

# STATE OF WISCONSIN

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## JOINT COMMITTEE ON FINANCE

November 7, 2001

Mr. George Lightbourn, Secretary  
Department of Administration  
101 E. Wilson Street, 10<sup>th</sup> Floor  
Madison, WI 53703

Dear Secretary Lightbourn:

We are writing to inform you that the members of the Joint Committee on Finance have reviewed the Department of Health and Family Services' recommendation of a comprehensive plan on nursing home labor regions during the 2001-03 biennium, dated October 19.

A meeting will be scheduled to further discuss this plan. Therefore, the plan is not approved at this time.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of John Gard in black ink.

JOHN GARD  
Assembly Chair

BB:JG:dh

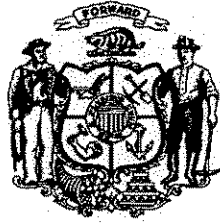
cc: Members, Joint Committee on Finance  
Secretary Phyllis J. Dubé, Health and Family Services  
Vicky LaBelle, Department of Administration

12/18/01 13.10 Meeting

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## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Brian Burke  
Representative John Gard  
Co-Chairs, Joint Committee on Finance

Date: October 22, 2001

Re: Nursing Home Labor Regions Plan Passive Review

Attached is a copy of a request, received on October 19, 2001, from the Department of Health and Family Services, pursuant to s. 9123(13d) of 2001 Wisconsin Act 16.

It provides a recommendation for a comprehensive plan on nursing home labor regions during the 2001-03 biennium, which is subject to 14-day passive review and approval by the Joint Committee on Finance.

Please review the material and notify **Senator Burke** or **Representative Gard** no later than **Tuesday, November 6, 2001**, if you have any concerns about the request or if you would like to meet formally to discuss it.

Also, please contact us if you need further information.

Attachment

BB/JG/dh



State of Wisconsin  
**Department of Health and Family Services**

Scott McCallum, Governor  
Phyllis J. Dubé, Secretary

October 19, 2001

The Honorable John Gard  
Co-Chair, Joint Committee on Finance  
Wisconsin State Assembly  
State Capitol, 315N  
Madison, WI 53707

The Honorable Brian Burke  
Co-Chair, Joint Committee on Finance  
Wisconsin State Senate  
State Capitol, 316S  
Madison, WI 53707

Dear Representative Gard and Senator Burke:

Under the 2001-03 biennial budget, 2001 Wisconsin Act 16, the Department of Health and Family Services is required to report a plan on a nursing home labor regions to the Joint Committee on Finance. Specifically, Section 9123(13d) provides:

“... the Department of Health and Family Services, together with representatives of the nursing home industry and organized labor, shall develop a comprehensive plan that specifies varying regions of the state of Wisconsin with respect to labor costs for nursing home staff. The Department of Health and Family Services shall submit the plan by September 1, 2001, or by the first day of the 2nd month beginning after the effective date of this subsection, whichever is later, to the joint committee on finance for review.”

This letter provides a recommendation for a comprehensive plan on labor regions for review by the Committee, and information on the alternatives considered in the development of this plan. To assure that the funding budgeted in Act 16 can be paid for nursing home services provided beginning July 1, 2001, the Department has submitted a Medicaid state plan amendment as required under federal law. However, prior to securing final approval of this amendment to allow the state to claim federal funds or setting final rates to determine payments to nursing facilities, the review of the comprehensive plan for labor regions must be complete.

### **Development of Plan Alternatives**

The Department, in consultation with the nursing home industry, developed five alternatives to address the issue of varying labor region costs. Each alternative was presented to the industry with specific data on the projected rate for each nursing home in the state. Each of the models was budget neutral to remain within the funding budgeted by the Legislature for nursing home

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reimbursement. As a result, in comparing all alternatives an individual nursing home may benefit or lose, depending on the methodology used.

The five alternatives include:

- Alternative #1 Elimination of labor regions;
- Alternative #2 Use of Medicare labor regions;
- Alternative #3 Use of Medicare labor regions based on Wisconsin nursing home costs and patient days [Wisconsin Health Care Association (WHCA) proposal];
- Alternative #4 WHCA – Normalized with Medicaid-only costs and patient days [WHCA, modified by DHFS];
- Alternative #5 WHCA – Normalized with Medicaid-only costs and patient days and including county homes [WHCA, modified by DHFS]

### Survey of Nursing Homes

On July 31, 2001, a rate schedule showing facility-specific rate outcomes under each of the five labor region alternatives was sent to every nursing facility in the state (See Attachments II and III). In the survey, facilities were asked to identify which alternative they preferred. Results from the 299 homes that responded to the survey follow.

Alt. #1	Labor Region Alternatives			
	Alt. #2	Alt. #3	Alt. #4	Alt. #5
No Labor Regions	Medicare Labor Regions	WHCA Labor Regions	WHCA Labor Regions Normalized	WHCA Labor Regions with County Homes
89 (29.8%)	59 (19.7%)	57 (19.1%)	59 (19.7%)	35 (11.7%)

Of the responses received, 29.8% did not support a labor region adjustment, while 70.2% indicated a preference for one of the nursing home labor region alternatives. At 50.5%, the majority of nursing facilities indicated a preference for a WHCA-based alternative. Of these, 19.7% expressed support for Alternative #4 – WHCA labor regions normalized.

Although not offered as an alternative, both nursing home associations and approximately 19% of the individual homes that returned a survey supported a “hold-harmless” provision, in addition to their selection of a specific labor region alternative.

### **Comprehensive Plan Recommendation**

The Department recommends Alternative #4, WHCA labor regions normalized, as modified by a hold-harmless provision, as the comprehensive plan for nursing home labor regions during the 2001-03 biennium. This is the approach submitted in the Medicaid State Plan proposed to be effective July 1, 2001, subject to legislative review.

In recommending this alternative, the following points should be noted:

- The majority of the nursing home industry supports some type of labor region variation, based on survey results.
- Alternative #4 is based on an underlying methodology that was developed by one of the nursing home industry associations. This is important given previous industry opposition to the implementation of the Medicare-based system, and to the elimination of labor regions.
- A majority (50.5%) of the homes supported a WHCA-based alternative in their vote. Of these, Alternative #4 had the most votes (19.7%).
- Alternative #4 reflects the number of Wisconsin Medicaid patient days in its distribution.

### 2001-02 Hold Harmless

Although not offered as an alternative, both nursing home associations and approximately 19% of the individual homes that returned a survey supported a "hold-harmless" provision, in addition to their selection of a specific labor region alternative. Most facilities requesting a "hold-harmless" wrote on the questionnaire "we are in support of a hold harmless provision". There were no specific proposals for the structure of a "hold-harmless" presented in response to the industry survey.

The plan submitted to the federal government includes a "hold harmless" provision for direct care in 2001-02, comparing the prior year's direct care base of \$57.42 and the primary labor factor used in the 2000-01 formula, and paying the higher amount. No further adjustments for inflation or the 1996 labor factors were made.

With this hold harmless, very few facilities will see an actual decline in their direct care rate. Most of the declines will be as a result of reduced costs, reduced resident acuity or reduced occupancy resulting in an occupancy penalty.

The possible negative impact of the labor factor change will be tempered for most facilities by overall increases in Medicaid funding, increases in the exceptional Medicare/Medicaid utilization adjustment incentive, and increased intergovernmental transfer payments.

Subsequently, on October 10<sup>th</sup>, the Wisconsin Association of Homes and Services for the Aging (WAHSA) did propose specific hold-harmless provisions, which are described in more detail in Attachment V.

In future biennia, the Department recommends a return to the Medicare-based labor region methodology, once nursing home wages are incorporated into the Medicare formula. Use of a nursing home-based Medicare system would provide the most stable, recognizable labor region model and, once nursing home wages are incorporated, will address the most significant concerns of the industry regarding this methodology.

For your information, additional information is provided in the attachments, including:

- Attachment I – Background (rationale and legislative history of labor regions)
- Attachment II – Description of Alternatives (assumptions and comparison of alternatives)
- Attachment III – Projected Impact of Five Alternatives
- Attachment IV – Additional Survey Results (by ownership type)
- Attachment V – Hold-harmless Proposal by WAHSA

### Summary

The Department is requesting prompt guidance on the labor region plan. As noted, the Department has submitted the federally required Medicaid state plan amendment for nursing home payments to conform to this recommendation. It is anticipated that the federal government will respond with questions later this calendar year. The Department will now begin calculating final facility rates in order to distribute the additional funding for nursing home payments authorized in the 2001-03 biennial budget. As enacted in the budget, approximately \$66 million in additional funds will be available to nursing homes through rates. In addition, a total of \$77.1 million will be distributed in supplemental payments to county nursing homes through the intergovernmental transfer program. However, no payments based on the final rates can be made, and federal Medicaid matching funds cannot be claimed, until the Medicaid state plan amendment is approved. A significant delay in legislative approval of the submitted plan amendment would prevent distribution of these payments, and could jeopardize federal approval of the Medicaid state plan amendment to make nursing home reimbursement changes effective July 1, 2001.

Thank you for your consideration of this report and the submission of the comprehensive plan on nursing home labor regions.

Sincerely,



Phyllis J. Dubé  
Secretary

Attachments

## Attachment I – Background

The first labor regions were established in 1984. Labor regions were determined using labor costs identified from nursing home cost reports submitted to the Wisconsin Medicaid program. Nursing homes were grouped by counties into high, middle and low cost regions, based on documented, actual differences in labor costs across the State. The maximums for paying direct care costs were then derived from the median direct care values for these regions. Subsequent labor region studies using this method were done in 1992, 1994, and 1996. Each study resulted in some counties moving to higher or lower labor regions. Concerns expressed by nursing homes in counties dropping to lower labor regions resulted in some “hold-harmless” provisions and other targeted deviations from the results of the studies. By 1998, the Department began to explore a change in labor region methodology.

In the 1999-01 budget, the Department proposed, and the Legislature and Governor concurred as part of 1999 Wisconsin Act 9, a transition to labor regions based on the Medicare methodology. The Medicare methodology had become a nationally accepted standard for determining labor costs related to hospitals, and provided a method potentially less subject to dispute. The transition was proposed over three years to permit facilities time to adjust to their new labor region status. The transition was: the first year (1999-00) 33.3% of the Medicare system and 66.6% of the prior system; the second year (2000-01) 66.6% of the Medicare system and 33.3% of the prior system; and complete implementation of the Medicare labor regions in the 2001-02 rate year.

Between passage of the 1999-01 budget and development of the 2001-03 budget, and despite the national acceptance of the Medicare methodology’s determination of labor region variations and the three-year transition period, nursing homes continued to raise concerns regarding labor regions.

Nursing homes in Medicare’s rural designation, who were proximate to an urban area suggested that they competed for the same staff as the urban facilities, but were placed at a competitive disadvantage with the lower rural labor region factor. A statewide nurse and nurse’s aide shortage resulted in significant competition statewide for these positions. Lastly, many complaints arose regarding the use of hospital wage data as a basis for nursing home labor regions under the Medicare system. These issues, combined with the continuing controversy over any approach to designing labor regions, led to the development of a new proposal.

The Governor’s 2001-03 budget recommended the elimination of Medicaid labor regions effective in 2001-02. During its deliberations on the biennial budget, the Joint Committee on Finance concurred with this plan. However, both the Senate and the Assembly rejected this proposal and, instead, the Conference Committee endorsed the Assembly amendment to require the Department report to the Joint Committee on Finance with a recommended plan to recognize labor region variations. This amendment was incorporated in the 2001-03 biennial budget act.

## Attachment II – Description of Alternatives

The following five labor region alternatives were developed and proposed by the Department and the nursing home industry:

1. *Elimination of labor region variations (Governor's proposal)*. The labor region adjustment factor in the nursing home reimbursement formula is set to 1.0 for all facilities. This means that the direct care portion of a facility's rate will not be affected by its relative position in a particular labor region; all nursing homes will be treated equally with respect to labor cost variation.

### Considerations

- Recognizes that with low unemployment levels, a mobile workforce, and a nurse/nurse aide shortage, there is a statewide labor market for nursing homes.
  - Shifts funds from urban to rural providers.
  - Supported by rural-based nursing homes, particularly those near urban areas, to allow them to compete more favorably in the labor pool for staff.
  - Provides the best alternative for county nursing homes, because many county homes are located in rural areas, which benefit most from elimination of labor regions.
  - Assures simple implementation and is easy to understand.
2. *Medicare labor regions*. The Medicare methodology divides state into the 13 urban regions and one rural region. The regional variation factors reflect hospital-based labor costs as reported to Medicare. It should be noted that this methodology is likely to change since Medicare has indicated its intention to base the factors on nursing home wage data in the near future. The Wisconsin Medicaid program began phasing in this methodology in 1999-00.

### Considerations

- Establishes an "objective" neutral methodology that is known to Wisconsin providers.
  - Bases wage rates on hospital, not nursing home, which may not accurately reflect variances in nursing home industry labor costs.
  - May disadvantage rural homes near urban areas.
  - Recognizes Medicare wage rate variations between urban areas in Wisconsin.
3. *Facility-specific Medicare labor regions (WHCA proposal)*. The Wisconsin Health Care Association (WHCA) developed this alternative. It uses the Medicare labor region designations, but indexes them based on Wisconsin facility-specific average wages per hour, excluding county homes but including homes under phase-down agreements.

### Considerations

- Uses Wisconsin nursing home cost data, which makes this alternative a more reliable indicator of industry costs than Medicare labor regions.



- Does not weight the factors for Medicaid days. It uses patient day wage costs for all payors in the nursing home. Since Medicaid only reimburses for Medicaid patient day costs, it can be argued that non-Medicaid patient day wage costs should be excluded.
  - Does not take into account the impact of county homes on wage variations.
  - Because county homes tend to have much higher wage and benefit costs than non-county homes, the exclusion of county home wages may distort the true local wage environment in those locations where county and non-county homes compete in the labor pool.
  - Alternatively, the county homes may be considered outliers with their labor costs, overly distorting the regional variations. Under this assumption, their exclusion is justified.
4. *WHCA – Normalized.* This variation on the WHCA alternative was developed by the Department to weight the labor regions by Medicaid patient day costs, rather than using all patient days, in order to better reflect actual Medicaid costs. The labor factors were also then normalized across projected Wisconsin Medicaid nursing homes for 2001-02.

Considerations

- Factors Medicaid days into labor costs.
  - Includes benefits of Alternative 3.
  - Excludes the impact of county homes on wage variations, as described in Alternative 3.
5. *WHCA – with County Homes and Medicaid-Only Wages.* This alternative, also developed by the Department, used the same underlying methods as the prior two alternatives, but includes county homes and excludes homes under phase-down agreements. The primary reason for this alternative was to show the impact of county nursing home labor costs on the labor region factors.

Considerations

- Removes homes that are under phase-down agreements, since their rates do not accurately represent their current labor costs.

