



CABINET FOR HEALTH
AND FAMILY SERVICES

**Department for Medicaid Services
Price Based Nursing Facilities
and the Quality Incentive Program**



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Presenters

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Agenda

Background

7/1/2024 Updates

- Rebasing
- Transition from RUG to PDPM
- Provider Tax
- Ancillary Add On
- Statewide Reappraisals
- Bed Reserve

7/1/2025 Updates

- Quality Incentive Program

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Background

Kentucky's Current Landscape – Priced Based NFs

Number of Total Providers	252
Number of Rural Providers	127
Number of Urban Providers	125
Number of Medicaid Paid Days	5.2 million
Total annual expenditures	\$1.8 billion (estimated gross)

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7/1/2024 Update - Rebasing

July 1, 2024 rates were rebased using 2022 cost reports, inflated to SFY 2025 rate setting period.

SFY 2025 Standard Price

- Urban Providers: \$294.03
- Rural Providers: \$257.63



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7/1/2024 Update - Rebasing

SFY 2025 Urban Standard Prices

URBAN			
Category	July 2023	July 2024	Increase
Case Mix Adjusted Costs:			
RN	\$ 13.32	\$ 27.11	\$ 13.79 104%
--LPN	\$ 29.06	\$ 40.00	\$ 10.94 38%
--Aides	\$ 52.95	\$ 68.38	\$ 15.43 29%
--Director of Nursing	\$ 2.70	\$ 4.29	\$ 1.59 59%
--Activities	\$ 2.03	\$ 2.65	\$ 0.62 31%
--Medical Records	\$ 1.43	\$ 1.59	\$ 0.16 11%
= Total Case Mix Adjusted Costs	\$101.49	\$144.02	\$ 42.53 42%
Non-Case Mix Adjusted Costs:			
--Dietary	\$ 12.30	\$ 15.52	\$ 3.22 26%
--Housekeeping/Laundry	\$ 6.76	\$ 9.85	\$ 3.09 46%
--Social Services	\$ 1.83	\$ 3.72	\$ 1.89 103%
--Maintenance	\$ 2.05	\$ 3.69	\$ 1.64 80%
= Total Non-Case Mix Adjusted Costs	\$ 22.94	\$ 32.78	\$ 9.84 43%
Case Mix Adjusted Other Costs:			
--Non-Personnel Operating	\$ 13.28	\$ 16.31	\$ 3.03 23%
Non-Case Mix Adjusted Other Costs:			
--Administration	\$ 67.41	\$ 76.78	\$ 9.37 14%
--Food	\$ 8.86	\$ 10.88	\$ 2.02 23%
--Professional Support & Consultation	\$ 4.40	\$ 5.43	\$ 1.03 23%
	\$ 80.67	\$ 93.09	\$ 12.42 15%
Facility Costs:			
--Non-Capital Facility Related	\$ 7.05	\$ 7.83	\$ 0.78 11%
= Rate Per Day of Service	\$275.43	\$294.03	\$ 68.60 30%



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7/1/2024 Update - Rebasing

SFY 2025 Rural Standard Prices

RURAL				
Category	July 2023	July 2024	Increase	
Case Mix Adjusted Costs:				
RN	\$ 11.90	\$ 24.10	\$ 12.20	103%
+ LPN	\$ 24.62	\$ 34.87	\$ 10.25	42%
+ Aides	\$ 43.99	\$ 54.86	\$ 10.87	25%
+ Director of Nursing	\$ 2.58	\$ 3.99	\$ 1.41	55%
+ Activities	\$ 1.82	\$ 2.38	\$ 0.56	31%
+ Medical Records	\$ 1.19	\$ 1.43	\$ 0.24	20%
= Total Case Mix Adjusted Costs	\$ 86.10	\$ 121.63	\$ 35.53	41%
Non-Case Mix Adjusted Costs:				
+ Dietary	\$ 10.62	\$ 12.40	\$ 1.78	17%
+ Housekeeping/Laundry	\$ 5.99	\$ 7.92	\$ 1.93	32%
+ Social Services	\$ 1.52	\$ 3.05	\$ 1.53	101%
+ Maintenance	\$ 1.83	\$ 3.31	\$ 1.48	81%
= Total Non-Case Mix Adjusted Costs	\$ 19.96	\$ 26.68	\$ 6.72	34%
Case Mix Adjusted Other Costs:				
+ Non-Personnel Operating	\$ 11.26	\$ 14.42	\$ 3.16	28%
Non-Case Mix Adjusted Other Costs:				
+ Administration	\$ 63.00	\$ 72.65	\$ 9.65	15%
+ Food	\$ 7.52	\$ 9.61	\$ 2.09	28%
+ Professional Support & Consultation	\$ 3.70	\$ 4.81	\$ 1.11	30%
	\$ 74.22	\$ 87.07	\$ 12.85	17%
Facility Costs:				
+ Non-Capital Facility Related	\$ 7.05	\$ 7.83	\$ 0.78	11%
= Rate Per Day of Service	\$ 198.59	\$ 257.63	\$ 59.04	30%

