

Figure B.1: Summary of Minnesota's Nursing Home Reimbursement System, 1995

Reimbursement Method:	Prospective facility-specific rates.
Rate Year:	July 1, 1995 to June 30, 1996.
Cost Year:	October 1, 1993 to September 30, 1994.
Peer Groups:	Three geographic regions based on 1983 nursing salaries and economic development regions. ¹
Case Mix:	Eleven categories, nursing costs are adjusted for resident care needs.
Reimbursement Limits: ²	<p>Care-related costs (nursing, therapies, social services, raw food, dietary consultant fees) are limited to 125 percent of median costs for peer group.</p> <p>Other operating costs (dietary, laundry, housekeeping, plant operations/maintenance, and general and administration) are limited to 110 percent of median costs for peer group.</p> <p style="padding-left: 40px;">Plant operations/maintenance costs are limited to \$325 per bed annually.</p> <p style="padding-left: 40px;">General and administration costs are limited to between 13 and 15 percent of a facility's operating costs, depending on the number of beds in the facility.</p> <p>Pass-through costs that are not limited include property taxes, special assessments, license fees, pre-admission screening fees, and other costs. A provider surcharge is reallocated to plant operations and maintenance, making it subject to reimbursement limits.</p> <p>Property costs are reimbursed using a base property rate (of \$4 per resident per day or the rate in effect on September 30, 1992, whichever is greater) with changes to this base rate determined by a "modified fair-rental value formula," plus a capital repair and replacement payment, an equity incentive and a refinancing incentive.³</p> <p style="padding-left: 40px;">Appraised value plus improvements are subject to an investment per bed limit, which is adjusted annually for construction inflation.</p> <p style="padding-left: 40px;">Annual capital repair and replacement allowance is limited to \$160 per bed, with the amount over the limit carried over to succeeding cost reporting periods.</p>
Additional Limits:	<p>For the 1995 rate year, two new limits were implemented to reduce the rate of increase in nursing home reimbursement.</p> <p>"Spend-up limits" are the prior reporting year's care-related and other operating costs adjusted by the change in the consumer price index plus either three, four, or six percent (or 6.8, 7.8, or 9.8 percent for 1995 rates) depending where a facility's costs are relative to other facilities in the same group. If the lesser of a home's actual daily costs or the reimbursement limits is more than the spend-up limit, then the spend-up limit is applied.</p> <p>"High-cost facility limits" reduced reimbursement by two percent if a facility's operating costs per diems were more than 1.0 standard deviation above the group median, and by one percent if a facility's operating cost per diems were less than or equal to 1.0 standard deviation above the group median.⁴</p>

Figure B.1: Summary of Minnesota's Nursing Home Reimbursement System, 1995, continued

Inflation Adjusters:	Change in the nursing home market basket over a 12-month period was used to adjust the reimbursement limits for inflation. Change in the consumer price index for all urban consumers (CPI-U) over a 21-month period was used to increase operating cost per diems. For 1995 rates, these two factors were 3.81 percent and 5.8 percent, respectively.
Special Reimbursement Considerations:	For hospital-attached and short-length-of-stay facilities (SLOS), and facilities caring for all age groups with severe physical impairments (called Rule 80 facilities). Rule 80 facilities are exempt from the care-related limit. The other operating costs, which are calculated separately for these facilities, are limited to 110 percent of the median for hospital-attached facilities and 105 percent of the limit for hospital-attached homes for SLOS and Rule 80 facilities.
Incentive Payments:	An efficiency incentive up to a maximum of \$2.25 per resident day is paid to facilities with other operating costs (after all reimbursement limits are applied and costs are limited) below the per diem reimbursement limit. Equity and debt refinancing incentives are available as part of the property cost reimbursement formula.
Unique Features:	Under rate equalization, private-pay residents must not be charged more than the rate for Medicaid residents. Rate equalization does not apply to single-bedrooms.