**Attachment III - Projected Impact of Five Alternatives**

Item	Elimination of Labor Regions	Medicare Labor Regions	WHCA Proposal	WHCA - Normalized	WHCA w/ Co. Homes & MA Only Wages
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Change From 2000-01 Rates by Ownership Type (\$ in thousands)</b>					
County	\$14,387	\$12,085	\$12,443	\$12,461	\$12,690
For Profit	30,719	32,078	32,082	32,092	31,859
Tax Exempt	20,681	21,756	21,415	21,434	21,384
Other Govt	1,442	1,336	1,300	1,300	1,262
<b>TOTAL</b>	<b>\$67,228</b>	<b>\$67,255</b>	<b>\$67,240</b>	<b>\$67,287</b>	<b>\$67,195</b>
<b>Increase PPD* From 2000-01 Rates by Ownership Type</b>					
County	\$6.40	\$5.38	\$5.54	\$5.55	\$5.65
For Profit	7.45	7.78	7.78	7.78	7.73
Tax Exempt	6.38	6.72	6.61	6.62	6.60
Other Govt	9.06	8.40	8.17	8.17	7.93
<b>Increase From 2000-01 Rates by Region (\$ in thousands)</b>					
Rural - High	\$ 6,898	\$ 3,095	\$ 3,531	\$ 3,544	\$ 3,694
Rural - Medium	19,475	14,083	14,682	14,699	14,907
Rural - Low	10,930	8,801	9,066	9,073	9,160
Minneapolis - High	1,663	2,227	1,663	1,663	1,662
Superior - Low	1,016	1,288	861	860	840
Eau Claire - Medium	2,499	2,182	2,290	2,289	1,703
La Crosse - Medium	1,743	1,850	1,317	1,322	1,583
Wausau - Medium	1,436	2,036	1,792	1,791	1,672
Madison - High	1,485	3,217	2,292	2,287	2,788
Janesville - Medium	1,441	2,401	2,260	2,264	2,120
Racine - High	1,101	1,327	587	588	1,139
Kenosha - Medium	1,323	1,547	969	971	1,332
Appleton - Medium	3,722	3,882	4,195	4,204	4,477
Green Bay - Medium	2,825	2,868	3,054	3,057	3,133
Sheboygan - High	2,132	879	2,404	2,395	1,999
Milwaukee - High	7,539	15,573	16,277	16,278	14,987
<b>TOTAL (in millions)</b>	<b>\$67,228</b>	<b>\$67,255</b>	<b>\$67,240</b>	<b>\$67,287</b>	<b>\$67,195</b>

Item	Elimination of Labor Regions	Medicare Labor Regions	WHCA Proposal	WHCA - Normalized	WHCA w/ Co. Homes & MA Only Wages
	1	2	3	4	5
<b>Change PPD* From 2000-01 Rates by Region</b>					
Rural - High	\$5.53	\$ 2.48	\$2.83	\$2.84	\$2.96
Rural - Medium	9.62	6.96	7.25	7.26	7.37
Rural - Low	9.81	7.90	8.14	8.14	8.22
Minneapolis - High	8.72	11.67	8.72	8.72	8.71
Superior - Low	7.63	9.68	6.47	6.46	6.32
Eau Claire - Medium	8.30	7.25	7.60	7.60	5.65
La Crosse - Medium	7.25	7.70	5.48	5.50	6.59
Wausau - Medium	6.18	8.76	7.71	7.71	7.19
Madison - High	4.18	9.06	6.45	6.44	7.85
Janesville - Medium	5.58	9.30	8.75	8.77	8.21
Racine - High	4.22	5.09	2.25	2.26	4.37
Kenosha - Medium	5.71	6.68	4.18	4.19	5.75
Appleton - Medium	6.36	6.64	7.17	7.19	7.66
Green Bay - Medium	7.93	8.05	8.58	8.58	8.80
Sheboygan - High	7.83	3.23	8.83	8.80	7.34
Milwaukee - High	3.84	7.92	8.28	8.28	7.62

\* PPD - Per Patient Day

## Attachment IV – Additional Survey Results

On July 31, 2001, a rate schedule showing facility-specific rate outcomes under each of the five alternatives was sent to every nursing facility in the state. The facilities were asked to identify which alternative they preferred. The schedule and questionnaire are attached to this report.

Of the 299 homes responding, the results are:

Table 1

No Labor Regions	Medicare Labor Regions	WHCA Labor Regions	WHCA Labor Regions Normalized	WHCA Labor Regions with County Homes
89 (29.8%)	59 (19.7%)	57 (19.1%)	59 (19.7%)	35 (11.7%)

The results broken down by ownership type are:

Table 2

Ownership Type	No Labor Regions	Medicare Labor Regions	WHCA Labor Regions	WHCA Labor Regions Normalized	WHCA Labor Regions with County Homes
For-profit (157 homes)	38 (24.2%)	13 (8.3%)	44 (28%)	48 (30.6%)	14 (8.9%)
Non-profit (95 homes)	33 (34.7%)	29 (30.5%)	12 (12.6%)	8 (8.4%)	13 (13.7%)
Government Owned (47 homes)	18 (38.3%)	17 (36.2%)	1 (2.1%)	3 (6.4%)	8 (17%)

## Attachment V - Labor Factor Hold-Harmless Options

The state plan submitted by DHFS to the Center for Medicare and Medicaid Services (CMS) contained a hold-harmless provision in Direct Care related to labor region factor changes. It utilized the 2000-01 direct care base amount of \$57.42 and the primary labor factor in the 2000-01 nursing home formula. This provision did not include the \$1.74 per patient day inflation adjustment from 2000-01 or the 2000-01 hold-harmless provision that further incorporated some historical labor factors from 1996. The hold-harmless provision that was submitted to CMS has an estimated cost of \$0.7 million distributed primarily in the Minneapolis and Superior Metro areas with modest increases in Racine and Kenosha.

### Option 1

WAHSA noted that the maximum payment for some regions would be lower under the DHFS proposal than in the 2000-01 formula. They suggested an option that would "...hold the direct care payments at least equal to the 2000-01 maximum direct care payments for facilities at or above these levels ... and could be funded by reducing the scheduled 16.5% increase in the A&G target". This objective could be accomplished by incorporating the \$1.74 per patient day inflation adjustment in the DHFS proposed hold-harmless and creating a second hold-harmless that included the 1996 labor factors. Incorporating this change would produce the following results:

- No facility would have a lower direct care maximum in 2001-02 than 2000-01.
- The target for Administration and General (A&G) would be reduced from \$12.59 to \$12.15. This is a change from 95% of the median to 91.7% of the median.
- Approximately \$3.4 million would be redistributed to facilities qualifying for the hold-harmless.
- Regions would receive a net increase in payments when the additional hold-harmless payments exceed the reduced payment for A&G. Likewise, regions would receive a net decrease in payments when the additional hold-harmless payments are less than the decreased payment for A&G.
  - Regions with a significant increase would be Rural High of \$2.1 million, Racine of \$0.3 million, and Minneapolis Metro & Kenosha of \$0.1 million each.
  - Regions with a significant reduction would be: Milwaukee of \$0.9 million, Rural Medium of \$0.6 million, Rural Low of \$0.3 million, Appleton of \$0.2 million and Eau Claire, La Crosse, Wausau, Madison, Janesville, Green Bay & Sheboygan of \$0.1 million each.

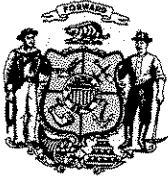
### Option 2

WAHSA also proposed an enhancement to the Option 1 hold-harmless approach. They suggested that the wage-pass-through payment for 2000-01 be added to the hold-harmless target. Incorporating this change would require a significant adjustment to other targets.

- The target for direct care would be reduced from \$60.73 to \$60.51, reducing the payments from 99.8% of the median to 99.4% of the median.
- An estimated additional \$1.2 million would be redistributed to facilities qualifying for this additional hold-harmless provision, bringing the total under Options 1 and 2 to \$4.6 million in redistributed funds.
- Regions would receive a net increase in payments when the additional hold-harmless payments exceed the reduction to the direct care base. Likewise, regions would receive a net decrease in payments when the additional hold-harmless payments are less than the reduction to the direct care base.
  - The regions with a significant increase would be: Rural High of \$2.1 million, Racine of \$.4 million, and Minneapolis Metro & Kenosha of \$0.3 million each.
  - The regions with a significant reduction would be: Milwaukee of \$1.0 million, Rural Medium of \$0.9 million, Rural Low of \$0.4 million, Appleton of \$0.3 million, Janesville of \$0.2 million, and Eau Claire, La Crosse, Wausau, Madison, Janesville, Green Bay & Sheboygan of \$0.1 million each.
- WAHSA suggested the department "... look at a funding option that both reduces the A& G inflationary increase and moderates the direct care maximum increases for certain regions...". This proposal would undermine any integrity the primary labor factors would have to adjust for variations in regional labor cost as required in statute.

### Considerations

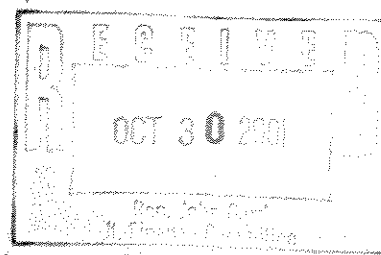
- These hold-harmless options are funded through reduced payments from urban areas such as Milwaukee to some rural areas. The most significant complaints that the Department has received regarding access to nursing home care are from the Milwaukee area.
- This hold-harmless continues the trend of disproportionately higher payments to a few higher-cost facilities, some of which provide care to relatively few Medicaid residents.
- If the labor factors are recalculated based on more current cost information for 2002-03, a request for a new hold-harmless for the 2001-02 labor factors is probable. It is also probable that this trend would shortly produce a direct care calculation that will consist of a primary set of labor factors, reflecting the current regional variations in direct care labor cost and would also require three to five separate hold-harmless calculations. These hold-harmless calculations would be necessary to assure that no facility would ever have a direct care target that was lower than it received in any previous formula. The net effect would be that most nursing homes would qualify for one of the hold-harmless calculations and few facilities would receive a payment that actually reflected the variations in regional labor cost.



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

October 30, 2001



TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Medical Assistance Reimbursement to Nursing Homes -- Regional Labor Adjustments

2001 Wisconsin Act 16 (the 2001-03 biennial budget act) requires the Department of Health and Family Services (DHFS) to develop a comprehensive plan that specifies varying regions of the state with respect to labor costs for nursing home staff for the purposes of determining medical assistance (MA) reimbursement for nursing homes' allowable direct care costs. Act 16 requires DHFS to submit the plan to the Joint Committee on Finance by September 1, 2001, or the first day of the second month beginning after the act's effective date, whichever is later, for the Committee's approval under a 14-day passive review process.

On October 19, 2001, DHFS submitted its plan to the Co-chairs. On October 22, the Co-chairs distributed the plan to Committee members. This memorandum describes the plan DHFS submitted for the Committee's review.

### Plan Description

DHFS, in consultation with representatives of the nursing home industry, developed five options to address the issue of varying labor region costs. Each of these alternatives is described in the October 19, 2001, letter to the Co-chairs, including estimates of the net effect each proposal would have on rates paid to facilities: (a) by ownership type, including aggregate payments and changes in rates per patient day; and (b) by region, including aggregate payments and changes in rates per patient day.

DHFS has recommended that the fourth option described in the report be implemented and has submitted an MA state plan amendment that would make this change effective July 1, 2001, subject to the Committee's review.

The plan recommended by DHFS is based on a proposal submitted by the Wisconsin Health Care Association (WHCA). The plan would use the same labor regions used by Medicare to reflect variations in hospital-based labor costs. There are currently 13 urban regions and one rural region in Wisconsin. Under the plan, the labor region adjustment would be indexed, based on facility-specific average wages per hour, excluding county homes, but including homes that are under phase-down agreements. In addition, DHFS would weight the labor regions by MA patient day costs.

DHFS staff believe that this plan has several advantages compared to other proposals described in the October 19 letter. First, the plan would use facility-specific nursing home cost data to determine regional differences in direct care costs, rather than hospital-based labor costs reported to Medicare. This is believed to be a more reliable indicator of cost differences in the nursing home industry than using hospital cost data.

Second, the plan would exclude costs of county-owned nursing homes. County-owned nursing homes have significantly higher wages and fringe benefit costs than other nursing homes and, depending upon the number of these facilities in each labor region, may distort the regional variations. On the other hand, DHFS acknowledges that excluding the direct care costs of county nursing homes may distort the true local wage environment in locations where county and non-county nursing homes compete in the same labor pool.

Third, the plan would only factor in costs relating to MA resident days, rather than costs of care for all nursing home residents, regardless of payment source. Since MA only pays nursing homes for the costs of care for MA-funded residents, it is argued that the costs of care for residents whose care is not funded by MA should be excluded.

Under s. 49.45(6m)(ar)i.a. of the statutes, DHFS is required to adjust standards for payment of allowable direct care costs to reflect regional labor cost variations. Consequently, under current law, DHFS cannot simply eliminate the labor region adjustment.

The Co-chairs have requested members to notify them by Tuesday, November 6, if members wish to meet formally to discuss the plan.

BL/CM/sas





## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 18, 2001

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health and Family Services: Regional Labor Adjustments to Medical Assistance Reimbursement to Nursing Homes--Agenda Item V

2001 Wisconsin Act 16 (the 2001-03 biennial budget act) requires the Department of Health and Family Services (DHFS), together with representatives of the nursing home industry and organized labor, to develop a comprehensive plan that specifies varying regions of the state with respect to labor costs for nursing home staff for the purpose of determining medical assistance (MA) reimbursement for nursing homes' allowable direct care costs. Act 16 requires DHFS to submit the plan to the Joint Committee on Finance by September 1, 2001, or the first day of the second month beginning after the act's effective date, whichever is later, for the Committee's approval under a 14-day passive review process. DHFS may implement the plan only upon approval by the Committee.

On October 19, 2001, DHFS submitted its plan to the Co-chairs, who distributed the plan to all Committee members. On November 7, 2001, the Co-chairs notified DOA Secretary Lightbourn that the Committee wished to meet on this matter.

### BACKGROUND

State law requires DHFS to reimburse nursing homes for care they provide to MA recipients according to a prospective payment system that DHFS updates annually. In developing rates, DHFS must establish payment standards by using recent cost reports submitted by nursing homes. DHFS must consider six cost centers and may consider a seventh, over-the-counter-drugs, when developing facility-specific nursing home rates. The six mandatory cost centers are: (1) direct care; (2) support services; (3) administrative and general; (4) fuel and utilities; (5) property taxes, municipal services or assessments; and (6) capital.

In general, DHFS pays nursing homes for their expenses in a given cost center as long as their expenses per patient day do not exceed "targets" (maximum rates) that are based on the costs for all nursing homes in the state. However, if a nursing home's actual costs exceed the target, DHFS only reimburses the nursing home for costs up to the target rate.

