Rental Value (FRV) rate with a real estate tax pass-through. The facility's appraised value is divided by the number of beds in the facility to calculate the appraisal value per bed. The appraisal value per bed is compared to a maximum per bed value of \$110,000 (no minimum per bed value) to calculate the final appraisal value per bed.

Two (2) rental factor percentages, one for Baltimore City (10%), and another for all other jurisdictions (8%) are used in the Capital calculation. The final appraisal value per bed times the number of beds is multiplied by the rental factor to calculate the annual value. The annual value divided by the total resident days in the facility (subject to a minimum occupancy standard) is the per diem FRV amount. Additionally, the total real estate taxes are divided by the number of total resident days in the facility (also subject to the occupancy standard) and added to the FRV amount to result in the total Capital component. No change is being proposed to the Quality Assessment rate.

**Out-of-State Facilities with Maryland Medicaid Recipients and Facilities That Have Not Filed a Cost Report**

The rate for any facility that was not required to file a 2012 cost report or for any out-of-state nursing facility is the average total rate for all other facilities. If a facility did not file a 2012 cost report because it is a new facility or became Medicaid-certified after 2012, its rate will be based entirely upon the new methodology.

**Shadow Rates**

In order for you to evaluate the impact on your facility's Medicaid reimbursement that will be caused by a change to the new rate setting methodology, facility-specific rates for your facility are enclosed for the quarter beginning July 1, 2013. These "Shadow Rates" are only informational and should not be used for billing purposes, but rather can be used to estimate what your Medicaid revenue will be when the new methodology is fully implemented compared to what you receive under the current methodology. The distribution of Shadow Rates will continue until the transition begins. If you have questions regarding the Shadow Rates, please contact John Dresslar (Myers and Stauffer LC) at 410-356-9256.

Enclosure

cc: Nursing Home Liaison Committee  
Rate Reform Work Group