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7/1/2024 Update - PDPM

- Effective with 7/1/2024 rates, DMS transitioned from RUGs to PDPM (Patient Driven Payment Model) for calculating Case Mix Index (CMI).
- Only the nursing component CMI is applied to the case-mix adjusted rate components.
- Kentucky has implemented the CMIs established by CMS, effective 10/1/2023.

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7/1/2024 Update - PDPM

Phase In - the PDPM methodology is transitioning as follows:

Rate Effective Date	Percent PDPM CMI	Percent RUG CMI
7/1/2024	25%	75%
10/1/2024	50%	50%
1/1/2025	75%	25%
4/1/2025	100%	0%

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7/1/2024 Update - PDPM

Calculating Your 7/1/2024 CMI

The CMI used for July 2024 rate setting consists of:

- 75% RUG CMI from 1/1/2024 rate sheet (final Q3 2023 roster)
- 25% PDPM CMI from final Q1 2024 roster

Calculation:

RUG CMI: _____ X 0.75 = _____ plus (+)

PDPM CMI: _____ X 0.25 = _____
_____ = Medicaid Average CMI

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7/1/2024 Update - Provider Tax

	Before 7/1/2024	Effective 7/1/2024
Tax Rate - Hospital Based NFs	\$3.64	\$5.63
Tax Rate - NF with ICF and fewer than 60 beds	\$1.82	\$2.82
Tax Rate - NF < 60,000 days	\$12.85	\$19.89
Tax Rate - NF > 60,000 days	\$4.12	\$6.38
Allowance in per diem rate	\$9.64	\$41.43

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7/1/2024 Update - Ancillary Add On

Before 7/1/2024

- Ancillary services were billed separately from the per diem / room and board and paid according to a fee schedule
- Ancillary services include: Physical Therapy, Occupational Therapy, Speech Therapy, Oxygen Therapy, Lab, and Radiology

Effective 7/1/2024

- Ancillary services are included in the per diem rate
- Any billings for ancillary services are paid zero
- Ancillary Add-On Calculation: Ancillary Payments divided by paid Medicaid days for each NF

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7/1/2024 Update - Ancillary Add On

- Case Mix Adjusted**
 - 1. Direct Service.....
 - 2. Non-Personnel Operating.....
 - 3. Sum of Direct Service and Non-Personnel Operating.....
 - 4. MDS Case Mix Index.....
 - 5. Total Case Mix Adjusted.....
- Non-Case Mix Adjusted**
 - 1. Administration.....
 - 2. Food.....
 - 3. Non-Direct Service.....
 - 4. Professional Support and Consultation.....
 - 5. Total Non-Case Mix Adjusted.....
- Facility and Capital Component**
 - 1. Non-Capital Facility Related Component.....
 - 2. Capital Rate Component.....
 - 3. Total Facility and Capital Component.....
- Calculated Standard Price**
 - 1. Total Case Mix Adjusted.....
 - 2. Total Non-Case Mix Adjusted.....
 - 3. Total Facility and Capital Component.....
 - 4. Calculated Standard Price.....
- Payment Price Computation**
 - 1. Calculated Standard Price.....
 - 2. Ancillary Add on.....
 - 3. Nursing Facility Per Diem.....



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7/1/2024 Update - Ancillary Add On

For FYE July 2024 and beyond, report units of services provided in the columns for July 2024 and beyond.