Since 1984, DHFS has been required to adjust each nursing home's target to reflect variations in regional labor costs. DHFS has used a variety of methods to make this adjustment. In 1998-99, each nursing home's direct care target was adjusted by one of three index values, depending upon whether the nursing home was located in a "high," "moderate" or "low" labor cost region.

Beginning in 1999-00, DHFS began transitioning to a regional labor cost adjustment that uses the Medicare hospital labor cost index. Under the Medicare labor cost index, there are 14 different regions in Wisconsin that include 13 standard metropolitan statistical areas (SMSAs), centered on such urban areas as Milwaukee, Madison and Appleton/Oshkosh, and a rural classification that encompasses the remaining areas of the state. In 1999-00, DHFS began phasing in the new labor region adjustment by using a weighted average of the old and new labor indexes, with a one-third weight given for the new Medicare labor index. In 2000-01, DHFS continued phasing in the new labor region adjustment by using a two-thirds weight for the new Medicare labor factor. It was anticipated that the new Medicare labor factor would be fully phased in, beginning in 2001-02.

In his 2001-03 biennial budget, the Governor recommended that the phase-in to the Medicare labor index be discontinued and that the requirement that DHFS adjust direct care costs to reflect regional labor cost variations be repealed. The administration's proposal was based on several arguments. First, DHFS had been unable to develop a consensus with the nursing home industry to establish a single method for adjusting rates to reflect differences in regional labor costs. Specifically, nursing homes that were determined to be in low labor cost regions objected, and DHFS responded by establishing "hold harmless" provisions so that rates paid to nursing homes that would otherwise be adversely affected by their classifications would not be reduced. Due to the hold harmless provisions, the labor index adjustments did not reflect the true differences in nursing homes' labor costs, based on the regional classification system DHFS used. For example, in 1998-99, the last year in which the old three-region index was used, only 60 of the 404 nursing homes (14.9%) were classified in the "low" labor cost region. Second, it was argued that nursing homes compete on a statewide basis for labor, suggesting that there are no differences in labor costs between geographic areas and therefore no justification for adjusting each nursing home's target.

During its budget deliberations, the Joint Committee on Finance adopted the Governor's recommendation to repeal the labor region adjustment requirement. However, the Senate deleted this provision, thus retaining the requirement. The Assembly also deleted the provision that would have repealed the provision and, in addition, included the provision that required DHFS, together with representatives from the nursing home industry and organized labor, to develop the plan that

specifies varying regions of the state for the purpose of making the labor cost adjustment. The Assembly's provision was adopted by the Conference Committee and enacted in Wisconsin Act 16.

## ANALYSIS

### Plan Descriptions

DHFS, after consulting with representatives of the nursing home industry and organized labor, developed five options to address the issue of varying labor region costs. Each of these alternatives is described below.

1. *Eliminate Labor Regions.* Under this option, DHFS would not adjust the direct care portion of each facility's rate to reflect differences in labor costs. The administration's arguments for this proposal have been previously discussed in this paper. However, it appears that the Committee does not currently have the option to select this alternative, since Act 16 retains the provision that requires DHFS to make a labor cost adjustment, under the plan approved by the Committee. Nonetheless, the attachment to this paper that estimates the aggregate effect of each of the proposals DHFS considered on providers by region and by ownership includes this proposal for comparison purposes.

2. *Medicare Labor Regions.* Under this option, DHFS would complete the phase-in of the Medicare labor region adjustment that it began in 1999-00. The reason DHFS adopted the Medicare hospital wage index three years ago was to establish a definitive and objective index that might avoid the need to include hold harmless provisions that distort the labor cost adjustment. It also eliminated the need for DHFS to annually calculate and update a labor cost index.

Further, it was argued that, under the old three-region adjustment, a nursing home's adjustment could change significantly if it was in a region that was reclassified, even though the wage level in that region may not have changed significantly. This could happen, for example, if a geographic area were reclassified from being in the low end of the high-cost group to the high end of the medium-cost group. In contrast, under the Medicare labor region adjustment, a nursing home's labor cost adjustment only changes by the amount of estimated change in labor costs for each geographic area.

One criticism with the Medicare index is that all areas outside of SMSAs are classified under one category -- "balance of state." For nursing homes in some counties, the adjustment may not accurately reflect real cost differences. For example, under the old three-region system, nursing homes in Jefferson County had a standardized labor index adjustment of 1.084, indicating that their direct care targets were increased to reflect higher than average labor costs. Jefferson County is located between two SMSAs -- Milwaukee and Madison, but under the Medicare labor index, Jefferson County is included in the "balance of state" category, which has a standardized labor

index adjustment of 0.95 because it is comprised primarily of rural counties. One might expect that the wage levels in Jefferson County are higher than in counties that are not adjacent to two SMSAs. Consequently, nursing home operators in that county believe that the Medicare labor index does not accurately reflect wage costs in that area.

A second criticism of the Medicare index is that it is based on hospital wage rates, rather than nursing home wage rates. Medicare justifies the use of a hospital wage index on the argument that hospitals and nursing home employees represent the same labor market pool, since a nurse aide or nurse may be employed by either type of institution. However, the relative number of nurses employed in hospitals is much higher than the number of nurses employed in nursing homes. Consequently, variations in market conditions for nurses have a greater effect on hospital costs than on nursing home costs.

The U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) is currently developing a wage index for nursing homes and recently published the results of a nursing home wage index. However, CMS found that the nursing home index results were unreliable, and will continue to use the Medicare hospital wage index for the purpose of establishing Medicare nursing home rates in the current federal fiscal year. However, CMS will continue to develop a Medicare nursing home wage labor adjustment index and may use it in the future for the purpose of making Medicare nursing home payments.

In its request to the Committee, DHFS indicates that it recommends that, in the future, DHFS use the Medicare-based labor region methodology, once nursing home wages are incorporated into the Medicare formula.

3. *Facility-Specific Medicare Labor Regions.* This proposal, which was developed by the Wisconsin Health Care Association (WHCA), uses the Medicare labor region designations, but indexes them based on Wisconsin facility-specific average wages per hour, excluding county-owned nursing homes, but including homes under phase-down agreements.

DHFS has identified several advantages and disadvantages to this proposal. The primary advantage is that it may provide a more accurate indicator of industry costs than the Medicare labor region index because the adjustment would be based on actual differences in average wages paid by each facility. Further, by excluding average wages paid in county homes, the regional variations in wage rates may be less distorted than if these wages were included.

However, one disadvantage to this proposal is that it does not weight the factors for MA days, and instead, uses patient day wage costs for all payers in the nursing home. Since MA only reimburses facilities for their MA patient day costs, it may be more appropriate to exclude non-MA patient day wage costs. Second, because it does not take into account variations in wage differences in county-owned nursing homes, it may under represent the true differences in wage

costs because non-county and county nursing homes in some areas compete in the same labor pool, which may increase wages for non-county homes in these areas.

4. *Facility-Specific Medicare Labor Regions, Weighted to MA Patient Day Costs (DHFS Recommendation)*. This proposal is identical to the preceding proposal, except that DHFS would weight the labor regions by MA patient day costs, rather than use all patient days, to better reflect actual MA costs. Because this proposal is a variation of the previous proposal, the advantages and disadvantages of this proposal described in the previous two paragraphs apply to this proposal, except that it addresses the issue of using MA patient days to better reflect MA costs, which is the basis of MA reimbursement.

DHFS recommends that the Committee adopt this fourth proposal. DHFS has submitted to CMS its methods for implementing 2001-02 nursing home payment rates that includes labor factor adjustments based on this proposal, but indicates in its methods that either this labor factor adjustment, or a labor factor adjustment determined by the Wisconsin Legislature, will be used. Further, the proposal incorporates a "hold harmless" provision that is discussed later in the paper.

5. *Facility-Specific Medicare Labor Regions, Weighted to MA Patient Day Costs, including County Homes*. This proposal is identical to the fourth proposal, except that it includes wage costs for county nursing homes and excludes wage costs for nursing homes with rates that are adjusted to reflect "phase down" agreements between the nursing homes and DHFS. The primary arguments for excluding costs for nursing homes that are under phase-down agreements is that their rates do not accurately represent their current labor costs. In time, it is expected that the average labor costs of these nursing homes will decrease to levels that will better represent ongoing costs once the phase-down is complete.

DHFS staff indicate that the primary purpose of including this proposal was to illustrate the effect of including the costs of county nursing homes in the labor region adjustment.

DHFS has estimated the aggregate funding effect of the five proposals described above, both by Medicare labor region and by ownership type. The results of this simulation are presented in the attachment to this paper. In addition, the aggregate funding effect of a sixth proposal offered by the Wisconsin Association of Homes and Services for the Aging, Inc. (WAHSA) is provided in the attachment. This proposal is discussed later in this paper. Because these simulations use cost data contained in 1998-99 cost reports and DHFS will establish rates based on data contained in 1999-00 cost reports, the actual distributional effect of each proposal can only be estimated at this time.

The attachment contains three sections. The first section provides an estimate of how approximately \$67.2 million that is budgeted to fund rate increases in 2001-02 would be distributed to nursing homes, by ownership type, under each proposal. The second section provides, for each proposal, an estimate of the average rate increase per patient day for nursing homes, by ownership type. The third section provides, for each proposal, an estimate of how the \$67.2 million that is

available for rate increases would be distributed, in aggregate, to nursing homes within each of the Medicare labor regions under each proposal.

### **Hold Harmless Provisions and WAHSA Proposal**

The Committee is presented with options that would affect the distribution of approximately \$67.2 million in MA funding available for nursing home rate increases in 2001-02. During the Legislature's 2001-03 budget, no consensus had been reached on what labor region adjustment should be used to affect the direct care targets. Consequently, the budget provision delegated the responsibility to establish this adjustment to the Committee.

One of the primary issues before the Committee is the degree to which the labor adjustment should incorporate hold harmless provisions. The DHFS recommendation would incorporate a hold harmless provision by using the 2000-01 direct care base amount of \$57.42 and the primary labor factors used in the 2000-01 nursing home formula. Specifically, a nursing home's direct care target would be the greater of either: (a) the product of the facility's case mix index, the statewide direct care base (\$60.73) and the proposed, new labor factor adjustment; or (b) the product of the facility's case mix index, the previous year's direct care base (\$57.42) and the alternative labor factor adjustment that does not include the \$1.74 per patient day inflation adjustment from 2000-01 or the 2000-01 hold harmless provision that further incorporated some historical labor factors from 1996.

The DHFS simulations project that the "cost" of this hold harmless provision is approximately \$700,000 in 2001-02. That is, in the absence of the hold harmless provision, approximately \$700,000 more would be available to distribute under a formula that does not incorporate this provision. This hold harmless provision primarily benefits nursing homes in the Minneapolis and Superior metropolitan areas, and, to a lesser extent, nursing homes in Racine and Kenosha.

The proposal advocated by WAHSA, which is presented as Alternative 5, differs from the labor adjustment recommended by the DHFS in that DHFS would be required to hold the direct care payments at least equal to the 2000-01 maximum direct care payments for facilities at or above these levels. The "cost" of this hold harmless provision, which is estimated to be approximately \$3.4 million, would be funded by reducing the target for administrative and general services from \$12.59 per day (95% of the median), as provided under the plan recommended by DHFS, to \$12.15 per day (91.7% of the median).

Compared to the plan recommended by DHFS, this hold harmless provision primarily benefits nursing homes in the "rural-high" category (\$2.1 million), and to a lesser extent, Racine (\$0.3 million), the Minneapolis metropolitan area (\$0.1 million) and Kenosha area (\$0.1 million). The plan would reduce estimated aggregate payments to nursing homes in Milwaukee County

(-\$0.9 million), nursing homes in the rural-medium (-\$0.6 million) and rural-low groups (-\$0.3 million), Appleton (-\$0.2 million), Green Bay (-\$0.1 million), Janesville (-\$0.1 million), Wausau (-\$0.1 million), Eau Claire (-\$0.1 million) and Sheboygan (-\$0.1 million).

Comparing the two proposals based on nursing home ownership, the WAHSA recommendation would increase estimated aggregate payments to county-owned nursing homes (\$0.8 million) and reduce estimated aggregate payments to for-profit facilities (-\$0.8 million)

Hold harmless provisions are intended to ensure that certain facilities are not adversely affected by formula changes. In short, they enable certain facilities to be overcompensated, compared to the level of reimbursement these facilities would receive in the absence of hold harmless provisions. The cost of hold harmless provisions are borne by facilities that do not benefit from these provisions, since these facilities receive less than they would in the absence of the hold harmless provisions.

In considering the WAHSA proposal, several points should be made.

First, one of the arguments for establishing a new labor region adjustment is that the previous labor region adjustments had been subject to hold harmless requirements that distorted the nursing home formula. WAHSA's hold harmless provision would include the \$1.74 per patient day inflation adjustment from 2000-01 and the 2000-01 hold harmless provision that further incorporated some historical labor factors from 1996. In contrast, the Department's hold harmless provision would not include these two factors, but would use the 2000-01 direct care target of \$57.42 per day and the primary labor factor DHFS used in the 2000-01 formula.

Second, under the plan recommended by DHFS, it is estimated that all nursing homes would receive total rate increases in 2001-02, compared to their 2000-01 rates, assuming they experience no significant changes in occupancy rates or patient case mix. However, the direct care targets of 56 nursing homes would decrease in 2001-02, compared to the previous year. Under the WAHSA plan, it is estimated that all nursing homes would receive total rate increases in 2001-02, compared to their 2000-01 rates, but no nursing home's direct care target would be decreased in 2001-02, compared to the previous year.

WAHSA has argued that, with the 6% rate increase for nursing homes provided in Act 16, no nursing home's direct care maximum payment should be reduced in 2001-02 from its 2000-01 level. Under the DHFS simulations, 56 nursing homes would have a reduction in their direct care maximum rates under the Department's recommended plan. Others argue that it is more important to consider the total rate, not the direct care maximum payment rate, when determining the relative merits of these proposals.

## Consequences of Inaction by the Committee

Some legislators may believe that the Act 16 provision relating to nursing home labor regions was intended to ensure that DHFS would develop a proposal that would be supported by all representatives of the nursing home industry and that the Joint Finance Committee should not be required to resolve what is, arguably, an administrative issue. Nonetheless, Act 16 delegates the responsibility to make this decision to the Committee. The Committee could choose not to make a decision at this time. This would provide DHFS additional time to develop an option that is acceptable to all representatives of the nursing home industry. However, the Committee may not wish to further delay resolution of this issue for the following reasons.

First, this issue has a long history of controversy, and is likely to continue to be controversial. Nearly one year after the Governor's 2001-03 biennial budget recommendations were introduced, there remains no consensus on the issue. One reason is that there is no single organization that represents the interests of all nursing homes in the state. The Wisconsin Health Care Association (WHCA), which represents primarily for-profit nursing homes, supports the DHFS proposal, while WAHSA, which represents primarily not-for-profit and county-owned homes, opposes the DHFS plan.

