Explanation of NF-B Cost Build-Up for the January 2022-> December 2022 Calendar Year Rate Period

The Calendar Year effective January 1, 2022, rates are based on the audited costs for facilities with fiscal periods ending in 2019, unless otherwise stated. These rates were calculated under the AB81 (Chapter 13, Statutes of 2020) methodology, utilizing the updated August 1, 2020 peer groupings, an annual statutory mandated 2.4% weighted average rate increase and updated direct and indirect labor per diem caps (increased from 90% to 95%). The AB81 methodology succeeds the AB1629 methodology which sunset on December 31, 2020. The Calendar Year 2022 rates were calculated and adjusted for new state and federal mandates (see 2022 Mandates, columns AL, AM, and AN).

Facility-specific identifying information for the “.xls” includes:

# I. Facilities (columns A through G):

 Office of Statewide Planning and Development (OSHPD) ID, Two digit Alphabetic County Code assigned by the state government, the National Provider Identifier (NPI), provider name, begin date, end date, and updated August 1, 2020 peer group indicator (ranging from 1 through 11; refer to the Peer Group report for further explanation).

# II. Direct Care Labor (columns H through K)

**a. Column H:** “Audited Direct Labor” is the amount shown on Audit Schedule1, line 1, which includes labor costs (both permanent and temporary staff) for:

* Skilled Nursing Personnel
* Social Services Personnel
* Activities Personnel

**b. Column I:** “Inflated Direct Labor” applies the Labor Study inflation factor to costs in Column I. Direct labor costs are inflated from the mid-point of the facility’s audit report period to the beginning of Rate Period 01/01/2022 to 12/31/2022.

**c. Column J:** “Direct Labor Per Diem” represents the amount in column H divided by the facility’s total skilled nursing days in column AO. Each facility’s per diem amount is compared to the peer group direct care benchmark per diem (set at the 95th percentile)

**d. Column K:** “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 L through O)

**a. Column L:** “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 M:** “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 period 01/01/2022 to 12/31/2022 mid-point.

**c. Column N:** “Indirect Labor Per Diem” represents the amount in column L divided by the facility’s total skilled nursing days in column AO. Each facility’s per diem amount is compared to the peer group indirect care benchmark per diem (set at the 95th percentile).

**d. Column O:** “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 P through S)

**a. Column P:** “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 Q:** “Inflated Direct/Indirect Non-Labor” applies the CCPI (California Consumer Price Index) inflation factor to costs in Column P. Direct/Indirect non- labor costs are inflated from the mid-point of the facility’s audit report period to the rate period mid-point.

**c. Column R:** “Direct/Indirect Non-Labor Per Diem” represents the amount in column Q divided by the facility’s total skilled nursing days in column AO. 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 S:** “Final Direct/Indirect Non-Labor Per Diem” represents the amount in column R 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 T through W)

**a. Column T:** “Audited Admin” is the amount shown on Audit Schedule 1, Line 10, includes total costs for:

* Administration
* Property Insurance
* Interest – Other

**b. Column U:** “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 period 01/01/2022 to 12/31/2022 mid-point.

**c. Column V:** “Admin Per Diem” represents the amount in column U divided by days in column AO. 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 W:** “Final Admin Per Diem” is the amount in column V 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 X through AA)

**a. Column X:** “Audited Liability Insurance” is the amount shown on Audit Schedule 1, line 7.

**b. Column Y:** “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.

**c. Column Z**: “Liability Insurance Per Diem” represents the amount in column Y divided by total days shown in column AO. 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 AA:** “Final Liability Insurance Per Diem” represents the amount in column Z 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 AB through AD)

**a. Column AB:** “Audited Property Tax” is the amount shown on Audit Schedule1, line 5.

**b. Column AC:** “Inflated Property Tax” applies a two percent per annum (0.16667% per month) inflation factor to costs in column AB. Property taxes are inflated from the mid-point of the facility’s audit period to the rate year mid-point.

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

# VIII. License Fees (columns AE through AF)

**a. Column AE:** 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 ($1529 for LA County and $918 Statewide for rates effective 8/1/2020).

**b. Column AF:** 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 AG through AI)

**a. Column AG:** “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 AH:** “Inflated Caregiver Training” applies the CCPI inflation factor to the costs in column AG from the mid-point of the facility’s audit report period to the rate period 01/01/2022 to 12/31/2022 mid-point.

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

# X. Fair Rental Value System (FRVS, column AJ)

FRVS per diem is calculated based on parameters outlined in the State Plan Amendment and reflected in the column AJ. For the 01/01/2022 through 12/31/2022 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 AK)

Each facility that is assessed the QA Fee in Rate Period 01/01/2022 to 12/31/2022 will be reimbursed for the Medi-Cal portion of this fee. Exempt facilities will not receive additional reimbursement for this cost. The Rate Period 01/01/2022 to 12/31/2022 per diem fee is in column AK.

# XIII. Jan– Dec 2022 Add-Ons (columns AL)

**a. Column AL** is the total for all add-ons ($2.84) for January-December 2022 mandated costs. The add-ons are the sum of:

* Minimum Wage (January 2020 SB 3) $0.86
* Minimum Wage (January 2021 SB 3) $1.08
* Minimum Wage (January 2022 SB 3) $0.90

# XIV. Days, Pre-Ratcheted Rates, Estimated Payments (columns AM through AR):

**a. Column AM** is the facility’s audited skilled nursing days shown on Audit Schedule 1, line 12.

**b. Column AN** is the Pre-Ratcheted January- December 2022 Rate with the PLI at the 100th percentile. The pre-ratcheted amount is before both the percent program growth cap mandated by Welfare & Institutions Code (W&IC) section 14126.033 (12) (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 AO** is the Pre-Ratcheted January– December 2022 Rate applying PLI 75th percentile cap.

**d. Column AP** is the Skilled Nursing Medi-Cal days. This is the total of lines 16 (Medi-Cal Fee-For-Service Days) and 17 (Medi-Cal Managed Care Days) on Audit Schedule 1.

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

**f. Column AR** 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. CY 2021 Rates Adjusted for January– December 2022 Mandates (columns AU through AT):

**a. Column AS** is the final rate. For CHOWs, it is the prior owner’s rate.

**b. Column AT** is the re-comped rate if the facility filed a re-comp for **CY2021**.

**c. Column AU** is the initial rate or the re-comped rate if the facility filed a re-comp for Rate Year.

**d. Column AV** is the QAF fee for CY 2021

**e. Column AW** is the total add-ons for CY2021

**f. Column AX** is the Facility Specific SB97 mandate.

**g. Column AY** is the final CY 2021 Adjusted for Jan – December 2022 Mandates.

**h. Column AZ** is the Total Estimated payments when the final rate is adjusted to include the Jan- December 2022 Mandates.

# XVI. January – December 2022 Rates and Payments (columns BC through BA):

**a. Column BA** calculates the overall program cap to be (0.92639836) of the January– December 2022 Rates pre ratcheted rate.

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

**c. Column BC** is the Pre-Ratcheted January– December 2022 Rate after applying the PLI 75th percentile cap.

**d. Column BD** is the Final January – December 2022 Rate after ratcheting (0.9233964) and limiting PLI to the 75th percentile.

**e. Column BE** is the Estimated Rate Period January – December 2022 Medi-Cal Capped Payments.

**f. Column BF** is the Special fund amount, the difference between the January – December 2022 Estimated Capped Payments at the 100th and the Estimated Capped Payment at the 75th PLI.