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Department of Health and Hospitals Office of the Secretary Bureau of Health Services Financing

Private Nursing Facility Services—Reimbursement

The Department of Health and Hospitals, Office of the Secretary, Bureau of Health Services Financing announces that changes to the reimbursement regulations governing private nursing facility services under the Medicaid Program are to be made effective July 1, 1996. Reimbursement regulations governing private nursing facility services based on the emergency rules covering the period between January 1, 1995 through June 30, 1996 will no longer be in effect. The Department has determined that reimbursement of private nursing facility services in accordance with the changes to be effective July 1, 1996, complies with federal law and regulations and that the additional reimbursement produced by provisions to be changed is not necessary to assure quality and access to services.

The regulations existent through June 30, 1996 incorporated the following components. The cost categories consisted of three direct and five indirect resident care costs and the incentive factor. The direct costs are nursing services, raw food and recreational. The indirect costs are house-keeping/linen/laundry, other dietary, plant operation and maintenance, administrative and general, building costs, and incentive factor. The inflation factor for aide and attendant salaries was inflated under the Consumer Price Index for Medical Care Services. The calculation of the incentive factor remained at five percent but excluded building costs from the computation. The calculation for fixed costs was based at the fair rental value. The 60th percentile was changed to the 70th percentile for housekeeping/linen/laundry and the 80th percentile for direct resident care costs.

The reimbursement methodology of private nursing facility services which will be in effect on July 1, 1996 under the currently approved state plan includes the following components. The base rate components will be categorized as food costs, other routine costs, aide and attendant salaries, other nursing services, fixed costs and profit incentive. The aide and attendant salaries are inflated based on the wage economic adjustment factor. The calculation for the fixed cost will be based on cost. The percentiles utilized for all other cost components except profit incentive will be the 60 percentile facility at each cost component. The profit incentive will remain at 5 percent but includes the building cost in the calculation. The base rate will be calculated in accordance with the currently approved State Plan using 1993 cost.

The Department of Health and Hospitals has made a determination that the payment under the methodology effective July 1, 1996 will meet the requirements of the 42 CFR 447.250. It is expected that this change in reimbursement will reduce expenditures by approximately \$26,000,000 annually.

Interested persons may submit written comments to Thomas D. Collins, Office of the Secretary, Bureau of Health Services Financing, Box 91030, Baton Rouge, LA 70821-9030. He is responsible for responding to inquiries regarding this matter.

A copy of this notice may be reviewed at the parish Medicaid office.

Bobby P. Jindal
Secretary

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