Even if an alternative plan were developed for 2001-02, additional changes could be proposed in following years. The Committee has an opportunity at this time to establish a methodology that DHFS will be required to use until legislation is enacted that would direct DHFS to use a different method. The Act 16 provision does not specify that the method determined by the Committee would only be used to establish rates for the 2001-02 fiscal year or the 2001-03 biennium.

Second, this issue has delayed the Department's calculation of 2001-02 nursing home rates. It has been suggested that DHFS could establish interim rates until the issue is resolved. Although this appears to be feasible, it is not known at this time whether CMS would provide federal MA matching funds to support the new interim rates, since CMS may determine that the state's nursing home payment methodology has not been approved.

Finally, the plan DHFS submitted to CMS identifies a maximum rate of \$12.59 per day for administrative and general services. If this rate were reduced to \$12.15 per day to support the cost of the hold harmless, CMS might require DHFS to resubmit the plan, since the plan only identifies the labor region adjustment as a factor to be determined by the Wisconsin Legislature.

For these reasons, if the Committee decides to defer action on this issue to provide DHFS additional time to develop a plan that is supported by both WAHSA and WHCA, it could prohibit DHFS from establishing interim rates until the issue is resolved. This option may provide an incentive for WAHSA and WHCA to develop an alternative plan.



## ALTERNATIVES

### A. Plan Approval

1. *Medicare Labor Regions.* Adopt a labor region adjustment that completes the phase-in of the Medicare labor region adjustment that it began phasing in 1999-00.
2. *Facility-Specific Medicare Labor Regions.* Adopt a labor region adjustment that uses the Medicare labor region designations, but indexes them based on Wisconsin facility-specific average wages per hours, excluding county-owned nursing homes, but including homes under the phase-down agreements.
3. *Facility-Specific Medicare Labor Regions, Weighted to MA Patient Days (DHFS Recommendation).* Adopt a labor region adjustment that is identical to Alternative 2, but require DHFS to weight the labor regions by MA patient day costs, rather than use all patient days in making the calculation.
4. *Facility-Specific Medicare Labor Regions, Weighted to MA Patient Days, including County Homes.* Adopt a labor region adjustment that is identical to Alternative 3, but direct DHFS to include wage costs for county nursing homes and exclude wage costs for nursing homes with rates that are adjusted to reflect "phase down" agreements between the nursing homes and DHFS.
5. *Facility-Specific Medicare Labor Regions, Weighted to MA Patient Days, with Hold Harmless Provision for Direct Care Payments (WAHSA Proposal).* Adopt a labor region adjustment that is identical to Alternative 3, except require DHFS to adjust the direct care maximum payment by reducing the payment for allowable administrative costs so that the direct care maximum payment for each facility is not decreased below the facility's direct care maximum payment in 2000-01, unless the 2000-01 standards of payment provide for a decrease due to a reduction in resident occupancy, direct care costs or resident case mix.
6. Defer action on this item. Instead, direct DHFS to resubmit a proposal by February 1, 2002, for consideration by the Committee under the same 14-day passive review process specified in Act 16. Permit, but not require, DHFS to establish interim nursing home rates for 2001-02, until the Committee approves a labor region adjustment plan.
7. Defer action on this item. Instead, direct DHFS to resubmit a proposal by February 1, 2002, for consideration by the Committee under the same 14-day passive review process specified in Act 16. Prohibit DHFS from establishing interim rates for 2001-02 until the Committee approves a labor region adjustment plan.

*Stacy Alder*

**B. Duration of Plan**

1. In addition to adopting Alternatives (1), (2), (3), (4) or (5), specify that the plan adopted by the Committee would be used by DHFS for all subsequent fiscal years, unless modified through the enactment of a bill.

2. In addition to adopting Alternatives (1), (2), (3), (4), or (5), specify that the plan adopted by the Committee would be used by DHFS until the state fiscal year following the year in which Medicare adopts a Medicare nursing home labor adjustment index. Beginning in that year, direct DHFS to use the same nursing home labor adjustment index used by Medicare.

Prepared by: Charles Morgan

MO# A 5 Plache / Albers

GARD	Y	(N)	A
KAUFERT	Y	(N)	A
ALBERS	(Y)	(N)	A
DUFF	Y	(N)	A
WARD	Y	(N)	A
HUEBSCH	Y	(N)	A
HUBER	Y	(N)	A
COGGS	Y	(N)	A

BURKE	(Y)	N	A
DECKER	Y	(N)	A
MOORE	Y	(N)	A
SHIBILSKI	(Y)	(N)	A
PLACHE	(Y)	(N)	A
WIRCH	(Y)	(N)	A
DARLING	Y	(N)	A
ROSENZWEIG	(Y)	N	A

Baum

AYE 6 NO 10 ABS \_\_\_\_\_

MO# A 3 B/C

GARD	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUEBSCH	(Y)	N	A
HUBER	(Y)	N	A
COGGS	(Y)	N	A

Baum

BURKE	(Y)	N	A
DECKER	(Y)	N	A
MOORE	(Y)	N	A
SHIBILSKI	(Y)	N	A
PLACHE	(Y)	N	A
WIRCH	(Y)	N	A
DARLING	(Y)	N	A
ROSENZWEIG	(Y)	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

MO# B/C B2

GARD	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUEBSCH	(Y)	N	A
HUBER	(Y)	N	A
COGGS	(Y)	N	A

BURKE	(Y)	N	A
DECKER	(Y)	N	A
MOORE	(Y)	N	A
SHIBILSKI	(Y)	N	A
PLACHE	(Y)	N	A
WIRCH	(Y)	N	A
DARLING	(Y)	N	A
ROSENZWEIG	(Y)	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

## ATTACHMENT

### Change from 2000-01 Rates, by Ownership (\$ in Thousands)

	Alternative					
	1	2	3	4	5	
Eliminate Labor Regions	Medicare Labor Regions	WHCA Proposal	DHFS Recommendation (WHCA Proposal, MA Days Only)	WHCA Proposal MA Days, with County Homes	WAHSA Proposal	
County	\$14,387	\$12,085	\$12,443	\$12,461	\$12,690	\$13,222
For-Profit	30,719	32,078	32,082	32,092	31,859	31,270
Tax Exempt	20,681	21,756	21,415	21,434	21,384	21,436
Other Government	<u>1,442</u>	<u>1,336</u>	<u>1,300</u>	<u>1,300</u>	<u>1,262</u>	<u>1,312</u>
Total	\$67,229	\$67,255	\$67,240	\$67,287	\$67,195	\$67,240

### Average Increase from 2000-01 Rates Per Patient Day, by Ownership

County	\$6.40	\$5.38	\$5.54	\$5.55	\$5.65	\$5.89
For-Profit	7.45	7.78	7.78	7.78	7.73	7.58
Tax Exempt	6.38	6.72	6.61	6.62	6.60	6.62
Other Government	9.06	8.40	8.17	8.17	7.93	8.24

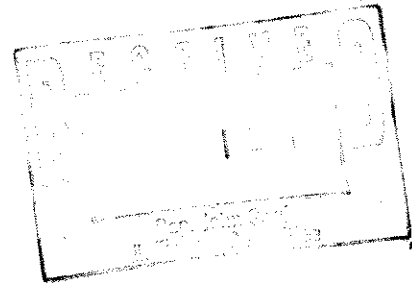
### Aggregate Funding for Rate Increases, by Region (\$ in Thousands)

Rural - High	\$6,898	\$3,095	\$3,531	\$3,544	\$3,694	\$5,602
Rural - Medium	19,475	14,083	14,682	14,699	14,907	14,087
Rural - Low	10,930	8,801	9,066	9,073	9,160	8,782
Minneapolis - High	1,663	2,227	1,663	1,663	1,662	1,793
Superior - Low	1,016	1,288	861	860	840	924
Eau Claire - Medium	2,499	2,182	2,290	2,289	1,703	2,192
La Crosse - Medium	1,743	1,850	1,317	1,322	1,583	1,239
Wausau - Medium	1,436	2,036	1,792	1,791	1,672	1,690
Madison - High	1,485	3,217	2,292	2,287	2,788	2,160
Janesville - Medium	1,441	2,401	2,260	2,264	2,120	2,166
Racine - High	1,101	1,327	587	588	1,139	856
Kenosha - Medium	1,323	1,547	969	971	1,332	1,087
Appleton - Medium	3,722	3,882	4,195	4,204	4,477	3,998
Green Bay - Medium	2,825	2,868	3,054	3,057	3,133	2,917
Sheboygan - High	2,132	879	2,404	2,395	1,999	2,324
Milwaukee - High	<u>7,539</u>	<u>15,573</u>	<u>16,277</u>	<u>16,278</u>	<u>14,987</u>	<u>15,424</u>
Total	\$67,228	\$67,256	\$67,240	\$67,285	\$67,196	\$67,240



REPRESENTATIVE  
S T E V E  
**FOTI**  
ASSEMBLY  
MAJORITY LEADER

November 1, 2001



Representative John Gard, Co-chair  
Joint Committee on Finance  
Room 308 East, State Capitol  
Madison, WI 53708

Dear Co-chair Gard:

Under 2001 Wisconsin Act 16 (the 2001-03 biennial budget), the Department of Health and Family Services (DHFS) is required to submit a plan regarding nursing home labor regions to the Joint Committee on Finance (JCF).

DHFS recently sent you their plan in compliance with the above requirement. The plan discusses five options before recommending Alternative #4, "Wisconsin Health Care Association (WHCA)-Normalized".

This option utilizes the 14 Medicaid labor regions (13 urban and 1 rural). This alternative also includes the use of Wisconsin nursing home data (a more reliable indicator of costs) while factoring Medicaid days into labor costs.

During budget deliberations, I supported the elimination of labor regions. I maintain this is the correct course of action. We must recognize the impact the nursing home labor shortage is having on our facilities. It is clear there is a statewide labor market in this industry; it is unfair to penalize certain facilities simply because of their geographic location and population base.

Although a case can be made for all of the alternatives presented by DHFS, each alternative inevitably will result in winners and losers. However, as noted by DHFS, there is strong support in the industry for a "hold-harmless" provision. Such a provision would maintain the reimbursement levels for facilities even if the new methodology (whatever it ultimately may be) indicates a reduction.

Alternative #4 will be harmful to facilities in my district and to facilities in some of your districts as well. A hold-harmless provision would ease the pain of such facilities and allow them to continue providing vital services to our communities. I strongly encourage you to include such a provision as you make your decision.

Thank you for your attention to this matter. Please feel free to contact me if you would like to discuss this further.

Sincerely,

STEVEN M. FOTI  
State Representative  
38<sup>th</sup> Assembly District

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December 10, 2001

To: State Senator Brian Burke, Co-Chair  
State Representative John Gard, Co-Chair  
Members, Joint Committee on Finance  
Interested Legislators

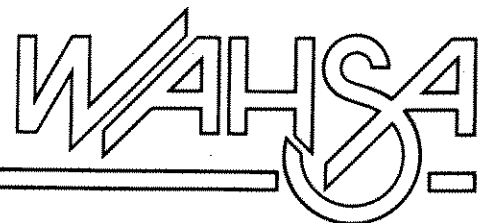
From: John Sauer, Executive Director  
Tom Ramsey, Director of Government Relations

Subject: Support for the "Option 1" Hold Harmless Provision to the DHFS Nursing Home Labor Region Proposal

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership organization of not-for-profit corporations principally serving elderly and disabled persons. Membership is comprised of 197 religious, fraternal, private and governmental not-for-profit organizations which own, operate and/or sponsor 154 private and 47 county-operated nursing facilities, 65 community-based residential facilities, 32 residential care apartment complexes, 95 senior housing complexes, 26 facilities for the developmentally disabled, 10 licensed home health agencies, and over 300 community service agencies which offer programs ranging from Alzheimer's support, child and adult day care, hospice and home care to Meals on Wheels.

WAHSA's not-for-profit and governmental members have adopted the following positions on the nursing home labor region proposal and respectfully request members of the Joint Committee on Finance (JFC) to adopt these positions as well:

1. **Support** for the nursing home labor region methodology (Alternative #4: "WHCA Labor Regions Normalized") recommended by the Department of Health and Family Services (DHFS) on page 3 of the October 19, 2001 letter/labor region report from DHFS Secretary Phyllis Dube to JFC Co-chairs Burke and Gard.
- 2) **Oppose** the hold harmless provision recommended by the DHFS as described in Attachment V of the DHFS labor region report.
- 3) **Support** the "Option 1" hold harmless provision also found in Attachment V of the DHFS labor region report.
- 4) **Failing** the above, send the report back to the DHFS and direct the Department not to return to the JFC until the Department



has developed a plan that also is acceptable to organized labor and the nursing home provider community.

Under the Option 1 hold harmless proposal mentioned above, which WAHSA not only supports but recommended, no nursing facility would receive a direct care maximum payment in 2001-02 that is less than the direct care maximum payment it received in 2000-01. (The direct care cost center of the nursing home payment formula primarily covers the wages and benefits of nursing home RNs, LPNs and certified nurse aides). According to DHFS estimates, the Option 1 hold harmless would cost \$2.7 million more than the \$700,000 hold harmless recommended by the DHFS. To make up for that difference, WAHSA/Option 1 suggests modifying the nursing home payment formula by lowering the proposed maximum payment for administration and general (A & G) costs (General administrative and clerical costs and, where applicable, management fees and central office costs) from \$13.01 per patient day (PPD) to \$12.57 PPD, a 44-cent PPD decrease but a 12.94% increase over the current A & G maximum payment of \$11.13 PPD. (Please see the graph on page 6 of this memo).

Before we outline the reasons for our support of the Option 1 hold harmless provision, we first must express our disappointment and offer an apology for having to bring this issue before the members of the Joint Committee on Finance. We assumed, apparently incorrectly, that the directive of the budget conferees and the Legislature was for the DHFS, organized labor and the nursing home industry to develop and agree upon a comprehensive nursing home labor region plan. We did not then and do not now believe that the legislative intent of this budget provision was to get the JFC back in the business of developing and approving all or part of the nursing home formula, a responsibility the committee willingly relinquished in 1983. However, despite knowing of objections to their hold harmless proposal, the Department chose to recommend a plan it knew lacked consensus without ever attempting to negotiate a mutually-acceptable agreement.

Because a compromise was not reached, the labor region issue is before you today.

