

Explanation of NF-B Cost Build-Up for the January through December 2021 Rate Period

The Calendar Year (CY) 2021 Freestanding Nursing Facility Level B (NF-B) rates effective January 1, 2021 are based on the audited costs for facilities with fiscal periods ending in 2018, unless otherwise stated. These rates were calculated under the Assembly Bill (AB) 81 (Chapter 13, Statutes of 2020) methodology, utilizing the updated August 1, 2020 peer groupings, an annual statutory mandated 3.5% weighted average rate increase and updated direct and indirect labor per diem caps (increased from 90% to 95%). The AB 81 methodology succeeds the AB 1629 methodology which sunset on December 31, 2020. The CY 2021 rates were calculated and adjusted for new state and federal mandates (see 2021 Mandates, columns AL, AM, and AN).

Facility-specific identifying information for the “CY-2021-SNF-B-Cost-Build-Up.xlsx” 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 AB 1629 Program, Policy and other Information section of the AB 1629 webpage for more detail).

- II. **Direct Care Labor (columns H through K)**
 - a. **Column H:** “Audited Direct Labor” 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 H. Direct labor costs are inflated from the mid-point of the facility’s audit report period to the beginning of CY 2021.

 - c. **Column J:** “Direct Labor Per Diem” represents the amount in column I 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 J 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” includes indirect 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 L. Indirect labor costs are inflated from the mid-point of the facility’s audit report period to the CY 2021 mid-point.

c. **Column N:** “Indirect Labor Per Diem” represents the amount in column M 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 N 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” 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 California Consumer Price Index (CCPI) 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 CY 2021 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” includes total costs for:
- Administration
 - Property Insurance
 - Interest – Other
- b. **Column U:** “Inflated Admin” applies the CCPI inflation factor to costs in column T. Administration costs are inflated from the mid-point of the facility’s audit report period to the CY 2021 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”.
- b. **Column Y:** “Inflated Liability Insurance” applies the CCPI inflation factor to costs in column X. Liability Insurance costs are inflated from the mid-point of the facility’s audit report to the CY 2021 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”.
- 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 CY 2021 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 (\$1,201 for LA County and \$888 Statewide for rates effective 1/1/2021).
- 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” 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 CY 2021 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 CY 2021 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 CY 2021 will be reimbursed for the Medi-Cal portion of this fee. Exempt facilities will not receive additional reimbursement for this cost. The CY 2021 per diem fee is in column AK.

XIII. Jan– Dec 2021 Add-Ons (columns AL, AM, AN)

a. Column AL is the total for all add-ons (\$3.82) for CY 2021 mandated costs. The add-ons are the sum of:

1. Minimum Wage (January 2021 SB 3) \$1.08
2. Minimum Wage (January 2020 SB 3) \$0.86
3. Minimum Wage (January 2019 SB 3) \$0.55
4. Standards of Participation (Infection Control) \$1.31
5. LGBT \$0.02

b. Column AM is the CY 2021 Senate Bill (SB) 97 Mandate Weighted Average Add-On included for ratcheting and removed before finalizing rates.

d. Column AN is the facility specific CY 2021 SB 97 Mandate add-on.

XIV. Days, Pre-Ratcheted Rates, Estimated Payments (columns AO through AT):

a. Column AO is the facility's audited skilled nursing days.

b. Column AP is the Pre-Ratcheted CY 2021 Rate with the PLI at the 100th percentile with SB 97 Mandate \$1.41. The pre-ratcheted amount is before both the percent program growth cap mandated by Welfare & Institutions Code (W&IC) section 14126.033 (c) (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 AQ Column AQ is the Pre-Ratcheted CY 2021 Rate applying PLI 75th percentile cap.

d. Column AR is the Skilled Nursing Medi-Cal days, including Medi-Cal Fee-For-Service Days and Medi-Cal Managed Care Days.

e. Column AS 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 AT is the Pre-Ratcheted Total Estimated Payments with PLI at the 100th percentile. This is the estimated Medi-Cal payments before both the two percent program growth cap and the PLI reduction.

XV. August – December 2020 Rates Adjusted for January– December 2021 Mandates (columns AU through AT):

- a. **Column AU** is the final calculated rate for August – December 2020. For CHOWs, it is the prior owner’s rate.
- b. **Column AV** is the re-comped rate if the facility filed a re-comp for August – December 2020.
- c. **Column AW** is the August – December 2020 rate or the re-comped rate if the facility filed a re-comp for Rate Year 2020.
- d. **Column AX** is the QAF fee for August – December 2020.
- e. **Column AY** is the total add-ons for August – December 2020.
- f. **Column AZ** is the August – December 2020 Facility Specific SB 97 mandate.
- g. **Column BA** is the final Adjusted for CY 2021 Mandates.
- h. **Column BB** is the Total Estimated payments when the final rate is adjusted to include the CY 2021 Mandates.

XVI. January – December 2021 Rates and Payments (columns BC through BA):

- a. **Column BC** is the CY 2021 rate before limiting the program growth to 3.5% percent and with the PLI at the 100th percentile.
- b. **Column BD** calculates the overall program cap to be (0.946812173) of the CY 2021 Rates pre ratcheted rate.
- c. **Column BE** is the Estimated Capped Payments after applying the overall program cap. The program cap is not applied to facilities with a CHOW.
- d. **Column BF** is the Pre-Ratcheted CY 2021 Rate after applying the PLI 75th percentile cap.
- e. **Column BG** is the Final CY 2021 Rate after ratcheting (0.946812173) and limiting PLI to the 75th percentile.
- f. **Column BH** is the Estimated Rate Period CY 2021 Medi-Cal Capped Payments.
- g. **Column BI** is the Special fund amount, the difference between the CY 2021

Estimated Capped Payments at the 100th and the Estimated Capped Payment at the 75th PLI.