Kentucky Medicaid Nursing Facility Ancillary Supplemental Schedule																				
Medicaid Provider Number: <input type="text"/>															FYE		12/31/2024			
Provider Name: <input type="text"/>																				
Units of Medicaid Ancillary Services <small>(Do Not Include Medicare Part B Services)</small>																				
Physical Therapy	Rev Code	Procedure Code	Description	Procedure Code Modifier	Procedure Code Modifier Description	Dates of Service												Total	Fee Schedule Amt (Facility)	Total Fees
						Month 1 Jan-24	Month 2 Feb-24	Month 3 Mar-24	Month 4 Apr-24	Month 5 May-24	Month 6 Jun-24	Month 7 Jul-24	Month 8 Aug-24	Month 9 Sep-24	Month 10 Oct-24	Month 11 Nov-24	Month 12 Dec-24			
	420	97014	APPLICATION OF ELECTRICAL STIMULATION TO 1 OR MORE AREAS, UNATTENDED BY PHYSICAL THERAPIST														-	\$ 8.85	\$ -	
	420	97014	APPLICATION OF ELECTRICAL STIMULATION TO 1 OR MORE AREAS, UNATTENDED BY PHYSICAL THERAPIST	CQ	Therapy Assistant												-	\$ 5.21	\$ -	
	420	97032	APPLICATION OF A MODALITY TO ONE OR MORE AREAS, ELECTRICAL STIMULATION, EACH 15 MIN.														-	\$ 8.96	\$ -	
	420	97032	APPLICATION OF A MODALITY TO ONE OR MORE AREAS, ELECTRICAL STIMULATION, EACH 15 MIN.	CQ	Therapy Assistant												-	\$ 5.27	\$ -	
	420	97035	ULTRASOUND THERAPY, EACH 15 MIN.														-	\$ 8.65	\$ -	
	420	97035	ULTRASOUND THERAPY, EACH 15 MIN.	CQ	Therapy Assistant												-	\$ 5.09	\$ -	
	420	97110	THERAPEUTIC PROCEDURE/NEE OR INDPE AREAS, EACH 15 MIN.														-	\$ 17.95	\$ -	



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7/1/2024 Update - Reappraisals

- Statewide reappraisals took place in 2024 and were incorporated into the SFY 2025 rates.
- SFY 2025 maximum capital component is \$24.70.
- SFY 2025 capped per bed amount is \$80,278.

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7/1/2024 Update - Reappraisals

Capital component calculation

1. Depreciated Replacement Cost from 2024 Appraisal: _____
2. Multiplied by 1.0037 (0.37% inflation adjustment for capital): _____
3. Divided by Number of Licensed NF Beds from 2024 Appraisal: _____
4. Subtotal: _____. Compare to Per Bed Maximum Allowable for SFY 2025 (\$80,278); continue with lesser value.
5. (Value from 4 above) + (10% x Value from 4 above) + (\$2,000): _____
6. (Result from 5 above) x 0.09 (9% rate of return factor): _____
7. Determine NF occupancy percentage from Supplemental Schedule NF-7 (Certified NF Total Patient Days divided by Certified NF Bed Days Available): _____. ____ %
8. If value from 7 above is 90% or less, then use 329 days. If value from 7 above is greater than 90%, then calculate the following:
(Calculation from 7 above) x 365: _____. 0 (round to nearest whole number)
9. (Value from 6 above: _____) divided by (Value from 8 above: _____): _____

This value is the NF's Capital Rate Component.

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7/1/2024 Update - Bed Reserve

- Makes permanent the reimbursement for a maximum of 30 days per resident, per calendar year due to hospitalization.
- All allowable bed reserve days paid at 75% of the per diem rate, regardless of facility occupancy.
- No need to submit quarterly census forms.

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7/1/2025 Update - Quality

- DMS increased the provider tax amounts and allowance effective 7/1/2024.
- DMS plans to implement a quality program during SFY 2026.
- The quality program will utilize the increased provider tax allowance amount from 07/01/2024 to fund the quality pool.
- The Quality Workgroup meets biweekly to discuss how to implement the quality program and quality reports are expected to be distributed in state fiscal year 2025.

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7/1/2025 Update - Quality

- Beginning with rates during SFY 2026, the provider tax add on allowance will be reduced and a quality pool will be created.
- Providers will earn a quality add on per diem using the following quality metrics (additional metrics may be added):

Percentage of long-stay residents with a urinary tract infection	Percentage of high risk long-stay residents with pressure ulcers
Percentage of long-stay residents experiencing one or more falls with major injury	Percentage of long-stay residents who received an antipsychotic medication
Medicaid utilization	Occupancy Percentage

Open Discussion