**WAHSA members support the labor region methodology recommended by the DHFS. What is at issue is which of two hold harmless provisions (one proposed by the DHFS and the "Option 1" alternative offered by WAHSA) should be adopted. WAHSA members support the Option 1 hold harmless provision for the following reasons:**

- 1) The Legislature and the Governor provided a Medicaid rate increase of 6% for nursing facilities in 2001-02. While these increased funds are distributed through a formula which does not ensure that each individual facility will receive a 6% rate increase, WAHSA members believe that in a year where 6% increase funding is provided, no facility should receive a maximum payment for its direct care costs which is less this year than it was in 2000-01. **Under Option 1, no facility would receive a cut in its direct care rate; under the DHFS hold harmless, 56 facilities would receive such a cut.**
- 2) On page 3 of the DHFS report, Secretary Dube writes: "With this (DHFS) hold harmless, very few facilities will see an actual decline in their direct care rate." According to the attached WAHSA analysis of the impact of the two hold harmless proposals, 56 facilities, or 14.7% of the 381 facilities in the Department's database, will receive a cut in their direct care rate under the DHFS proposal. (Please see An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal and Its Impact on 2001-02 Nursing Home Rates). The report goes on to state: "Most of the declines will be as a result of reduced costs, reduced resident acuity or reduced occupancy resulting in an occupancy penalty." We strongly disagree with that assessment. At least for the 37 WAHSA-member facilities adversely impacted by the DHFS proposal, those cuts in direct care rates are directly attributable to the proposed change in the labor region methodology.

- 3) Opponents of the Option 1 hold harmless proposal have argued that Option 1 would reduce nursing home reimbursement payments by \$2.7 million. WAHSA members submit there is a significant and substantive difference between a "reduction in payments" and a "reduced increase in anticipated payments." As the attached analysis illustrates (A Comparison of Proposed 2001-02 Nursing Home Funding Increases Over 2000-01 Levels By Labor Region – DHFS Proposal v. "Option 1"), facilities in most labor regions (The exceptions: Douglas, Pierce, St. Croix, Kenosha and Racine Counties and the 16 counties in the "High to Rural" labor region) will experience a slight reduction in the funding increases they anticipate in 2001-02 under Option 1, but those increases still will be significantly higher than the payments they received in 2000-01. A reduction in payments, no; a reduction in the anticipated increase in payments, yes.
- 4) As noted in the attached WAHSA analysis of the Option 1 impact on 2001-02 nursing home rates, the average MA rate increase for all 381 nursing facilities in the DHFS database is 7.12% under the DHFS proposal; under the Option 1 hold harmless, which lowers the A & G maximum payment by 44-cents PPD, the average rate increase for those 381 facilities would be 6.99%. However, for the 56 facilities adversely impacted by the DHFS proposal, the change is more dramatic: Their average rate increase would go from 2.44% under the DHFS proposal to 4.16% under Option 1. At the same time, the remaining 325 facilities, which would not benefit under Option 1, would see their average rate increase decline from 7.93% under the DHFS proposal to 7.48% under Option 1, still a hefty increase over rate hikes of the past and considerably higher than the 6% increase contained in 2001 Act 16. (It should be noted that the projected rate increases shown are higher than the 6% increase authorized under Act 16 because these rates reflect projected averages that are not facility-weighted for Medicaid patient days and because rate projections are available only for 381 of the 430 nursing homes in the state).
- 5) According to the DHFS, the Option 1 hold harmless provision would cost \$2.7 million more than the \$700,000 DHFS hold harmless proposal. **Option 1 would be paid for not with \$2.7 million in new state money but rather through a redistribution of funds already appropriated for nursing homes.**
- 6) The \$2.7 million needed to fund the Option 1 hold harmless would be generated by a 44-cent PPD reduction in the A & G maximum payment level proposed in the 2001-02 Medicaid nursing home formula. That formula proposal currently is being reviewed by the federal Centers for Medicare and Medicaid Services (CMS); facility rates have not been and will not be adjusted to take into account the new A & G maximum payment level until the nursing home formula is approved by the CMS. Although it is unlikely, the CMS could object to the new A & G maximum payment level proposed by the DHFS, forcing the Department to modify that provision and to recalculate the proposed facility rates contained in this document based on that modification. The practical implication of the proposed change under Option 1, therefore, is the anticipated 2001-02 rate for facilities with A & G costs above the maximum will be 44-cents PPD less than expected and the anticipated rate for facilities with A & G costs below the maximum will be 11-cents PPD less than expected. Those are anticipated rates, not rates that already have been set and paid. **Option 1 would not decrease the amount of reimbursement dollars providers currently are receiving; it simply would provide most facilities with an increase in funds that is slightly less than they had hoped for in order to provide a relative few facilities with the dollars they need to offset anticipated direct care rate cuts.**
- 7) As noted above, proponents of the DHFS proposal argue that Option 1 will result in a

reduction of payments to many nursing facilities because the A & G maximum payment level under Option 1 would be reduced for all nursing facilities by 44-cents PPD, from \$13.01 PPD to \$12.57 PPD. However, if you compare the Option 1 A & G maximum payment level of \$12.57 PPD with last year's A & G maximum payment of \$11.13 PPD, you must conclude that labeling the Option 1 A & G maximum payment level as a "reduction" is a mischaracterization. **Option 1 provides for a 12.94% increase in the A & G maximum payment over last year's maximum. It will decrease the rate increase facilities are anticipating but it still will provide facilities with an average rate increase this year of nearly 7%.**

- 8) Under the nursing home payment formula the DHFS has proposed for the 2001-02 rate year, the A & G maximum payment would increase to \$13.01 PPD, or 16.89% above the \$11.13 PPD level in 2000-01. The proposed nursing home formula also would increase the direct care maximum payment from its \$59.16 PPD level in 2000-01 to \$62.89 PPD, a 6.3% increase. WAHSA members support lowering the A & G maximum payment level to fund the Option 1 hold harmless because: A) We believe a 12.94% increase in the A & G maximum, especially in comparison to the 6.3% increase in the direct care maximum, is adequate and reasonable; and B) We favor funding mechanisms which prioritize resident care. **What the Option 1 hold harmless does is shift funding from the A & G cost center to the direct care cost center, a shift which will impact all nursing facilities, regardless of their labor region, but a shift we believe is in the best interest of nursing home residents, if not necessarily the corporations that serve them.**
- 9) Of the 56 facilities which would benefit from the Option 1 hold harmless, 14 are county-operated facilities. Some have argued that county facilities are the primary beneficiaries of the Option 1 hold harmless, even though the 2001-03 budget provides additional IGT

funds to cover all their direct care losses. Why, they ask, should those 14 county facilities also be eligible for additional direct care funds through the Option 1 hold harmless if the IGT already covers all their direct care losses?

To respond to that query, we must go back to the IGT agreement signed last February by the two nursing home associations, Wisconsin Counties Association and representatives of the Administration. That agreement, and subsequently 2001 Act 16, committed \$40 million: A) To fund all county nursing facility direct care losses; B) To meet all operating deficits of county facilities in the five counties where county facilities are downsizing; and C) If funds were still available, to cover the remaining operating deficits of the remaining county facilities. We are hopeful, but not certain, that the dollars will be available to meet the first two criteria listed above; it is all but certain funds will not be available to meet all three criteria. Therefore, WAHSA members believe the inclusion under Option 1 of the 14 county facilities otherwise eligible for Option 1 hold harmless funds meets the spirit of the IGT agreement.

In addition, if Option 1 is not adopted, the direct care losses of the 14 county facilities whose losses would have been covered under Option 1 now will have to be covered by IGT funds that otherwise were earmarked for county facilities that would not benefit from Option 1. In other words, county facilities which "lose" under Option 1 will lose more if Option 1 is defeated.

WAHSA members also believe it is "penny-wise and pound foolish" to deny these limited funds to otherwise eligible county facilities at a time when the State is attempting to entice the three wire transfer counties (Rock, Sheboygan and Walworth) to perform an additional wire transfer before the end of this year. The DHFS would apply the proceeds of that wire transfer as payment of an \$83.2 million disallowance of federal



Medicaid matching funds the State now faces.

10. Some have argued that a hold harmless, especially the Option 1 hold harmless, impugns the integrity of the labor region methodology, inferring that this proposed methodology has a degree of finality to it that will eliminate the need for future labor region discussions (or debates). First of all, as noted in the attached memo on previous labor region hold harmless', there have been labor region hold harmless' in effect virtually every year since 1992. Indeed, this year's plan as formulated by the DHFS contains a hold harmless, although it fails to hold harmless 56 facilities. That's the nature of labor regions: no matter what methodology is selected and no matter how "pure" that methodology might be, the "losers" under that methodology are going to seek to be held harmless. This year is no exception.

Secondly, the DHFS itself, on page 4 of its report, confirmed that regardless of what happens this year, the labor region issue is not going away: "In future biennia, the Department recommends a return to the Medicare-based labor region methodology, once nursing home wages are incorporated into the Medicare formula. Use of a nursing home-based Medicare system would provide the most stable, recognizable labor region model and, once nursing home wages are incorporated, will address the most significant concerns of the industry regarding this methodology," wrote Secretary Dube.

**Whatever decision the JFC makes on this particular labor region proposal, it is a virtual certainty that the labor region issue will be revisited sometime in the near future.**

11. As indicated in the Summary on page 4 of Secretary Dube's letter, final nursing facility rates for the July 1, 2001 – June 30, 2002 rate year have yet to be set, pending a final decision on the labor region issue. Some have blamed WAHSA's position on the labor

region hold harmless for the delay in ratesetting and, more importantly, for the delay in payment of those new rates. However, we believe it is the lack of a labor region compromise and the negative impact of the DHFS proposal on the 56 facilities facing a direct care rate cut that has led to delays in rate setting and the payment of new rates.

Indeed, for those who seek to blame WAHSA for this impasse, it also should be noted that the Option 1 hold harmless was the third alternative offered by WAHSA; the other two alternatives, including Option 2 in Attachment V of the DHFS report, were withdrawn in the spirit of compromise.

12. For most members of the Joint Finance Committee, supporting the Option 1 hold harmless is seemingly not in the best interest of their constituents. Similarly, Option 1 only benefits 37 of the 201 WAHSA-member nursing facilities. Yet despite the fact the Option 1 hold harmless provides no benefit to 164 WAHSA-member facilities, or 81.6% of our membership, WAHSA both developed and fully supports this compromise proposal. Why?

- Because prioritizing nursing home funding for direct caregivers, rather than non-caregiver expenses, is good public policy.
- Because a small drop in A & G rates to fund a near doubling in direct care rates for a small number of facilities is an acceptable tradeoff.
- Because that small "drop" in A & G rates really is a 12.94% increase over last year's A & G rates.
- Because this year's hold harmless "winners" may be "losers" under the next hold harmless and the precedent which has enabled facilities in the past to be held harmless should be maintained for those who may need present and future relief.

- Because it's the right thing to do.

WAHSA once again respectfully requests the support of JFC members for the DHFS labor region methodology but with the Option 1 hold harmless. If an alternative to that position is being sought, we suggest the JFC send the labor region report back to the DHFS and direct the Department not to return to the JFC

until a labor region plan has been developed that also has the approval of organized labor and the nursing home industry. With the stakes as high as they are for all three parties, we believe a quick solution to this problem could be achieved if a directed compromise were demanded.

Thank you for your attention to this issue.

**Proposed A & G Maximum Payment Levels Under The  
DHFS Proposal and the "Option 1" Proposal**

<b>2000-01 A &amp; G Maximum Payment</b>	<b>2001-02 Proposed A &amp; G Maximum Payment/DHFS Proposal</b>	<b>Percentage Increase Over 2000-01 Level</b>	<b>2001-02 Proposed A &amp; G Maximum Payment/Option 1</b>	<b>Percentage Increase Over 2000-01 Level</b>
\$11.13 per patient day (PPD)	\$13.01 PPD	16.89%	\$12.57 PPD	12.94%

**An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal  
and Its Impact on 2001-02 Nursing Home Rates-- Provided by the Wisconsin Association of Homes and Services for the Aging  
(WAHSA)**

County	Facility Name	7/1/01-6/30/02		7/1/01-6/30/02		7/1/01-6/30/02		7/1/01-6/30/02		Homes Benefiting From		No Benefit From	
		MA Rate	Projected MA Rate Under DHFS Hold-Harmless	Rate Change Per Patient Day (PPD)	% Change	Under Option 1 Hold-Harmless	Rate Change PPD	% Change	Option 1 Hold-Harmless	DHFS Hold-Harmless	Option 1 Hold-Harmless	DHFS Hold-Harmless	Option 1 Hold-Harmless
1	ADAMS*	\$112.38	\$115.68	\$3.30	2.94%	\$117.89	\$3.31	4.72%	2.94%	4.72%			
2	Adams County Memorial NH	101.97	106.15	4.18	4.10%	108.16	6.19	6.07%	4.10%	6.07%			
3	Ashland	84.08	84.15	10.06	11.96%	93.71	9.62	11.44%					
4	Ashland Care Center	90.43	95.25	4.76	5.26%	94.81	4.32	4.78%					
5	Mellen Manor	90.58	101.67	11.09	12.25%	101.23	10.65	11.76%					
6	Barron Healthcare Center	97.36	107.86	10.60	10.88%	107.52	10.16	10.43%					
7	Barron Memorial Medical Center	102.30	111.70	9.40	9.19%	111.26	8.96	8.76%					
8	Cumberland Memorial Hospital NH	92.86	100.67	7.71	8.28%	100.23	7.27	7.82%					
9	Dallas Healthcare Center	127.16	135.45	8.29	6.52%	135.01	7.85	6.17%					
10	Heritage Manor	89.18	94.86	5.68	6.37%	94.42	5.24	5.88%					
11	Knappe Haven Nursing Home	95.23	100.33	5.10	5.36%	99.89	4.66	4.90%					
12	Pioneer Nursing Home	99.11	106.25	7.14	7.21%	105.81	6.70	6.76%					
13	Rice Lake Convalescent Center	88.48	103.90	15.42	17.43%	103.46	14.98	16.93%					
14	Bayfield	100.70	107.56	7.26	7.21%	107.52	6.82	6.76%					
15	Brown	107.27	113.00	5.73	5.34%	112.56	5.29	4.93%					
16	Bornemann Nursing Home	100.87	107.77	6.80	6.74%	107.33	6.36	6.30%					
17	Brown County Health Care Center	84.14	92.88	8.74	10.38%	92.44	8.30	9.86%					
18	Graceland Nursing Center	101.27	109.48	8.19	8.09%	109.02	7.75	7.65%					
19	Highland Health Care Center	96.72	111.14	14.42	14.91%	110.70	13.98	14.45%					
20	Jenkinson Manor	84.48	92.48	8.00	9.47%	92.04	7.56	8.95%					
21	Ledge View Nursing Center	111.36	115.56	4.20	3.77%	115.12	3.76	3.38%					
22	Manor Care Health Services - East	86.27	99.56	13.29	15.40%	99.12	12.85	14.89%					
23	Manor Care Health Services - West	91.17	103.15	11.96	13.14%	102.71	11.54	12.65%					
24	Odd Fellow Home	103.44	110.13	6.69	6.45%	109.69	6.25	6.04%					
25	Parkview Manor Health & Rehab	87.64	103.99	16.35	18.65%	103.55	15.91	18.15%					
26	Rennet Health Center - De Pere	107.56	113.92	6.37	5.92%	113.48	5.93	5.51%					
27	San Luis Medical & Rehab Center	107.81	115.29	7.48	6.94%	114.85	7.04	6.53%					
28	Santa Maria Nursing Home	91.59	102.93	11.34	12.38%	102.49	10.90	11.90%					
29	Van Buren Hall	74.99	85.54	10.55	14.07%	85.10	10.11	13.49%					
30	Western Village	93.77	100.81	7.04	7.51%	100.37	6.60	7.04%					
31	Woodside Lutheran Home	100.45	107.21	6.76	6.73%	106.77	6.32	6.29%					
32	Buffalo	98.29	103.74	5.45	5.55%	103.30	5.01	5.10%					
33	American Lutheran-Mondovi	101.24	113.31	12.07	11.92%	112.87	11.63	11.49%					
34	Burnett	90.67	98.85	8.18	9.02%	98.41	7.74	8.54%					
35	Burnett Medical Center-ECU	92.63	103.69	11.06	11.94%	103.25	10.62	11.46%					
36	Calumet	98.03	108.33	8.30	8.47%	108.89	7.86	8.02%					
37	Calumet Homebased Rehabilitation	92.12	102.68	10.47	11.37%	102.15	10.03	10.88%					
38	Chilton Health and Rehab	111.64	117.23	5.59	5.00%	116.78	5.15	4.61%					
39	Willowdale Nursing & Rehabilitation	95.35	103.45	8.11	8.50%	103.01	7.67	8.04%					
40	Chippewa Manor Nursing Home	91.80	103.21	11.41	12.43%	102.77	10.97	11.95%					
41	Capleton Home	79.74	87.29	7.55	9.47%	86.85	7.11	8.92%					
42	Hannah Rutledge Home for the Aged	97.31	101.36	4.05	4.16%	100.92	3.61	3.71%					
43	Hetzl Care Center	100.87	112.83	11.96	11.86%	112.39	11.52	11.42%					
44	Lakeview Nursing & Rehabilitation	101.79	107.90	6.11	6.01%	107.48	5.67	5.57%					
45	Maplewood Nursing Home	101.46	108.65	7.08	6.99%	108.11	6.65	6.55%					
46	Victory Medical Center	100.16	106.92	6.76	6.75%	106.48	6.32	6.31%					

