Explanation of NF-B Cost Build-Up for the 2015/16 Rate Period

The 2015/16 rates are based on the audited costs for facilities fiscal periods ending in 2013, unless otherwise stated. Those rates were calculated and adjusted for new state and federal mandates (see 2015/16 Mandates, columns AJ2, AJ3 and AJ4).

Facility-specific identifying information for the "2015.16 SNF-B Cost Build-Up.xls" includes:

I. Facilities (columns A through F): Office of Statewide Planning and Development (OSHPD) ID, the National Provider Identifier (NPI), facility name, begin date, end date, and peer group indicator (ranging from 1 through 7; refer to the Peer Group report for further explanation.)

II. Direct Care Labor (columns G through J)

a. Column G: "Audited Direct Labor" is the amount shown on Audit Schedule 1, line 1, which includes labor costs (both permanent and temporary staff) for:

- Skilled Nursing Personnel
- Social Services Personnel
- Activities Personnel

b. Column H: "Inflated Direct Labor" applies the Labor Study inflation factor to costs in Column G. Direct labor costs are inflated from the mid-point of the facility's audit report period to the rate year mid-point (2/1/2016).

c. Column I: "Direct Labor Per Diem" represents the amount in column H divided by the facility's total skilled nursing days in column AK. Each facility's per diem amount is compared to the peer group direct care benchmark per diem (set at the 90th percentile).

d. Column J: "Final Direct Labor Per Diem" represents the amount in column I unless the facility has reached the peer group's direct care benchmark per diem amount. The lesser of the facility's cost per diem or the benchmark cost per diem is shown here and used in the final rate calculation.

III. Indirect Care Labor (columns K through N)

a. Column K: "Audited Indirect Labor" is the amount shown on Audit Schedule 1, line 2, which includes labor costs for:

- Plant Operations and Maintenance Personnel
- Housekeeping Personnel
- Laundry/Linen Personnel
- Dietary Personnel

- In-Service Education Personnel

b. Column L: "Inflated Indirect Labor" applies the Labor Study inflation factor to costs in Column K. Indirect labor costs are inflated from the mid-point of the facility's audit report period to the rate year mid-point (2/1/2016).

c. Column M: "Indirect Labor Per Diem" represents the amount in column L divided by the facility's total skilled nursing days in column AK. Each facility's per diem amount is compared to the peer group indirect care benchmark per diem (set at the 90th percentile).

d. Column N: "Final Indirect Labor Per Diem" represents the amount in column M unless the facility has reached the peer group's indirect care benchmark per diem amount. The lesser of the facility's cost per diem or the benchmark cost per diem is shown here and used in the final rate calculation.

IV. Direct and Indirect Non-Labor (columns O through R)

a. Column O: "Audited Direct/Indirect Non-Labor" is the amount shown on Audit Schedule 1, line 3, which includes non-labor costs for:

- Skilled Nursing
- Social Services
- Activities
- Plant Operations and Maintenance
- Housekeeping
- Laundry/Linen
- Dietary
- In-Service Education

b. Column P: "Inflated Direct/Indirect Non-Labor" applies the CCPI (California Consumer Price Index) inflation factor to costs in Column O. Direct/Indirect non-labor costs are inflated from the mid-point of the facility's audit report period to the rate year mid-point (2/1/2016).

c. Column Q: "Direct/Indirect Non-Labor Per Diem" represents the amount in column P divided by the facility's total skilled nursing days in column AK . Each facility's per diem amount is compared to the peer group direct/indirect non-labor benchmark per diem (set at the 75th percentile).

d. Column R: "Final Direct/Indirect Non-Labor Per Diem" represents the amount in column Q unless the facility has reached the peer group's non- labor benchmark per diem amount. The lesser of the facility's cost per diem or the benchmark cost per diem is shown here and used in the final rate calculation.

V. Administration (columns S through V)

a. **Column S:** "Audited Admin" is the amount shown on Audit Schedule 1, Line 10, includes total costs for:
   - Administration
   - Property Insurance
   - Interest – Other

b. **Column T:** "Inflated Admin" applies the CCPI inflation factor to costs in column S. Administration costs are inflated from the mid-point of the facility's audit report period to the rate year mid-point (2/1/2016).

c. **Column U:** "Admin Per Diem" represents the amount in column T divided by days in column AK. Each facility's per diem amount is compared to the peer group's benchmark per diem (set at the 50th percentile). The lesser of the facility's cost per diem or the benchmark cost per diem is used in the final rate calculation.

d. **Column V:** "Final Admin Per Diem" is the amount in column U unless the facility has reached the peer group's Admin benchmark per diem amount. The lesser of the facility's cost per diem or the benchmark cost per diem is shown here and used in the final rate calculation.

VI. Professional Liability Insurance (columns W through Z)

a. **Column W:** "Audited Liability Insurance" is the amount shown on Audit Schedule 1, line 7.

b. **Column X:** "Inflated Liability Insurance" applies the CCPI inflation factor to costs in column W. Liability Insurance costs are inflated from the mid-point of the facility's audit report to the rate year mid-point (2/1/2016).

c. **Column Y**: "Liability Insurance Per Diem" represents the amount in column X divided by total days shown in column AK. Each facility's per diem amount is compared to the peer group's benchmark per diem (set at the 75th percentile). The lesser of the facility's cost per diem or the benchmark cost per diem is used in the final rate calculation.

d. **Column Z:** "Final Liability Insurance Per Diem" represents the amount in column Y unless the facility has reached the peer group's Liability Insurance benchmark per diem amount. The lesser of the facility's per diem or the benchmark cost per diem is shown here and used in the final rate calculation.

