

(dd) For rate setting year 2008-2009, the Department will apply a budget adjustment factor to county and non-public nursing facility payment rates for medical assistance nursing facility services. The budget adjustment factor for rate year 2008-2009 shall limit the estimated aggregate increase in the Statewide day-weighted average payment rate for medical assistance nursing facility services for county and non-public nursing facilities so that the aggregate percentage rate of increase for the period that begins July 1, 2005 and ends on June 30, 2009 is limited to the amount permitted by the funds appropriated by the General Appropriations Act of 2008. For the rate setting year beginning July 1, 2008, and ending June 30, 2009 the budget adjustment factor for non-public nursing facilities is equal to .90891.

(i) A non-public nursing facility's case-mix per diem rate for an MA resident day will be the sum of the nursing facility's three net operating components and its capital rate component, multiplied by the budget adjustment factor. The non-public nursing facility's payment rate is recalculated on a quarterly basis.

(ii) Rates for new non-public nursing facilities, reorganized facilities and nursing facilities that experience a change of ownership during the rate year are set as specified in § 1187.97 (relating to rates for new nursing facilities, nursing facilities with a change of ownership, reorganized nursing facilities and former prospective payment nursing facilities) of the state regulations, and the sum of the three net operating and capital rate components for any of these facilities, is then multiplied by the same adjustment factor.

(ee) For rate setting year 2009-2010, the Department will apply a budget adjustment factor to county and non-public nursing facility payment rates for medical assistance nursing facility services. The budget adjustment factor for rate year 2009-2010 shall limit the estimated aggregate change in the Statewide day-weighted average payment rate for medical assistance nursing facility services for county and non-public nursing facilities so that the aggregate percentage rate of increase for the period that begins July 1, 2009 and ends on June 30, 2010 is limited to the amount permitted by the funds appropriated by the General Appropriations Act of 2009. For the rate setting year 2009-2010, the base budget adjustment factor for non-public nursing facilities is equal to .90275. This base budget adjustment factor may be adjusted for the April – June 2010 calendar quarter and an April BAF computed and applied to nursing facility payment rates for that quarter as specified in Supplement III.

(i) A non-public nursing facility's case-mix per diem rate for an MA resident day will be the sum of the nursing facility's three net operating components and its capital rate component, multiplied by the budget adjustment factor. The non-public nursing facility's payment rate is recalculated on a quarterly basis.

(ii) Rates for new non-public nursing facilities, reorganized facilities and nursing facilities that experience a change of ownership during the rate year are set

as specified in § 1187.97 (relating to rates for new nursing facilities, nursing facilities with a change of ownership, reorganized nursing facilities and former prospective payment nursing facilities) of the state regulations, and the sum of the three net operating and capital rate components for any of these facilities, is then multiplied by the same adjustment factor.

(ff) For rate setting year 2010-2011, the Department will apply a budget adjustment factor to county and non-public nursing facility payment rates for medical assistance nursing facility services. The budget adjustment factor for rate setting year 2010-2011 shall limit the estimated aggregate change in the Statewide day-weighted average payment rate for medical assistance nursing facility services for county and non-public nursing facilities so that the aggregate percentage rate of increase for the period that begins July 1, 2010 and ends on June 30, 2011 is limited to the amount permitted by the funds appropriated by the General Appropriations Act of 2010. For the rate setting year 2010-2011, the base budget adjustment factor for non-public nursing facilities will be calculated as specified in Supplement III. The base budget adjustment factor for the rate setting year may be adjusted for the April – June 2011 calendar quarter and an April BAF computed and applied to nursing facility payment rates for that quarter as specified in Supplement III.

(i) A non-public nursing facility's case-mix per diem rate for an MA resident day will be the sum of the nursing facility's three net operating components and its capital rate component, multiplied by the budget adjustment factor. The non-public nursing facility's payment rate is recalculated on a quarterly basis.

(ii) Rates for new non-public nursing facilities, reorganized facilities and nursing facilities that experience a change of ownership during the rate year are set as specified in § 1187.97 (relating to rates for new nursing facilities, nursing facilities with a change of ownership, reorganized nursing facilities and former prospective payment nursing facilities) of the state regulations, and the sum of the three net operating and capital rate components for any of these facilities, is then multiplied by the same adjustment factor.

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For FYs 2009-2010 and 2010-2011, the Department will calculate the BAF for nonpublic nursing facilities as set forth below.

Nonpublic Nursing Facilities' BAF Determination.

*Base BAF Formula* - Prior to establishing the July rate for each rate year, the Department will use the following formula to determine the base BAF:

Target rate divided by the acuity-adjusted weighted average rate equals the base BAF.

If the base BAF as calculated is greater than 1.0, the base BAF will equal 1.0.

*April BAF Formula*- Prior to establishing the April rate for each rate year, the Department will use the following formula to determine the April BAF:

The weighted average April rate will be compared to the April target rate. If the weighted average April rate is less than the April target rate and the difference is \$.50 or more, the formula for the April BAF will be the April target rate divided by the weighted average April rate at 100% equals the April BAF. Otherwise, the April BAF is equal to the base BAF.

Terms Related to the BAF Determination.

The following words and terms, when used in the BAF determination; have the following meanings, unless the context clearly indicates otherwise:

*Acuity-adjusted weighted average rate* – The weighted average July rate at 100% adjusted by the acuity factor.

*Acuity factor* – The percentage of change from the July rate to the October, January and April rates representing the estimated quarterly change in payments for the nonpublic nursing facilities. (See 55 Pa.Code § 1187.95(b) (relating to general principles for rate and price setting)).

*April BAF* – The BAF applied to each nonpublic nursing facility's April rate.

*April target rate* – The rate year's statewide day-weighted average April rate needed to meet the rate year target rate.

*Base BAF* – The BAF applied to each nonpublic nursing facility's July, October and January rates.

*Base days* - The source of days for the day-weighted calculation used in determining the base rate, the weighted average April rate at 100% and the weighted average July rate at 100%. The base days are the sum of each nonpublic nursing facility's paid facility days, therapeutic leave days and 1/3 of the

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hospital bed reserve days from the PROMISe data file used to determine disproportionate share payments preceding the rate year used to determine the base rate.

*Base rate* – For FY 2009-2010, the statewide day-weighted average April 2009 rate for nonpublic nursing facilities, calculated using base days. For FY 2010-2011, the base rate is the FY 2009-2010 target rate.

*Target rate* – The base rate multiplied by one plus the percentage rate of change permitted by the funds appropriated by the General Appropriations Act for the applicable rate year.

*Weighted average April rate* – The statewide day-weighted average of the nonpublic nursing facilities' April rates for the applicable rate year determined in accordance with 55 Pa.Code Chapter 1187 (relating to nursing facility services), calculated using base days and the base BAF.

*Weighted average April rate at 100%* – The statewide day-weighted average of the nonpublic nursing facilities' April rates for the applicable rate year determined in accordance with 55 Pa.Code Chapter 1187 (relating to nursing facility services), calculated using base days, prior to application of a BAF.

*Weighted average July rate at 100%* – The statewide day-weighted average of the nonpublic nursing facilities' July rates for the applicable rate year determined in accordance with 55 Pa.Code Chapter 1187 (relating to nursing facility services), calculated using base days prior to application of the base BAF.