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		MA Rate	Under DHFS Hold-Harmless	Rate Change Per Patient Day (PPD)	% Change	Projected MA Rate Under Option 1 Hold-Harmless	Rate Change PPD	% Change	DHFS Hold-Harmless	Option 1 Hold-Harmless	DHFS Hold-Harmless	Option 1 Hold-Harmless	Option 1 Hold-Harmless
Clark	Clark County Health Care Center	102.26	108.38	6.12	5.99%	107.94	5.68	5.60%	5.93%	5.65%	5.93%	5.65%	5.65%
	Colonial House Nursing & Rehab	95.85	105.31	8.46	8.74%	104.87	8.02	8.29%	8.74%	8.29%	8.74%	8.29%	8.29%
	Memorial Hospital	93.37	102.05	8.68	9.29%	101.61	8.24	8.83%	9.29%	8.83%	9.29%	8.83%	8.83%
	Oakbrook Manor of Thorp	101.06	103.59	2.53	2.51%	105.60	4.54	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
	Columbia Health Care Center	96.24	107.31	11.07	11.50%	108.32	13.08	13.59%	13.59%	13.59%	13.59%	13.59%	13.59%
	Divine Savior Nursing Home	103.68	105.11	1.43	1.38%	107.12	3.45	3.32%	3.32%	3.32%	3.32%	3.32%	3.32%
	Good Samaritan Center	98.67	105.52	6.85	6.95%	106.53	9.86	9.95%	9.95%	9.95%	9.95%	9.95%	9.95%
	Prairie Health Care Center	94.70	105.36	10.66	11.26%	104.92	10.22	10.79%	10.79%	10.79%	10.79%	10.79%	10.79%
	Sannes Skogsdalen	99.82	104.23	4.41	4.42%	103.79	6.97	7.19%	7.19%	7.19%	7.19%	7.19%	7.19%
	Badger Prairie Health Care Center	105.71	112.24	6.53	6.18%	111.80	6.09	5.76%	5.76%	5.76%	5.76%	5.76%	5.76%
Dane	Belmont NRC	89.50	117.94	28.44	31.78%	117.50	28.01	31.29%	31.29%	31.29%	31.29%	31.29%	31.29%
	City View Nursing Home	111.98	117.65	5.67	5.08%	117.21	5.25	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%
	Four Winds Manor, Inc.	109.90	116.86	6.96	6.33%	116.42	6.52	5.93%	5.93%	5.93%	5.93%	5.93%	
	Hearthland Country Village	112.34	118.58	6.24	5.55%	118.14	5.80	5.16%	5.16%	5.16%	5.16%	5.16%	
	Ingliside, Inc.	110.37	113.76	3.39	3.08%	113.32	2.95	2.68%	2.68%	2.68%	2.68%	2.68%	
	Karmenia Center	104.20	116.01	11.81	11.33%	115.57	11.37	10.91%	10.91%	10.91%	10.91%	10.91%	
	MaroCare - Madison	109.27	106.05	(3.22)	-2.95%	105.61	(3.66)	-3.35%	-3.35%	-3.35%	-3.35%	-3.35%	
	McCarthy Nursing Home	73.04	79.26	6.22	8.56%	78.85	5.81	7.86%	7.86%	7.86%	7.86%	7.86%	
	Meriter Health Center	111.56	115.00	3.44	3.08%	114.56	3.00	2.69%	2.69%	2.69%	2.69%	2.69%	
	Nazareth House	108.74	113.78	5.04	4.63%	113.34	4.60	4.26%	4.26%	4.26%	4.26%	4.26%	
Dodge	Oakwood Lutheran Home	108.66	113.17	4.51	4.16%	112.73	4.17	3.83%	3.83%	3.83%	3.83%	3.83%	
	Crest Haven Nursing Home	111.39	119.40	8.01	7.19%	118.96	7.57	6.79%	6.79%	6.79%	6.79%	6.79%	
	Reet Haven Nursing Home	122.02	123.92	1.90	1.56%	123.48	1.46	1.20%	1.20%	1.20%	1.20%	1.20%	
	Skakalen Sunset Home	107.48	111.21	3.73	3.47%	110.77	3.29	3.06%	3.06%	3.06%	3.06%	3.06%	
	St. Marys Care Center	106.55	108.64	2.09	1.96%	108.20	1.65	1.55%	1.55%	1.55%	1.55%	1.55%	
	Sunny Hill Health Care Center	100.76	105.69	4.93	4.86%	105.24	4.48	4.42%	4.42%	4.42%	4.42%	4.42%	
	Wauwatosa Manor Health Care Center	101.82	119.15	17.34	17.03%	118.71	16.90	16.99%	16.99%	16.99%	16.99%	16.99%	
	Willows Nursing Home	105.93	114.65	8.72	8.23%	114.21	8.28	7.81%	7.81%	7.81%	7.81%	7.81%	
	Beaver Dam Care Center	103.65	117.28	13.63	12.94%	116.84	12.99	12.51%	12.51%	12.51%	12.51%	12.51%	
	Beverly Terrace	101.56	107.66	6.10	6.01%	107.22	5.66	5.57%	5.57%	5.57%	5.57%	5.57%	
Door	Clearview North	104.88	106.41	1.53	1.46%	106.42	1.54	1.48%	1.48%	1.48%	1.48%	1.48%	
	Clearview South	107.87	108.24	0.37	0.34%	110.25	2.38	2.20%	2.20%	2.20%	2.20%	2.20%	
	Continental Manor - Randolph	105.01	105.22	0.22	0.20%	107.23	2.23	2.12%	2.12%	2.12%	2.12%	2.12%	
	Hillside Manor	93.46	103.72	10.26	10.98%	103.28	9.82	10.50%	10.50%	10.50%	10.50%	10.50%	
	Hope Health & Rehabilitation	109.53	110.18	0.65	0.60%	112.19	2.67	2.43%	2.43%	2.43%	2.43%	2.43%	
	Marquardt Memorial Manor, Inc.	105.66	108.78	4.13	3.90%	109.34	3.69	3.49%	3.49%	3.49%	3.49%	3.49%	
	Meyville Nursing & Rehab	106.83	108.53	1.71	1.60%	110.54	3.72	3.48%	3.48%	3.48%	3.48%	3.48%	
	The Christian Home	96.88	103.02	6.14	6.34%	102.88	5.70	5.89%	5.89%	5.89%	5.89%	5.89%	
	Door County Mem Hosp Skilled Nursing E	107.45	108.71	1.26	1.17%	110.72	3.27	3.04%	3.04%	3.04%	3.04%	3.04%	
	Dorchester Nursing Home	111.71	119.54	7.83	7.01%	119.10	7.39	6.61%	6.61%	6.61%	6.61%	6.61%	
Douglas	Scandia Village Good Samaritan	98.99	110.06	11.07	11.18%	109.62	10.63	10.74%	10.74%	10.74%	10.74%	10.74%	
	Colonial Health Care Services	100.30	106.37	6.07	6.05%	105.93	5.63	5.61%	5.61%	5.61%	5.61%	5.61%	
	Fieldview Care Center	78.28	81.58	3.30	4.22%	81.14	2.86	3.66%	3.66%	3.66%	3.66%	3.66%	
	Middle River Healthcare Center	87.40	97.10	9.70	11.10%	96.66	9.26	10.59%	10.59%	10.59%	10.59%	10.59%	
	St. Francis Home in the Park	90.84	102.76	12.12	13.37%	102.32	11.68	12.89%	12.89%	12.89%	12.89%	12.89%	
	Villa Marina Health and Rehab Center	104.68	107.83	3.15	2.94%	108.93	4.27	4.08%	4.08%	4.08%	4.08%	4.08%	
	American Lutheran Home-Memomille	113.66	117.00	3.34	2.94%	116.30	4.44	3.80%	3.80%	3.80%	3.80%	3.80%	
	Area Nursing Home	101.71	103.98	2.27	2.23%	103.44	1.73	1.70%	1.70%	1.70%	1.70%	1.70%	
	Dunn County Health Care Center	94.28	100.29	6.01	6.37%	99.85	5.57	5.91%	5.91%	5.91%	5.91%	5.91%	
		95.30	101.37	6.08	6.37%	100.93	5.64	5.91%	5.91%	5.91%	5.91%	5.91%	

## An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal and Its Impact on 2001-02 Nursing Home Rates-- Provided by the Wisconsin Association of Homes and Services for the Aging (WAHSA)

County	7/1/00-6/30/01 MA Rate	7/1/01-6/30/02 Projected MA Rate	Rate Change Per Patient Day (PPD)	% Change	7/1/01-6/30/02 Projected MA Rate		Rate Change PPD	% Change	Homes Benefiting From Option 1 Hold Harmless		No Benefit From Option 1 Hold Harmless	
					Under DHFS Hold-Harmless	Under Option 1 Hold-Harmless			Hold-Harmless	Option 1	Hold-Harmless	Option 1
98 Eau Claire	75.04	93.31	18.26	24.36%	92.87	92.87	17.84	23.77%	24.36%	24.36%	23.77%	23.77%
100	105.07	111.25	6.18	5.89%	110.81	110.81	5.74	5.47%	5.89%	5.89%	5.47%	5.47%
101	94.42	106.62	12.21	12.93%	106.16	106.16	11.77	12.46%	12.93%	12.93%	12.46%	12.46%
102	102.74	108.84	6.10	5.94%	108.40	108.40	5.66	5.51%	5.94%	5.94%	5.51%	5.51%
103	100.91	107.14	6.23	6.17%	106.70	106.70	5.79	5.73%	6.17%	6.17%	5.73%	5.73%
104	104.16	111.17	7.01	6.73%	110.73	110.73	6.57	6.31%	6.73%	6.73%	6.31%	6.31%
105 Florence	87.72	98.69	11.07	13.64%	99.25	99.25	11.53	13.14%	13.64%	13.64%	13.14%	13.14%
106 Fond du Lac	104.68	111.78	7.10	6.78%	111.34	111.34	6.66	6.36%	6.78%	6.78%	6.36%	6.36%
107	98.21	104.24	6.03	6.14%	103.80	103.80	5.59	5.70%	6.14%	6.14%	5.70%	5.70%
108	93.26	109.05	15.80	16.95%	108.61	108.61	15.36	16.48%	16.95%	16.95%	16.48%	16.48%
109	88.05	94.30	6.25	7.09%	93.86	93.86	4.82	5.41%	7.09%	7.09%	5.41%	5.41%
110	98.79	100.20	1.41	1.43%	99.76	99.76	0.97	0.98%	1.43%	1.43%	0.98%	0.98%
111	95.39	102.03	6.65	6.97%	101.59	101.59	6.21	6.51%	6.97%	6.97%	6.51%	6.51%
112	82.30	89.23	6.93	8.42%	88.79	88.79	6.49	7.89%	8.42%	8.42%	7.89%	7.89%
113	102.20	108.00	5.80	5.67%	107.56	107.56	5.36	5.24%	5.67%	5.67%	5.24%	5.24%
114 FOND DU LAC**	104.63	105.19	0.56	0.54%	107.20	107.20	2.58	2.46%	2.46%	2.46%	2.46%	2.46%
115 Forest	95.29	102.66	7.37	7.73%	102.22	102.22	6.93	7.27%	7.73%	7.73%	7.27%	7.27%
116	96.09	103.99	7.90	8.21%	103.55	103.55	7.46	7.74%	8.21%	8.21%	7.74%	7.74%
117 Grant	95.47	104.61	9.14	9.58%	104.37	104.37	8.90	9.32%	9.58%	9.58%	9.32%	9.32%
118	107.76	113.84	6.09	5.65%	113.40	113.40	5.65	5.24%	5.65%	5.65%	5.24%	5.24%
119	85.18	92.29	7.11	8.35%	91.95	91.95	6.67	7.83%	8.35%	8.35%	7.83%	7.83%
120	94.85	105.22	10.37	10.82%	104.78	104.78	9.83	10.35%	10.82%	10.82%	10.35%	10.35%
121	98.91	110.06	11.15	11.16%	110.11	110.11	10.71	10.72%	11.16%	11.16%	10.72%	10.72%
122	103.71	110.55	6.84	6.60%	110.11	110.11	6.40	6.17%	6.60%	6.60%	6.17%	6.17%
123	102.26	110.24	7.98	7.78%	109.80	109.80	7.52	7.35%	7.78%	7.78%	7.35%	7.35%
124 GRANT**	93.61	102.44	8.83	9.43%	102.00	102.00	8.39	8.96%	9.43%	9.43%	8.96%	8.96%
125 GREEN*	101.54	106.47	4.93	4.85%	106.48	106.48	6.94	6.83%	6.83%	6.83%	6.83%	6.83%
126	98.70	104.49	5.79	5.87%	104.05	104.05	5.35	5.42%	5.87%	5.87%	5.42%	5.42%
127	104.82	105.60	0.78	0.74%	107.61	107.61	2.79	2.66%	2.66%	2.66%	2.66%	2.66%
128 Green Lake	96.13	100.05	3.92	4.08%	99.61	99.61	3.48	3.62%	4.08%	4.08%	3.62%	3.62%
129	92.18	98.64	6.46	7.03%	98.20	98.20	6.04	6.55%	7.03%	7.03%	6.55%	6.55%
130 GREEN LAKE**	105.59	112.59	7.00	6.63%	112.15	112.15	6.56	6.22%	6.63%	6.63%	6.22%	6.22%
131 IOWA*	100.96	99.74	(1.22)	(1.21%)	101.75	101.75	0.79	0.78%	(1.21%)	(1.21%)	0.78%	0.78%
132	118.88	118.42	1.44	1.23%	120.43	120.43	3.45	2.95%	2.95%	2.95%	2.95%	2.95%
133	91.86	103.43	11.55	12.58%	102.99	102.99	11.11	12.10%	12.58%	12.58%	12.10%	12.10%
134 Iron	99.82	96.19	6.57	7.33%	95.75	95.75	6.13	6.84%	7.33%	7.33%	6.84%	6.84%
135	98.21	106.67	8.46	8.62%	106.23	106.23	8.02	8.17%	8.62%	8.62%	8.17%	8.17%
136 Jackson	101.20	118.45	14.25	14.09%	115.01	115.01	13.81	13.64%	14.09%	14.09%	13.64%	13.64%
137	97.02	103.64	6.62	6.83%	103.20	103.20	6.18	6.37%	6.83%	6.83%	6.37%	6.37%
138 JEFFERSON*	106.40	106.90	0.50	0.47%	109.91	109.91	2.51	2.36%	2.36%	2.36%	2.36%	2.36%
139	97.87	110.17	12.30	12.57%	109.73	109.73	11.86	12.12%	12.57%	12.57%	12.12%	12.12%
140	105.11	109.46	3.35	3.19%	110.47	110.47	5.36	5.10%	5.10%	5.10%	5.10%	5.10%
141	102.48	102.60	0.12	0.12%	104.61	104.61	2.14	2.08%	2.08%	2.08%	2.08%	2.08%
142 JUNEAU*	111.77	113.39	1.62	1.45%	119.40	119.40	3.63	3.25%	3.25%	3.25%	3.25%	3.25%
143	98.08	106.09	7.03	7.10%	105.65	105.65	6.58	6.68%	6.68%	6.68%	6.68%	6.68%
144	99.10	101.52	2.42	2.44%	103.53	103.53	4.43	4.47%	4.47%	4.47%	4.47%	4.47%



