

Methods and Standards for Reasonable Cost-Related Reimbursement for State Operated
Nursing Facilities

Reimbursement

Cost Finding

All state-operated nursing facilities participating in the Medical Assistance program, including state veterans homes which are operated solely for the purpose of providing long term care for veterans and their spouses who are disabled, chronically ill, or in need of specialized care, are required to use the direct allocation method of cost finding. Under this method to cost finding, net operating costs are allocated between nursing facility services and non-nursing facility services based on specified statistical data.

Allowable depreciation and interest on capital indebtedness is identified by facility, and is also allocated to nursing and non-nursing services based upon specified statistical data.

Allowable costs and the results of the cost finding process are reported electronically on forms specified by the Department of Public Welfare. All facilities are required to maintain records for a minimum of four years.

Rate Setting

Separate rates of reimbursement are established for state-operated nursing facilities based on the cost finding performed for each facility in that class. State-operated nursing facilities employ a single rate based on the actual allowable costs. Applicable depreciation and interest on capital indebtedness is incorporated as an allowable element of a single rate.

Payments

Payments are made to each state-operated nursing facility based on an interim per diem rate multiplied by number of days of care provided to eligible clients. At the close of the facility's year, payments are adjusted to reflect allowable costs as established for state-operated nursing facilities, and an interim settlement is effected. All of these facilities are reviewed on a fiscal year basis by an independent agency, and upon completion of the audit, a final settlement payment is completed.

Allowable Cost Standards

In identifying items of allowable costs for state-operated nursing facilities, Pennsylvania's "Cost Apportionment Manual for State Mental Hospitals and Mental Retardation Centers" (Manual) will be used where applicable. If the Manual does not address a particular cost, the federally approved Departmental Indirect Cost Allocation Plan/Statewide Indirect Cost Allocation Plan (DICAP/SWICAP) will be followed. If none of these addresses a particular cost, Medicare full cost principles will be used.

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Auditing

The financial and statistical records for state-operated nursing facilities are completed annually in accordance with Government Auditing Standards by the Comptroller's Office and allowable financial costs relating to Medical Assistance are adjusted accordingly.

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