¹Since 1989, nursing homes in Group 1 have been allowed to use the higher Group 2 reimbursement limits for care-related and other operating costs. The efficiency incentive for Group 1 homes continues to be calculated using the Group 1 limit for other operating costs.

²Reimbursement limits were last rebased in 1992.

³Generally, the modified fair-rental formula is the sum of allowed interest on allowed debt, a rental factor of 5.66 percent times appraised value less allowable debt, and an equipment allowance.

⁴In 1996, the Legislature modified the "spend-up limits" for the 1996 rate year, suspended the "high-cost facility limit" for one year, removed the care-related, other operating, and plant and maintenance reimbursement limits, and provided a payment increase of six cents per resident day for the 1996 rate year. These changes apply only for the 1996 rate year (which began July 1, 1996). When setting nursing home reimbursement rates for the 1997 and future rate years, the law requires the Commissioner of Human Services to use the reimbursement limits adopted in 1995.

Figure B.2: Summary of Iowa's Nursing Home Reimbursement System for Intermediate Level of Care, 1995

Reimbursement Method:	Prospective facility-specific rates with mid-year adjustments at the discretion of the Legislature.
Rate Year:	Rates were set July 1, 1995 and adjusted upward January 1, 1996.
Cost Year:	Cost reports are made every six months, at the sixth month and the end of each provider's fiscal year.
Peer Groups:	None.
Case Mix:	None.
Reimbursement Limit:	Maximum per diem reimbursement rate is set at the 70th percentile of per diem costs for nursing facilities providing an intermediate level of care.
Inflation Adjuster:	2.7 percent, subject to the reimbursement limit. Inflation rate equals the percentage change in the weighted average cost per day in the two most recent cost reports. Inflation rate is not to exceed the increase in the consumer price index for urban consumers (CPI-U) during the preceding year.
Special Reimbursement Considerations:	None.
Incentive Payments:	Up to \$1.75 per day, subject to the reimbursement limit. The incentive payment is equal to one-half the difference between 46th and 74th percentiles of allowed 1986 costs, but cannot be less than \$1 or more than \$1.75 per resident day.
Unique Features:	Iowa maintains two different reimbursement systems for Medicaid-certified nursing facilities providing an intermediate level of care and Medicare-certified skilled nursing facilities.

Figure B.3 Summary of North Dakota's Nursing Home Reimbursement System, 1995

Reimbursement Method:	Prospective facility-specific rates.
Rate Year:	January 1, 1995 to December 31, 1995.
Cost Year:	July 1, 1993 to June 30, 1994.
Peer Groups:	None.
Case Mix:	Sixteen categories; direct care costs are adjusted for resident care needs.
Reimbursement Limits: ¹	<p>Direct care costs (nursing, therapies) are capped at 99th percentile of costs for all nursing homes.</p> <p>Other direct care costs (food, laundry, social services) are capped at 85th percentile of costs for all nursing homes.</p> <p>Indirect care costs (administration, plant operations, dietary, housekeeping) are capped at 75th percentile of costs for all nursing homes.</p> <p>Property costs (depreciation, interest, property taxes) are not limited.</p>
Inflation Adjuster:	The consumer price index for urban wage earners (CPI-W) is used to adjust reimbursement limits and operating costs. The inflation factor was 3 percent in 1995.
Special Reimbursement Considerations:	One facility for non-geriatric, physically handicapped residents is not subject to any reimbursement limits.
Incentive Payments:	<ol style="list-style-type: none"> 1) Incentive payment up to a maximum of \$2.60 per day based on 70 percent of amount the actual indirect care rate, before the inflation adjustment, is below the prior rate year's limited rate. 2) Operating margin of three percent based on the lesser of the actual direct and other direct care rates, before the inflation adjustment is applied, and the prior year's limited rates.
Unique Features:	Rate equalization for private-pay and Medicaid residents since 1990.