**An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal  
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(WAHSA)**

County	Facility Name	7/1/00-6/30/01		7/1/01-6/30/02		Projected MA Rate Under DHFS Hold-Harmless	Rate Change Per Patient Day (PPD)	% Change	7/1/01-6/30/02 Under Option 1 Hold-Harmless	Rate Change PPD	% Change	Homes Benefiting From		No Benefit From	
		MA Rate	Under DHFS Hold-Harmless	MA Rate	Under Option 1 Hold-Harmless							Option 1 Hold Harmless DHFS	Option 1 Hold Harmless DHFS	Option 1 Hold Harmless DHFS	Option 1 Hold Harmless DHFS
KENOSHA*	Beverly Healthcare - Kenosha	100.51	105.22	7.71	7.67%	107.78	7.27	7.23%	107.78	7.27	7.23%	1.16%	7.67%	7.23%	
	Brookside Care Center	109.69	110.96	1.27	1.16%	112.25	2.56	2.34%	112.25	2.56	2.34%	1.16%	7.67%	7.23%	
	Hospitality Nursing & Rehab	103.28	107.75	4.47	4.33%	107.31	4.03	3.90%	107.31	4.03	3.90%	1.16%	7.67%	7.23%	
	Sheridan Medical Complex	98.27	105.08	6.82	6.94%	104.54	6.38	6.49%	104.54	6.38	6.49%	0.82%	7.67%	7.23%	
	St. Joseph's Home for the Aged	103.85	104.70	0.85	0.82%	105.99	2.14	2.06%	105.99	2.14	2.06%	0.82%	7.67%	7.23%	
	The Clairidge House	108.07	104.51	(3.55)	-3.23%	(3.99)	(3.99)	-3.70%	104.07	(3.99)	-3.70%	0.82%	7.67%	7.23%	
	Washington Manor	94.87	103.85	8.98	9.47%	103.41	8.54	9.00%	103.41	8.54	9.00%	4.19%	7.67%	7.23%	
	Woodstock Health & Rehab Center	106.89	111.37	4.48	4.19%	112.66	5.77	5.40%	112.66	5.77	5.40%	4.19%	7.67%	7.23%	
	Algonia Medical Center & LTCU	96.01	101.84	5.83	6.07%	101.40	5.39	5.61%	101.40	5.39	5.61%	4.19%	7.67%	7.23%	
	Kewaunee Health Care Center	104.24	110.44	6.20	5.95%	110.00	5.76	5.53%	110.00	5.76	5.53%	4.19%	7.67%	7.23%	
	Belthany Riverside	105.98	110.25	4.27	4.03%	109.81	3.83	3.61%	109.81	3.83	3.61%	4.19%	7.67%	7.23%	
	Belthany St. Joseph Care Center	100.05	104.14	4.09	4.09%	103.70	3.66	3.65%	103.70	3.66	3.65%	4.19%	7.67%	7.23%	
	Hillview Health Care Center	99.01	105.11	6.10	6.16%	104.67	5.66	5.71%	104.67	5.66	5.71%	4.19%	7.67%	7.23%	
	Lakeview Health Center	101.03	105.65	4.62	4.57%	105.21	4.18	4.13%	105.21	4.18	4.13%	4.19%	7.67%	7.23%	
Maider Health Care Facility	98.65	104.25	5.60	5.67%	103.81	5.16	5.23%	103.81	5.16	5.23%	4.19%	7.67%	7.23%		
Onaska Care Center	101.90	106.09	4.19	4.11%	105.65	3.75	3.68%	105.65	3.75	3.68%	4.19%	7.67%	7.23%		
St. Joseph's Nursing Home	98.66	112.63	13.97	14.14%	112.39	13.53	13.69%	112.39	13.53	13.69%	0.03%	7.67%	7.23%		
Lafayette Manor	96.04	98.07	0.03	0.03%	100.08	2.94	2.98%	100.08	2.94	2.98%	2.08%	7.67%	7.23%		
Eastview Medical & Rehab Center	98.89	105.87	6.98	7.06%	105.43	6.54	6.61%	105.43	6.54	6.61%	0.03%	7.67%	7.23%		
Golden Age Nursing Home	93.16	96.01	2.85	3.06%	95.57	2.41	2.59%	95.57	2.41	2.59%	0.03%	7.67%	7.23%		
Pine Crest Nursing Home	102.90	108.46	5.56	5.39%	108.01	5.11	4.96%	108.01	5.11	4.96%	0.03%	7.67%	7.23%		
Riverside Rehab & Care Center	93.26	105.88	12.62	13.53%	105.44	12.18	13.08%	105.44	12.18	13.08%	0.03%	7.67%	7.23%		
Hamilton Memorial Home	98.90	106.07	7.17	7.25%	105.63	6.73	6.81%	105.63	6.73	6.81%	0.03%	7.67%	7.23%		
North Ridge Medical Center	99.31	106.42	7.11	7.16%	105.98	6.67	6.72%	105.98	6.67	6.72%	0.03%	7.67%	7.23%		
Rainbow House	91.40	96.57	5.17	5.65%	96.13	4.73	5.18%	96.13	4.73	5.18%	0.03%	7.67%	7.23%		
River's Bend Health & Rehab	102.33	107.53	5.20	5.09%	107.09	4.76	4.66%	107.09	4.76	4.66%	0.03%	7.67%	7.23%		
Shady Lane, Inc.	97.12	104.46	7.34	7.56%	104.02	6.90	7.11%	104.02	6.90	7.11%	0.03%	7.67%	7.23%		
St. Mary's Home for the Aged	101.79	108.37	6.58	6.45%	108.03	6.24	6.11%	108.03	6.24	6.11%	0.03%	7.67%	7.23%		
Colonial Manor Med & Rehab	100.76	108.77	8.01	7.95%	108.33	7.57	7.52%	108.33	7.57	7.52%	0.03%	7.67%	7.23%		
Continental Manor	91.53	99.96	8.43	9.21%	99.52	7.99	8.73%	99.52	7.99	8.73%	0.03%	7.67%	7.23%		
Kennedy Park Medical & Rehab Center	100.76	108.89	8.23	8.17%	108.55	7.79	7.73%	108.55	7.79	7.73%	0.03%	7.67%	7.23%		
Marywood Convalescent Center	104.29	112.61	8.32	7.98%	112.17	7.88	7.56%	112.17	7.88	7.56%	0.03%	7.67%	7.23%		
North Central HCF	106.43	113.59	7.16	6.73%	113.15	6.72	6.32%	113.15	6.72	6.32%	0.03%	7.67%	7.23%		
Wausau Manor	109.86	116.74	6.88	6.24%	116.30	6.42	5.84%	116.30	6.42	5.84%	0.03%	7.67%	7.23%		
Luther Home	94.22	101.16	6.94	7.36%	100.72	6.50	6.89%	100.72	6.50	6.89%	0.03%	7.67%	7.23%		
Manly Hill Manor, Inc.	101.86	109.65	7.79	7.65%	109.21	7.35	7.21%	109.21	7.35	7.21%	0.03%	7.67%	7.23%		
NEWCare Convalescent Center	101.24	109.27	8.03	7.93%	108.83	7.59	7.50%	108.83	7.59	7.50%	0.03%	7.67%	7.23%		
Renness Health Center - East	102.56	109.45	6.89	6.72%	109.01	6.45	6.29%	109.01	6.45	6.29%	0.03%	7.67%	7.23%		
Renness Health Center - West	99.52	100.06	0.54	0.55%	100.06	0.54	0.55%	100.06	0.54	0.55%	0.10%	7.67%	7.23%		
Whispering Oaks Care Center	105.47	111.74	6.27	5.94%	111.30	5.83	5.52%	111.30	5.83	5.52%	0.10%	7.67%	7.23%		

**An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal  
and Its Impact on 2001-02 Nursing Home Rates-- Provided by the Wisconsin Association of Homes and Services for the Aging  
(WAHSA)**

County	Facility Name	7/1/00-6/30/01		7/1/01-6/30/02		Projected MA Rate		Rate Change		7/1/01-6/30/02		Homes Benefiting From		No Benefit From	
		MA Rate	Under DHFS Hold-Harmless	MA Rate	Under DHFS Hold-Harmless	MA Rate	Under DHFS Hold-Harmless	Under Option 1 Hold-Harmless	Rate Change PPD	% Change	Rate Change PPD	% Change	DHFS Hold-Harmless	Option 1 Hold-Harmless	DHFS Hold-Harmless
Milwaukee	Alexian Village	107.81	114.81	114.81	114.81	7.00	6.49%	114.37	6.56	6.08%	6.49%				
	Allis Care Center	109.30	118.18	118.18	118.18	8.88	8.12%	117.74	8.44	7.72%	8.12%				
	Bradley Health & Rehab	103.70	111.87	111.87	111.87	8.17	7.88%	111.43	7.73	7.45%	7.88%				
	Cameo Care Center	106.21	113.93	113.93	113.93	7.72	7.27%	113.49	7.28	6.85%	7.27%				
	Christopher East Health & Rehab Center	109.13	121.27	121.27	121.27	12.14	11.13%	120.83	11.10	10.73%	11.13%				
	Clarent Manor	110.46	117.71	117.71	117.71	7.25	6.57%	117.27	6.81	6.17%	6.57%				
	Colonial Manor	109.85	120.75	120.75	120.75	11.10	10.13%	120.31	10.66	9.72%	10.13%				
	Comstock Care Center	120.97	116.48	116.48	116.48	(4.48)	(3.71%)	116.04	(4.93)	(4.07%)	(3.71%)				
	Franciscan Villa	106.42	114.71	114.71	114.71	8.29	7.79%	114.27	7.85	7.38%	7.79%				
	Friendship Village	104.65	112.03	112.03	112.03	7.38	7.05%	111.69	6.94	6.63%	7.05%				
	Hales Comen Care Center	117.12	124.45	124.45	124.45	7.33	6.26%	124.01	6.89	5.89%	6.26%				
	Havenwood Nursing & Rehab Center	107.43	115.89	115.89	115.89	8.46	7.88%	115.45	8.02	7.47%	7.88%				
	Heartlands Rehabilitation Center	107.42	114.86	114.86	114.86	7.44	6.92%	114.42	7.00	6.51%	6.92%				
	Heartland of Milwaukee	91.13	101.05	101.05	101.05	9.93	10.89%	100.61	9.49	10.41%	10.89%				
	Honey Creek Health & Rehabilitation	108.96	117.50	117.50	117.50	8.54	7.84%	117.06	8.10	7.44%	7.84%				
	Jackson Center	94.00	104.79	104.79	104.79	10.79	11.49%	104.35	10.35	11.01%	11.49%				
	Jewish Home & Care Center, Inc.	108.80	117.40	117.40	117.40	10.60	9.93%	116.96	10.16	9.52%	9.93%				
	Kilbourn Care Center	100.52	112.63	112.63	112.63	12.11	12.05%	112.19	11.67	11.61%	12.05%				
	Luther Manor	109.82	116.83	116.83	116.83	7.11	6.48%	116.49	6.67	6.08%	6.48%				
	Lutheran Home for the Aging	110.77	117.50	117.50	117.50	6.73	6.07%	117.06	6.29	5.68%	6.07%				
	Maplewood Center	108.48	115.77	115.77	115.77	7.29	6.72%	115.33	6.85	6.31%	6.72%				
	Marian Franciscan Center	108.97	118.24	118.24	118.24	9.27	8.51%	117.80	8.83	8.10%	8.51%				
	Mary Jude Nursing Home	108.55	116.53	116.53	116.53	7.99	7.36%	116.09	7.55	6.95%	7.36%				
	Mercy Residential & Rehab Ctr.	103.48	108.71	108.71	108.71	5.23	5.05%	108.27	4.79	4.63%	5.05%				
	Milwaukee Care Center	117.38	129.46	129.46	129.46	12.08	10.30%	128.92	11.64	9.92%	10.30%				
	Milwaukee Catholic Home	112.50	118.83	118.83	118.83	6.33	5.71%	118.49	5.99	5.32%	5.71%				
	Milwaukee County Rehab Center- Main	111.97	117.74	117.74	117.74	5.77	5.16%	117.30	5.33	4.76%	5.16%				
	Mitchell Manor	108.83	117.84	117.84	117.84	9.01	7.20%	117.40	7.47	6.80%	7.20%				
Park Manor HealthCare Center	122.32	122.15	122.15	122.15	(0.17)	(0.14%)	121.71	(0.61)	(0.50%)	(0.14%)					
Plymouth Manor Nursing Home	103.29	111.63	111.63	111.63	8.34	8.09%	111.19	7.90	7.65%	8.09%					
Shorewood Heights HCC	101.65	111.85	111.85	111.85	10.20	10.04%	111.41	9.76	9.60%	10.04%					
Silver Spring Convalescent	97.34	107.34	107.34	107.34	10.00	10.27%	106.90	9.56	9.82%	10.27%					
South Shore Manor	105.98	111.48	111.48	111.48	5.50	5.19%	111.04	5.06	4.78%	5.19%					
SouthPointe HealthCare Center	110.76	118.28	118.28	118.28	7.53	6.79%	117.85	7.09	6.40%	6.79%					
St. Ann Rest Home	105.29	113.99	113.99	113.99	8.70	8.26%	113.55	8.26	7.84%	8.26%					
St. Anne's Home for the Elderly	108.16	115.26	115.26	115.26	7.09	6.55%	114.82	6.65	6.14%	6.55%					
St. Camillus Health Center	110.16	118.30	118.30	118.30	8.15	7.39%	117.86	7.71	6.99%	7.39%					
St. John's Home of Milwaukee	108.06	115.08	115.08	115.08	7.02	6.50%	114.64	6.58	6.09%	6.50%					
Sunnies Care Center, Inc.	108.92	117.11	117.11	117.11	8.19	7.79%	116.67	8.05	7.39%	7.79%					
Terrace at St. Francis	111.44	120.06	120.06	120.06	8.62	7.74%	119.62	8.18	7.34%	7.74%					
Trepho Terrace	115.74	125.49	125.49	125.49	9.75	8.42%	125.05	9.31	8.04%	8.42%					
West Allis Care Center	108.10	116.28	116.28	116.28	8.18	7.57%	115.84	7.74	7.16%	7.57%					
Willowcrest Care Center	111.19	117.89	117.89	117.89	6.50	5.85%	117.45	6.06	5.45%	5.85%					
Wisconsin Lutheran Care Center	107.20	115.18	115.18	115.18	7.98	7.45%	114.74	7.54	7.04%	7.45%					