VII. Property Taxes (columns AA through AC)

a. **Column AA:** "Audited Property Tax" is the amount shown on Audit Schedule 1, line 5.

b. **Column AB:** "Inflated Property Tax" applies a two percent per annum (0.16667% per month) inflation factor to costs in column AA. Property taxes are inflated from the mid-point of the facility's audit period to the rate year mid-point (2/1/2016).

c. **Column AC:** "Final Property Tax Per Diem" represents the amount in column AB divided by total days in column AK. The per diem amount is paid as a pass-through.

VIII. License Fees (columns AD through AE)

a. **Column AD:** Prospective license fees are calculated using the facility's average licensed beds reported on the annual OSHPD report, multiplied by the Department of Public Health fee per bed ($377.77 effective 8/1/2015).

b. **Column AE:** The total license fee amount is divided by the facility's total licensed days to arrive at the per diem amount. The per diem is paid as a pass-through.

IX. Caregiver Training (columns AF through AH)

a. **Column AF:** "Audited Caregiver Training" is the amount shown on Audit Schedule 1, line 8, which includes costs for education that is organized to train students to enter a caregiver occupational specialty.

b. **Column AG:** "Inflated Caregiver Training" applies the CCPI inflation factor to the costs in column AF from the mid-point of the facility's audit report period to the rate year mid-point (2/1/2016).

c. **Column AH**: Caregiver Training Per Diem represents the amount in column AG divided by column AK. The per diem is paid as a pass-through.

X. Fair Rental Value System (FRVS, column AI)

FRVS per diem is calculated based on parameters outlined in the State Plan Amendment and reflected in the column AI. For the 2015/16 rate period, facilities submitting voluntary supplemental capital schedules that were accepted by the Department were considered in the final FRVS per diem calculation.

XI. Quality Assurance Fee (QA Fee, column AJ)

Each facility that is assessed the QA Fee in 2015/16 will be reimbursed for the Medi-Cal portion of this fee. Exempt facilities will not receive additional reimbursement for this cost. The 2015/16 per diem fee is in column AJ.

XIII. 2015/16 Add-Ons (columns AJ2, AJ3 and AJ4)

a. Column AJ2 is the total for all add-ons ($0.91) for 2014/15 mandated costs. The add-ons are the sum of:

1. 2015/16 Federal Unemployment Tax Act (FUTA, $0.11);
2. 2014/15 FUTA ($0.22)
3. 2014 Minimum Wage ($0.27);
4. Affordable Care Act Reporting ($.54);
5. International Classification of Diseases (ICD) 10 transition from ICD-9 ($0.50);; and,
6. Paid Sick Leave ($1.72).

b. Column AJ3 is the 2015/16 ACA Employer Mandate add-on ($2.34) included for ratcheting and removed before finalizing rates.

c. Column AJ4 is the facility specific 2015/16 ACA Employer Mandate add-on

XIV. Days, Pre-Ratcheted Rates, Estimated Payments (columns AK through AP):

a. Column AK is the facility's audited skilled nursing days shown on Audit Schedule 1, line 12.

b. Column AL is the Pre-Ratcheted 2015/16 Rate with the PLI at the 100th percentile. The pre- ratcheted amount is before both the 2 percent program growth cap mandated by Welfare & Institutions Code (W&IC) section 14126.033 (10) (A), and the PLI cap mandated by W&IC section 14126.022 (j) (1). For facilities with a change of ownership (CHOW), this is the prior owner's rate.

c. Column AM is the Pre-Ratcheted 2015/16 Rate applying PLI 75th percentile cap.

d. Column AN is the Skilled Nursing Medi-Cal days. This is the total of lines 15 (Medi-Cal Days) and 16 (Medi-Cal Managed Care Days) on Audit Schedule 1.

e. Column AO is the Annualized Skilled Nursing days in column AN. The days differ only for facilities with an OSHPD cost report covering more or less than twelve months.

f. Column AP is the Pre-Ratcheted Total Estimated Payments with PLI at the

100th percentile. This is the estimated Medi-Cal payments before both the 2 percent program growth cap and the PLI reduction.

XV. 2014/15 Rates Adjusted for 2015/16 Mandates (columns AQ through AT):

a. **Column AQ3** is the final 2014/15 rate. For CHOWs, it is the prior owner's rate.

b. **Column AR** is the QA Fee for 2014/15 rate year. For CHOWs, it is the QA Fee for the prior owner.

c. **Column AR2** is the total of Add-ons for the 2014/15 rate year. For CHOWs, this is the total of Add-ons for the prior owner.

d. **Column AS** is the final 2014/15 rate after removing both the 2014/15 QA Fee, Add-ons ($0.91), and then adding in the 2015/16 QA Fee and Add-ons. For CHOWs, it is prior owner's final rate adjusted for mandates and inflated by CCPI.

e. **Column AT** is the Total Estimated payments when the final 2014/15 rate is adjusted to include the 2015/16 mandates.

XVI. 2015/16 Rates and Payments (columns AU through BA):

a. **Column AU** is the 2015/16 rate before limiting the program growth to 3.62% percent and with the PLI at the 100th percentile.

b. **Column AV** calculates the overall program cap to be 0.97824107.

c. **Column AW** is the Estimated Capped Payments after applying the overall program cap. The program cap is not applied to facilities with a CHOW.

d. **Column AX** is the Pre-Ratcheted 2015/16 Rate after applying the PLI 75th percentile cap.

e. **Column AY** is the Final 2015/16 Rate after ratcheting (0.97824107) and limiting PLI to the 75th percentile.

f. **Column AZ** is the Estimated Medi-Cal Capped Payments.