



State of Louisiana

Department of Health and Hospitals
Bureau of Health Services Financing

April 21, 2015

Dear Nursing Home Administrator:

RE: Louisiana Medicaid Nursing Facility Direct Care and Care-Related Expenses

To assist providers in the preparation of nursing facility cost reports, the Department has determined that further clarification is necessary in regards to what costs are included in the Louisiana Medicaid Case-Mix direct care and care-related cost components, as well as the corresponding direct care/care-related floor calculation.

Cost Component Classification

The Medicare reimbursement methodology contained in CMS Publications 15-1 and 15-2 may permit more than one classification option for certain costs on the Medicare cost report Form CMS-2540-10 (NF) and 2552-10 (Hospital). In order to properly assure the appropriate calculation of the direct care and care-related cost components and the associated direct care/care-related floor for Medicaid purposes under the Case Mix reimbursement system, the Department has compiled the following listing of the specific costs that are to be **included** or **excluded** from the direct care and care-related cost components.

Please note the following:

1. This list is not considered all inclusive and is provided to assist providers in accurately completing the cost report. DHH will maintain a copy of this document for providers to refer to on the Medicaid Rate Setting website: <http://www.dhh.la.gov/index.cfm/page/235>.
2. Costs specifically excluded from the direct care and care-related cost components may be allowable in other cost centers to the extent they are allowable as defined by CMS Publication 15-1 and properly reported on the cost reports.
3. Costs on the Medicare cost report should be reported in the Medicare cost centers according to the Medicare rules and regulations as defined by CMS

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Publications 15-1 and 15-2. If a cost is not reported in one of the Medicare cost centers or Medicaid cost report lines assigned to the direct care and care-related components as designated in the cost component descriptions, then it will not be included in the provider's direct care or care related cost component and will also be excluded from the provider's direct care/care-related floor. It is imperative, therefore, that providers accurately complete the Medicare Cost Report and the Medicaid Cost Report.

Direct Care Cost Component—The portion of the Medicaid daily rate that is based on the following costs from the Medicare cost report, including Medicaid-only reclassifications and adjustments as determined by DHH

Items **included** in the Direct Care Component:

1. Salary and the related payroll tax and employee benefit costs included in the Skilled Nursing Facility and Nursing Facility cost centers (and applicable subscribed cost centers) for registered nurses (RNs), licensed practical nurses (LPNs), certified nurses' aides (CNAs) and ward clerks whose primary role is to perform direct patient care services in the nursing facility.
2. The cost of contracted nursing staff including RN, LPN, nurses' aide and ward clerk staff whose primary role is to perform direct patient care services in the nursing facility.
3. The proportionate allocation of related payroll taxes and employee benefits for the Direct Care cost component.

Items **excluded** from the Direct Care Component:

1. Nurses' aide training costs which qualify for separate reimbursement by DHH and are reported on Schedule E-1 of the Medicaid cost report.
2. The cost of facility personnel or contracted personnel including related parties, whose primary purpose is to:
 - a. Review MDS assessments performed/overseen by the nursing facility's MDS coordinator or by individuals acting in that capacity
 - b. Review the facility's billing practice
 - c. Perform Utilization Review service

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- d. Improve the facility's reimbursement practices
 - e. Perform off-site chart review
 - f. Perform statistical or other analysis of the facility's Medicare program
3. The cost of transporting patients, on a non-emergency basis, to doctor's appointments and social activities (*Note: the nursing employee or contracted nursing employee costs associated with accompanying the patient is a direct care cost if those staff qualify under Direct Care Component - included items number 1 or 2 above and the cost are reported in the appropriate cost center.*)
 4. The cost of advertising for the purpose of hiring care related and direct care personnel.
 5. The cost of training employees (*Note: the wages, salaries and related payroll taxes and benefits incurred by nursing personnel (as described in Direct Care Cost Component – included item number 1 above) while receiving training is a direct care cost*).

Care-Related Cost Component – The portion of the Medicaid daily rate based on the following costs from the Medicare cost report, excluding allocations to non-reimbursable cost centers and non-nursing nursing facility (SNF/NF) cost centers;

Items **included** in the Care-Related Component:

1. The Nursing Administration cost center (and applicable subscribed cost centers).
2. The Social Services cost center (and applicable subscribed cost centers).
3. The Patient Activities cost center (and applicable subscribed cost centers).
4. Non-salary ("Other") costs included in the Skilled Nursing Facility and Nursing Facility cost centers (and applicable subscribed cost centers), excluding contract nursing included in the direct care cost component.
5. Allocated raw food costs and enterals identified on Schedule F-1 of the Medicaid cost report and excluded from the Dietary cost center (and all applicable subscribed cost centers).

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6. Costs relating to risk management services provided by the Care Rise vendor.
7. The cost of wages, salaries and/or contract labor of nursing staff or other medical professionals and related payroll taxes and employee benefits not included in the direct care cost component, provided that the nurse or medical professional is engaged in documentation of medical records, MDS review and assessments, chart review, regulatory compliance related to their medical professional discipline, training of medical professional or nursing staff and/or nursing administration and is not employed in a non-nursing or medical professional role (for example an RN employed as the nursing facility administrator would not be considered a care related cost).
8. The proportionate allocation of related payroll taxes and employee benefits for the Care-Related cost component.
9. The cost of a replacement bed, mattress, head board, foot board, or nursing equipment (including electronic health records hardware) used in direct patient care provided the invoice cost is below both the capitalization threshold established in CMS Publication 15-1 and the facility's written capitalization policy in place prior to the invoice date. Other pieces of equipment included may include but not limited to: Leg Extensions for Wheelchairs, Geriatric Chair (wheelchair w/ table attached), Walker / Cane, Portable Commode Chair, Urinal / Bed Pan, Nurses Cart, Laptop / Hand held device used for Charting, C-Pap Machine and masks, Bi-Pap Machine and masks, Wound Vac Machine, Oxygen Concentrators, Temperature / Blood Pressure Monitoring Machine (Rosie), Replacement Batteries for Rosie, Wandering Transmitter, Trapeze Bar
10. Dental Services

Items **excluded** from the Care-Related Component:

1. Nurses' aide training costs which qualify for separate reimbursement and are reported on Schedule E-1 of the Medicaid cost report.
2. Furniture and equipment not used in the course of direct patient care not included in 9 above. Examples include but are not limited to: beside table, chest of drawers and chairs.

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3. Furniture and equipment used in the course of direct patient care whose invoice cost is greater than the capitalization threshold established in CMS Publication 15-1; or the facility's written capitalization policy in place prior to the invoice date; or is part of a renovation or project eligible for a facility re-age for fair rental value purposes.
4. The cost of transporting patients, on a non-emergency basis, to doctor's appointments and social activities. *(Note: the nursing employee or contracted nursing employee costs associated with accompanying the patient is a direct care cost if those staff qualify under Direct Care Component - included items number 1 or 2 above and the cost are reported in the appropriate cost center.)*
5. The cost of advertising for the purpose of hiring care related and direct care personnel.
6. Pharmacist Consultant
7. Medical Director
8. Dental Director

DHH will continue to work on this document and update as necessary to keep providers informed.

Sincerely,



Randy Davidson, Director
Rate and Audit