

fees, non-capital amortization, bank charges, board of directors fees, dietary supplies, depreciation expense for vehicles and for assets purchased that are less than the equivalent of a new bed value, dues, educational seminars, housekeeping supplies, professional liability insurance, non-capital interest expense, laundry supplies, legal fees, linens and laundry alternatives, management fees and home office costs, office supplies, postage, repairs and maintenance, taxes other than property taxes, telephone and communications, travel and utilities.

1. Determine the per diem administrative and operating cost for each facility during the cost report period. (Divide administrative and operating cost by total period patient days. Patient days will be increased, if necessary, to 80% occupancy.)
2. Trend each facility's administrative and operating per diem cost to the middle of the rate year using the trend factor as defined in Chapter 7. This is done by multiplying the trend factor in order to trend costs forward from the mid-point of the cost report period to the mid-point of the payment period.
3. Determine the ceiling for administrative and operating costs for each classification as follows:
  - A. Prepare an array separately for each the small and large nursing facility classifications. Each array should include the facility names, their associated trended administrative and operating costs, and their annualized total patient days.
  - B. Arrange the data in each array from lowest to highest cost.

TN NO 2006-006  
SUPERSEDES  
TN NO 2004-001

DATE RECEIVED \_\_\_\_\_  
DATE APPROVED DEC 19 2006  
DATE EFFECTIVE OCT 1 2006

- C. Add to each array the cumulative annualized total patient days by adding in succession the days listed for each facility.
- D. Determine the median patient days by multiplying the total cumulative patient days by fifty percent (50%) and locate the median patient days on each array.
- E. Determine the median costs by matching the median patient days to the associated costs. This may require interpolation.
- F. The cost at the median patient day is multiplied by 109% to determine the ceiling for each classification.
4. Determine the per diem rate for each facility for administrative and operating costs. If the facility's administrative and operating cost is above the ceiling, its administrative and operating rate is the ceiling. If the facility's cost falls below the ceiling, then its administrative and operating rate is its trended cost plus seventy-five percent (75%) of the difference between the greater of the trended cost or the median and the ceiling. For PNFSD's with 60 Medicaid certified beds or less, the ceiling calculated for the small nursing facility class will be used. For PNFSD's with greater than 60 Medicaid certified beds, the large nursing facility class will be used.

E-

- F. Property Payment. A per diem payment will be made for property costs based on a fair rental system. The amount of the payment is determined as follows:
1. A new facility constructed on January 1, 1992 is assumed to have a per bed value of \$25,908. The value of new construction will be indexed each year using the RS Means Construction Cost Index. The new bed value will be indexed each year to January 1 of the payment year. The cost index

TN NO 2006-006  
 SUPERSEDES  
 TN NO 2004-001

DATE RECEIVED  
 DATE APPROVED DEC 19 2006  
 DATE EFFECTIVE OCT 1 2006

H. Total Base Rate

The annual base rate is the sum of the standard direct care per diem rate, the care related per diem rate, the administrative and operating per diem rate, the per diem property payment, the per diem hold harmless payment, and the per diem return on equity payment. The annual base rate for PNFSD's also includes the therapy per diem rate.

I. Calculation of the Rate for One Provider

In years when the rate is calculated for only one PNFSD, reimbursement will be based upon allowable reported costs of the facility. Reimbursement for direct care, therapies, care related, and administrative and operating costs will be calculated at cost plus the applicable trend factors. Reimbursement for administrative and operating costs will be subject to the ceiling for the facility as described in Section 3-4 E. The property payment and the return on equity payment will be calculated for the facility as described in Sections 3-4 F and G.

3-5 Occupancy Allowance

The fixed per diem costs for administrative and operating costs and for property will be calculated using the greater of the facility's actual occupancy level or eighty percent (80%). This level is considered to be the minimum occupancy level for economic and efficient operation.

For facilities having less than eighty percent (80%) occupancy, the number of total patient days will be computed on an eighty percent (80%) factor instead of a lower actual percentage of occupancy. This will not apply to the computation of patient days used in computing the direct care ~~and care related~~ and therapy rates. For example: a facility with an occupancy level of seventy percent (70%) representing 20,000 actual patient days in a reporting period will have to adjust this figure to 22,857 patient days ((22,000 / 70%)

TN NO 2006-006  
SUPERSEDES  
TN NO 2004-001

DATE RECEIVED  
DATE APPROVED DEC 19 2006  
DATE EFFECTIVE OCT 1 2006