STUDY TO DETERMINE RATES FOR
TRANSITIONAL INPATIENT CARE

REPORT NO. 01-95-06
Rate Year 1995-1996

This study establishes a model rate for the Transitional Inpatient Care (TC) program which was mandated by the Budget Act of 1995. TC means the level of care needed by an individual who has suffered an illness, injury, or exacerbation of a disease, and whose medical condition has clinically stabilized so that daily physician services, and the immediate availability of technically complex diagnostic and invasive procedures usually available only in the acute care hospital, are not medically necessary, and when the physician assuming the responsibility of treatment management of the patient in transitional care has developed a definitive and time-limited course of treatment. There are two groups of TC patients, medical and rehabilitation. Some patients may require a combination of both services.

Lacking actual cost data for this level of care, a model was developed based on the maximum rate established in 1995/96 for nursing facilities that are distinct parts of acute care hospitals (DP/NFs) and 4estimates of costs for additional requirements for TC providers. The recommended reimbursement rate for transitional care is an average of the estimated cost to provide TC rehabilitative care and TC medical care.

No component was built into these rates for hemodialysis, physician services, customized DME, plasmapheresis, prescription medications, radiology and laboratory services, decubitus care equipment and medical supplies as provided in **the list established by the Department of Health Services**, except for

hypodermoclysis and IV solution administration sets which are included in the rate. These items and services may be billed separately for either medical or rehabilitative patients.

The following is an explanation of each component of the TC rate, describing the assumptions used to develop the estimates for each component:

BASE COST

The maximum reimbursement rate to provide care to patients in DP/NFs was used as a base to build the TC rate. Total DP/NF direct care hours for nursing along with appropriate salaries were derived from data shown in the Office of Statewide Health Planning and Development's (OSHPD) publication "Aggregate Long Term Care Facility Data, Report Periods Ending December 31, 1992 to December 30, 1993". The salaries were updated using factors from the 1995/96 long term care rate study and benefits were added. The salaries and benefits component was deducted to estimate basic DP/NF cost, including overhead, to provide care to TC patients. TC specific salaries and other costs were subsequently added to form the new rate.

NURSE MANAGER WAGES

A nurse manager component was estimated using OSHPD data. It is assumed that the nurse manager will manage a 25-bed unit, including private subacute patients, Medicare patients and TC patients. For purposes of these calculations, an 85 percent occupancy factor which is based on the 1995/96 hospital distinct part nursing facility occupancy rates was assumed.

DIRECT NURSING WAGES

OSHPD data was also used to calculate the cost of direct nursing care for the TC unit, using assumptions of 5.0 hours per patient day including 60 percent certified nurse assistant (CNA) hours for rehabilitative patients, 50 percent CNA hours for medical patients and a minimum of 24 hours of Registered Nurse coverage for licensed nursing requirements. For every 12 patients, an additional 8 hour shift of RN cost was added. The calculations for direct nursing wages assumes that the TC unit is within a 25-bed Medicare unit, and includes an 85 percent occupancy adjustment, as referred to above.

SUPPLIES

The cost of supplies were developed from a combination of data from supplier catalogs, Title 22, California Code of Regulations, Section 51521, Medicare allowable costs and Medi-Cal paid

claims data. TC therapy supplies were estimated based on discussions with staff from industry organizations as the average cost to stock a 10-bed unit. The amount and types of other supplies priced in this spreadsheet were based on assumptions provided by staff of the Medi-Cal Benefits Branch.

THERAPY

This is the estimated cost to provide therapy services to TC patients. The hourly rates for therapists was determined using California state employee pay scales for the various professional classifications. The average wage for the highest range in each classification, plus benefits , was used for the calculations. No other statewide data specific to therapy costs were available on which to base estimates. For rehabilitative patients, it was assumed that patients requiring therapy would receive 2 hours per day, 5 days a week. Medical patients who required therapy were assumed to receive 3/4 of an hour therapy, 5 days per week. Respiratory therapy, which was added at the end of the calculation, was assumed to include 15 minutes treatment 4 times per day and an additional 15 minutes per day evaluation, for each patient requiring such therapy.

INTERDISCIPLINARY TEAM

It is assumed that an interdisciplinary team composed of the nurse manager, therapists and physicians is required to evaluate all patients in the TC unit. It is also assumed that rehabilitative patients will each require 3 hours per week to evaluate while each medical patient will need 2 hours per week evaluation. The time required of each of the professional classifications was an assumption developed by the Medi-Cal Policy Division's Benefits Branch staff.

THERAPY EQUIPMENT

Because of the diversity in the type, quantity and quality of equipment used in therapy units, it was estimated with the concurrence of industry staff that the average start up cost for equipment for a new therapy unit would be approximately $100,000. This cost was amortized over a 10-year-life. The cost per patient day was computed by assuming that TC patients, private subacute patients and Medicare patients would all have access to the equipment. In order to develop an estimate of the cost for medical patients who require less therapy, the rate was based upon a ratio of the cost of therapy professional fees for medical patients to fees for rehabilitative patients.