¹Reimbursement limits were last rebased in 1992.

Figure B.4: Summary of South Dakota's Nursing Home Reimbursement System, 1995

Reimbursement Method:	Prospective facility-specific rates.
Rate Year:	July 1, 1995 to June 30, 1996.
Cost Year:	Based on providers' prior fiscal year.
Peer Groups:	Four groups: 1) hospital-affiliated; 2) urban-freestanding homes in a community with more than 200 nursing home beds; 3) rural-freestanding homes in a community with less than 200 beds; 4) rural homes with a waiver of federal staffing requirements. ¹
Case Mix:	Thirty-five categories, direct care costs are adjusted for resident care needs.
Reimbursement Limits:	<p>Direct care costs (nursing, therapy) are limited to 125 percent of median costs for the peer group.</p> <p>Non-direct care costs (social services, dietary, laundry, general administration, plant/operations, housekeeping, maintenance, property taxes, and other operating) are limited to 110 percent of median costs for freestanding facilities.</p> <p>Capital costs (building insurance, depreciation, mortgage interest, rental costs) are limited to \$9.34 per bed for freestanding facilities in 1995. Proprietary facilities get a 6.8 percent return on net equity, as calculated by the state.</p>
Inflation Adjusters: ²	A South Dakota long-term care inflation index is used to adjust costs from the end of each facility's fiscal year to the start of the following rate year. Inflation adjustments ranged from 9.6 percent to 5.6 percent in period evaluated.
Special Reimbursement Considerations:	For hospital-affiliated homes, capital costs are included as part of the non-direct care costs and are subject to the 110 percent of median reimbursement limit for the peer group.
Incentive payments:	None.

¹There have not been any homes with a waiver of staffing requirements since the early 1990s.

²South Dakota changed to a consumer price index inflation factor for rates effective July 1, 1996.

Figure B.5: Summary of Wisconsin's Nursing Home Reimbursement System, 1995

Reimbursement Method:	Prospective facility-specific rates.
Rate Year:	July 1, 1995 to June 30, 1996.
Cost Year:	Based on providers' fiscal year ending the prior calendar year.
Peer Groups	Three geographic groups based on labor regions.
Case Mix:	None. Direct care costs are adjusted using six levels of care (such as intense skilled nursing, skilled nursing, intermediate care).
Reimbursement Limits:	<p>Reimbursement limits for most of the following cost centers are established annually using various formulas, contained in Medicaid reimbursement rate regulations. Generally:</p> <p>Direct care costs (nursing, therapies, social services, activities) are limited to 110 percent of the median costs for the peer group.</p> <p>Support services costs (dietary, maintenance, housekeeping, laundry, security) are limited to 103 percent of median costs.</p> <p>Administrative and general service costs are limited to 103 percent of median costs.</p> <p>Fuel and utility costs are limited to 115 percent of median costs for six regional groups based on heating degree days.</p> <p>Property taxes and special assessments are reimbursed based on estimated actual costs.</p> <p>Over the counter drug costs are reimbursed based on estimated actual costs.</p> <p>Allowable property costs (which include depreciation, interest, amortization and lease/rental expenses) are limited to 15 percent of allowed equalized value.</p>
Inflation Adjusters:	<p>Numerous nursing home market basket inflation indexes are used to adjust cost centers and specific line items from the end of each facility's fiscal year to the start of the following rate year.</p> <p>3.7 percent increase in operating cost per diems based on a nursing home market basket index.</p>
Special Reimbursement Considerations:	An allowance is made for non-public facilities with exceptional Medicaid utilization.
Incentive Payments:	<ol style="list-style-type: none"> 1) Support services incentive of four percent of the difference between a facility's support services costs and a target. 2) Property incentive is provided if a facility's property-related expenses are less than 6 percent equalized value, called Target 1. The incentive is equal to 9 1/2 percent of the difference between allowed expenses and the target .