



Long Term Care Update - September 1, 2009

Medicaid DEFLATION Indices

A note of interest to those with cost report periods ending from July to September '09. In light of the deflation experienced in the Operating/Indirect Patient Care indices, you should be aware that you may not have the flexibility to "hold" your cost report(s) based on "normal" calculations you may have been able to rely on previously.

The inflation tables used for July '09 are "correct", although they contain a significant anomaly. What caused the anomaly was that some estimates are used developing the indices each time they are calculated by DRI (Data Resource Incorporated). Unfortunately, some of the estimates made in earlier periods were overstated because they assumed that the impact of high fuel prices would continue. It's normal practice to make corrections or modifications in future periods based on actual results. While the over 4% DEFLATION between July '08 and July '09 is unprecedented, AHCA is required to use the DRI inflation index (in accordance with the Title XIX Plan).

The indices result in deflation between July 2008 and July 2009. Indices don't rise above the June 2008 indices (when the deflation started) until November 2010. Basically, the inflation used in your rate is calculated using the midpoint index of the cost report period divided into the midpoint index of the semester being calculated (9/09), so until you get to a cost report midpoint AFTER 7/08, you'll experience deflation. This essentially means a facility which uses a 2008 report will not receive any inflation for the OP/IPC components until the 2009 report can be used (filed by 10/31 or 4/30, as appropriate). So, IF your costs are below the Operating and/or Indirect limits, it's most likely going to be better for your facility to get the 2009 Medicaid report filed by 10/31. Even a decrease in raw costs can result in a higher rate as it will take the facility out of the "deflation" period. If you understand all that, you probably need to get out more!

Medicare Part A SNF PPS Final Rule FFY 2010

There were no major changes from the proposed rule for FY2010, so it includes a 2.1% Market Basket update and forecast error adjustment (3.3% cut), for a net 1.2% decrease in the average Federal SNF rate for FY2010, which begins October 1, 2009. The RUGs "refinement" also caused the relative value of individual RUG rates to vary slightly from prior periods, so your revenue change will depend on your RUG mix as well as your area's new wage index.

We've updated our rate model and provided Florida and Georgia rates to associations for website posting, but clients can also contact us for an Excel version useful for budgeting. Bear in mind there's still a possibility that the 2.1% Market Basket could be eliminated 1/1/2010 in connection with proposed health care reform legislation.

The big changes are scheduled for FY2011, with the implementation of MDS 3.0 and RUG-IV in a "budget neutral fashion". It appears that the significantly modified and weighted RUG-66 grouper will shift payments away from therapy services and toward medically complex conditions involving respiratory illness and infections. CMS believes the new system will better capture a patient's functional status.

MIC (Medicaid Integrity Contractor) Audits

Who's the leader of the club that's BAD for you and me? M-I-C; C-M-S; A-U-D-I-T! Sorry about that, but CMS says nearly 500 Medicaid audits are under way in 17 states and the program will roll out to the entire country through the end of the year, so CMS wants to make it a big club. They also say that Florida is one of the "most impacted" states. While 44% of the current audits involve hospitals (the big bucks), 29% are on long-term care facilities.

MICs are firms CMS has chosen to audit provider claims and identify overpayments. There are three types of contractors: Review, Audit, and Education. The Review MICs analyze data and identify issues to pass on to Audit MICs to pursue. Education MICs educate providers and others on Medicaid payment integrity and quality of care.

MICs have been termed "RACs for Medicaid," but there are differences between the programs. For example, the RAC look-back period is three years, but MICs base the length of time on individual state look-back guidelines. Similarly, the number of days a provider has to produce medical record copies for MICs depends on state rules, while with RACs, providers have 45 days regardless of their location. In addition, MICs have no set medical request limits, while RACs max out at 200. Unlike the RAC program, CMS will not reimburse providers for the cost of copying records. One change for the better, unlike RACs, MICs are not paid by contingency fee, but rather through a type of fee-for-service model. While the dollars MICs recover aren't directly tied to their compensation, MICs will be eligible for bonuses based on how "effective and efficient" they are. In some cases MICs will do desk audits, and in others, auditors will come on-site to do the reviews.

MICs are also supposed to attempt to coordinate with RACs so as not to audit the same facilities simultaneously.

The American Health Care Association is trying to gauge the impact in Florida, so let them know if you've recently become a member of the "Club".

OMB Reports Bad News (Surprise, Surprise!)

On August 25th, the Office of Management and Budget (OMB) released the mid-session budget increasing the Federal deficit (since the issuance of the May 2009 report) by \$2 Trillion (from \$7 to \$9 Trillion) over the next 10 years.

The report also includes a section for health reform that outlines \$622 billion in payment reductions to Medicare and Medicaid over the 10-year period and an increase in income taxes to individuals with incomes above \$250,000 in order to establish President Obama's Health Reserve Fund of \$954 billion.

Not to be out done, on the same day the Congressional Budget Office, (CBO) released its version of the future, which also included; "Beyond the 10-year forecast, the nation will face further challenges posed by rising health care costs and the aging of the population...." "The budget remains on an unsustainable path" over the long term and will require some combination of lower spending and higher tax revenues (sic). "A Trillion here, a Trillion there....."

For more information contact Steve Jones at sjones@mslcpa.com.

OFFICE LOCATIONS

Tampa Area

311 Park Place Boulevard, Suite 100
Clearwater, FL 33759
Tel: 727.531.4477
Toll Free: 800.929.2981
Fax: 727.538.2154

Orlando

1201 South Orlando Ave, Suite 400
Winter Park, FL 32789
Tel: 407.740.5400
Toll Free: 800.683.5401
Fax: 407.740.0012

Miami Lakes

14400 NW 77th Court, Suite 306
Miami Lakes, FL 33016
Tel: 305.819.9555
Toll Free: 800.726.1735
Fax: 305.819.9955

Tallahassee

307 West Park Ave., Suite 202
Tallahassee, FL 32301
Tel: 850.224.4407
Toll Free: 877.408.0753
Fax: 850.222.3044

Macon

577 Mulberry Street, Suite 500
Macon, GA 31201
Tel: 478.474.5401
Fax: 866.253.3452