

Medicare Upper Payment Limit

Upper Payment Limit

- What is the Upper Payment Limit
- What is an Intergovernmental transfer
- How is the Upper Payment Limit Calculated and what this means for county nursing homes

Upper Payment Limit

- Upper Payment Limit (UPL) is a federal limit placed on a fee-for-service reimbursement for Medicaid providers
- UPL is the maximum a state may pay a group of providers in the aggregate, statewide for Medicaid fee-for-service
- State payments above the maximum are not eligible for federal matching dollars
- The UPL is what Medicare would have paid facilities for the same services

Upper Payment Limit and IGT

- There are no specific provider limits, therefore individual providers may receive more than their Medicaid cost as long as the aggregate payments do not exceed the UPL

Intergovernmental Transfer – IGT

- Depending on the state the federal government pays between 50 and 77 percent of all state cost associated with Medicaid – Federal Medical Assistance Percentage (FMAP)

Intergovernmental Transfer

- FMAP percentage for Pennsylvania For FY 17 = 51.78%
- IGT Transaction
 - County facilities transfer UPL dollars to the state
 - Using those funds the state obtains federal match
 - The total collected from counties and federal government is then redistributed to the state and counties.
 - State proceeds are used to fund other nursing home payments (county share) and other county health programs.

Upper Payment Limit Calculation

- Difference between average Medicaid rate and average Medicare payment times Medicaid facility days
- Average Medicare Payment = Medicaid days times the applicable Medicare RUG rate
 - Medicare rate is an all inclusive rate including drugs, and other ancillary services
- Average Medicaid Rate = All Medicaid related revenue, plus all supplemental payments to nursing facilities and all other payments for services to nursing facility residents by Medicaid i.e. drugs, lab, x-ray, and exceptional durable medical equipment

Example - PNH

	Medicaid	Medicare MA Days X Medicare Rates	UPL
Days			
Facility	134,049	134,049	134,049
Bed Hold	3,023		
Average revenue per day	\$ 233.56	\$ 365.23 (a)	
Annual Revenue	<u>\$ 31,543,835</u>	<u>\$ 48,958,716</u>	
Add:			
HAI	5,318	0	
Exceptional DME	42,464	0	
Pharmacy	559,748	0	
DSH	572,131	0	
MDOI	1,511,129	0	
Total	<u>\$ 34,234,625</u>	<u>\$ 48,958,716</u>	<u>\$ 14,724,091</u>
Average per day	\$ 255.39	\$ 365.23	\$ 109.84

(a) Weighted average of Medicaid days X Medicare RUG rates

All amounts shown are subject to change and for discussion only

IGT

	<u>PNH</u>	<u>All</u>	
IGT cash Contribution by County	\$7,973,113	\$113,429,642	
Total IGT Proceeds	10,773,021	153,262,589	
Net Proceeds			
County	2,799,908 (b)	39,832,947	
State		<u>39,526,422 (c)</u>	
FMAP Total		79,359,369	51.78%
Total UPL		153,262,589	

(b) - allocation to counties = blend of facility specific UPL amount and a fixed per day amount

(c) - state proceeds are used to fund county share and other county health programs

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Distribution of IGT Proceeds – County Portion

- 80% of proceeds are distributed using a flat per day amount for all facilities
- The remaining 20% of proceeds are distributed based on how much each facility contributes to the UPL gap.

How to Improve UPL Gap

- Improving Medicaid CMI will improve UPL
 - County nursing homes payment rates are not adjusted for CMI
 - Increasing MA CMI will increase the Medicare rate used for calculating UPL and increasing the amount of the federal share and the total amount distributed to county homes
 - Increase your MA CMI at a greater rate than your peers will increase facilities portion of the total amount distributed (20% component)



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Sources:

Piper Report www.piperreport.com

Accountability Guidance @Medicaid.gov

www.Medicaid.gov/Medicaid/financing-and-reimbursement/accountability-guidance/index.html

MACPAC – Supplemental Payments

<https://www.macpac.gov/subtopic/supplemental-payments>