# An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal and Its Impact on 2001-02 Nursing Home Rates-- Provided by the Wisconsin Association of Homes and Services for the Aging (WAHSA)

County	Facility Name	7/1/00-6/30/01		7/1/01-6/30/02		7/1/01-6/30/02		7/1/01-6/30/02		7/1/01-6/30/02		Homes Benefiting From		No Benefit From	
		MA Rate	Under DHFS Hold-Harmless	MA Rate	Under DHFS Hold-Harmless	Projected MA Rate	Under Option 1 Hold-Harmless	Rate Change Per Patient Day (PPD)	% Change	Rate Change PPD	% Change	Option 1 Hold-Harmless DHFS	Option 1 Hold-Harmless Hold-Harmless	Option 1 Hold-Harmless DHFS	Option 1 Hold-Harmless Hold-Harmless
229	Monroe Memorial Home	99.68	106.40	105.96	105.96	6.28	6.30%	6.28	6.30%	6.28	6.30%	6.28	6.30%	6.28	6.30%
230	Rolling Hills	98.51	105.07	104.53	104.53	6.56	6.21%	6.12	6.21%	6.12	6.21%	6.12	6.21%	6.12	6.21%
231	Sparks Nursing Home	110.00	115.43	115.99	115.99	5.99	5.45%	5.99	5.45%	5.99	5.45%	5.99	5.45%	5.99	5.45%
232	Tomah Care Center	85.00	86.38	86.38	86.38	11.38	13.38%	10.94	12.81%	10.94	12.81%	10.94	12.81%	10.94	12.81%
233	Gillett Nursing Home	84.30	92.11	92.11	92.11	7.81	9.26%	7.37	8.74%	7.37	8.74%	7.37	8.74%	7.37	8.74%
234	Riverside Health and Rehab Services	96.84	107.75	107.75	107.75	10.91	11.27%	10.31	10.62%	10.31	10.62%	10.31	10.62%	10.31	10.62%
235	Sharp Care Ltd.	101.33	108.03	108.03	108.03	6.70	6.61%	6.26	6.16%	6.26	6.16%	6.26	6.16%	6.26	6.16%
236	Woodland Village	99.05	108.29	108.29	108.29	8.14	8.28%	8.00	8.06%	8.00	8.06%	8.00	8.06%	8.00	8.06%
237	Dr. Kate Newcomb Convalescent Center	103.02	111.13	111.13	111.13	8.11	7.87%	7.70	7.84%	7.70	7.84%	7.70	7.84%	7.70	7.84%
238	Friendly Village	106.90	114.32	114.32	114.32	7.43	6.95%	6.99	6.53%	6.99	6.53%	6.99	6.53%	6.99	6.53%
239	Taylor Park	122.81	132.49	132.49	132.49	9.89	8.05%	9.45	7.70%	9.45	7.70%	9.45	7.70%	9.45	7.70%
240	Anna John Nursing Home	99.82	107.27	107.27	107.27	7.46	7.47%	7.02	7.03%	7.02	7.03%	7.02	7.03%	7.02	7.03%
241	Colony Oaks Care Center	101.56	108.41	108.41	108.41	6.85	6.74%	6.41	6.31%	6.41	6.31%	6.41	6.31%	6.41	6.31%
242	Franciscan Care & Rehab Center	104.34	112.86	112.86	112.86	8.52	8.17%	8.08	7.75%	8.08	7.75%	8.08	7.75%	8.08	7.75%
243	Good Shepherd Home	93.61	102.81	102.81	102.81	9.20	9.83%	8.76	9.36%	8.76	9.36%	8.76	9.36%	8.76	9.36%
244	Memorial Care Health Services - Appleton	105.48	114.55	114.55	114.55	9.07	8.60%	8.63	8.18%	8.63	8.18%	8.63	8.18%	8.63	8.18%
245	Parkside Care Center	95.47	104.19	104.19	104.19	8.72	9.13%	8.28	8.67%	8.28	8.67%	8.28	8.67%	8.28	8.67%
246	Reness Health Center - Appleton	106.79	116.29	116.29	116.29	7.50	6.99%	7.08	6.49%	7.08	6.49%	7.08	6.49%	7.08	6.49%
247	St. Paul Home	103.55	112.80	112.80	112.80	9.25	8.93%	8.81	8.51%	8.81	8.51%	8.81	8.51%	8.81	8.51%
248	Heritage Nursing Home	107.60	114.79	114.79	114.79	7.20	6.69%	6.76	6.28%	6.76	6.28%	6.76	6.28%	6.76	6.28%
249	Lausata	104.45	111.48	111.48	111.48	7.04	6.74%	6.60	6.31%	6.60	6.31%	6.60	6.31%	6.60	6.31%
250	Oakview Care Center	98.57	106.88	106.88	106.88	8.41	8.53%	7.97	8.08%	7.97	8.08%	7.97	8.08%	7.97	8.08%
251	Peppin Manor	80.06	92.75	92.75	92.75	12.69	15.85%	12.25	15.30%	12.25	15.30%	12.25	15.30%	12.25	15.30%
252	Ellsworth Care Center	93.77	108.71	108.71	108.71	14.84	15.94%	14.50	15.47%	14.50	15.47%	14.50	15.47%	14.50	15.47%
253	Heritage of Elmwood	100.73	104.83	104.83	104.83	4.10	4.07%	3.66	3.63%	3.66	3.63%	3.66	3.63%	3.66	3.63%
254	Plum City Care Center	88.60	98.73	98.73	98.73	10.93	12.31%	10.49	11.82%	10.49	11.82%	10.49	11.82%	10.49	11.82%
255	Spring Valley Nursing Home	92.82	103.96	103.96	103.96	11.09	11.89%	10.81	11.41%	10.81	11.41%	10.81	11.41%	10.81	11.41%
256	St. Croix Care Center	113.78	117.73	117.73	117.73	3.95	3.47%	3.47	3.00%	3.47	3.00%	3.47	3.00%	3.47	3.00%
257	Frederic Care Center	111.78	121.32	121.32	121.32	9.54	8.54%	9.10	8.14%	9.10	8.14%	9.10	8.14%	9.10	8.14%
258	United Pioneer Homes, Inc.	91.98	99.08	99.08	99.08	7.11	7.72%	6.67	7.25%	6.67	7.25%	6.67	7.25%	6.67	7.25%
259	L.O. Simonsstad NGU (High)	119.02	117.74	117.74	117.74	(1.28)	-1.07%	0.73	0.62%	0.73	0.62%	0.73	0.62%	0.73	0.62%
260	St. Croix Valley SSC (High)	102.45	107.38	107.38	107.38	4.94	4.82%	4.49	4.36%	4.49	4.36%	4.49	4.36%	4.49	4.36%
261	Golden Age Manor (High)	105.63	106.09	106.09	106.09	0.46	0.44%	0.46	0.44%	0.46	0.44%	0.46	0.44%	0.46	0.44%
262	Willow Ridge (High)	108.18	112.37	112.37	112.37	6.19	5.83%	5.70	5.26%	5.70	5.26%	5.70	5.26%	5.70	5.26%
263	Portage County HCC	96.86	102.06	102.06	102.06	5.20	5.39%	4.82	5.00%	4.82	5.00%	4.82	5.00%	4.82	5.00%
264	River Pines Center	97.32	104.01	104.01	104.01	6.69	6.87%	6.25	6.42%	6.25	6.42%	6.25	6.42%	6.25	6.42%
265	Park Manor	95.53	104.42	104.42	104.42	8.89	9.31%	8.45	8.85%	8.45	8.85%	8.45	8.85%	8.45	8.85%
266	Pleasant View Nursing Home	95.56	102.51	102.51	102.51	6.95	7.27%	6.51	6.81%	6.51	6.81%	6.51	6.81%	6.51	6.81%
267	Becker Shoop Center	102.40	104.87	104.87	104.87	2.47	2.41%	2.17	2.11%	2.17	2.11%	2.17	2.11%	2.17	2.11%
268	Lakeshore Manor	116.84	117.59	117.59	117.59	0.95	0.81%	0.81	0.69%	0.81	0.69%	0.81	0.69%	0.81	0.69%
269	Lincoln Village Convalescent Center	102.50	104.46	104.46	104.46	1.96	1.92%	1.75	1.71%	1.75	1.71%	1.75	1.71%	1.75	1.71%
270	Mount Carmel Care Center	102.98	106.33	106.33	106.33	3.35	3.25%	2.97	2.88%	2.97	2.88%	2.97	2.88%	2.97	2.88%
271	Oak Ridge Care Center	104.20	114.68	114.68	114.68	10.48	10.06%	10.04	9.64%	10.04	9.64%	10.04	9.64%	10.04	9.64%
272	Racine Residential Care	77.19	86.20	86.20	86.20	9.01	11.67%	8.57	11.10%	8.57	11.10%	8.57	11.10%	8.57	11.10%
273	Ridgewood Care Center	105.94	109.01	109.01	109.01	2.07	1.94%	1.81	1.71%	1.81	1.71%	1.81	1.71%	1.81	1.71%
274	Lincoln Lutheran Care Center	109.21	110.78	110.78	110.78	1.58	1.45%	1.45	1.32%	1.45	1.32%	1.45	1.32%	1.45	1.32%
275	Pine Valley Healthcare & Rehabilitation	102.63	103.98	103.98	103.98	1.36	1.32%	1.26	1.23%	1.26	1.23%	1.26	1.23%	1.26	1.23%
276	Schmitt Woodland Hills	116.78	116.77	116.77	116.77	(0.01)	-0.01%	3.37	3.28%	3.37	3.28%	3.37	3.28%	3.37	3.28%
277	Beloit Health & Rehabilitation Center	101.22	114.13	114.13	114.13	12.91	12.76%	12.47	12.32%	12.47	12.32%	12.47	12.32%	12.47	12.32%
278	Cedar Crest Health Center	104.32	112.04	112.04	112.04	7.73	7.41%	7.29	6.98%	7.29	6.98%	7.29	6.98%	7.29	6.98%
279	Evansville Manor	102.35	109.34	109.34	109.34	6.99	6.83%	6.55	6.40%	6.55	6.40%	6.55	6.40%	6.55	6.40%
280	Meadow Park Health Care Center	97.80	97.80	97.80	97.80	(0.20)	-0.21%	(0.84)	-0.86%	(0.84)	-0.86%	(0.84)	-0.86%	(0.84)	-0.86%
281	Memorial Community Hospital	102.12	109.72	109.72	109.72	7.60	7.44%	7.16	7.01%	7.16	7.01%	7.16	7.01%	7.16	7.01%
282	Nancy Manor	94.33	100.24	100.24	100.24	15.91	16.86%	15.47	16.40%	15.47	16.40%	15.47	16.40%	15.47	16.40%
283	St. Elizabeth's Nursing Home	114.32	122.41	122.41	122.41	8.09	7.07%	7.65	6.69%	7.65	6.69%	7.65	6.69%	7.65	6.69%
284	Premier Rehabilitation & Skilled Nursing	104.21	103.19	103.19	103.19	(1.02)	-0.96%	(1.46)	-1.40%	(1.46)	-1.40%	(1.46)	-1.40%	(1.46)	-1.40%



**An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal  
and Its Impact on 2001-02 Nursing Home Rates-- Provided by the Wisconsin Association of Homes and Services for the Aging  
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County	Facility Name	7/100- 63001		7/101-63002		Projected		7/101-63002		Rate Change		7/101-63002		Homes Benefiting From		No Benefit From	
		MA Rate	MA Ratio	Under DHFS Hold-Harmless	MA Ratio	Under Option 1 Hold-Harmless	Rate Change Per Patient Day (PPD)	% Change	Projected MA Rate Under Option 1 Hold-Harmless	Rate Change PPD	% Change	Option 1 DHFS Hold-Harmless	Option 1 Hold-Harmless	Option 1 DHFS Hold-Harmless	Option 1 Hold-Harmless		
Rusk	Ladywalth Nursing Home	102.25	107.87	100.48	5.72	5.60%	107.53	5.28	5.16%	0.89%	5.60%	5.80%	5.16%				
Rusk	Rusk County Nursing Home	94.57	100.48	119.92	5.31	6.25%	100.04	5.47	5.79%	0.89%	5.60%	5.80%	5.16%				
SAUK*	Edward Snyder Memorial Home	118.86	119.92	104.83	1.06	0.89%	121.93	3.07	2.58%	3.73%	2.58%	2.58%	5.79%				
SAUK*	Greenway Manor	101.06	104.83	104.83	3.77	3.73%	106.94	5.78	5.72%	1.05%	2.99%	2.99%	5.72%				
SAUK*	Maplewood of Sauk Prairie	103.71	104.83	104.83	1.09	1.05%	106.81	3.10	2.99%	1.05%	2.99%	2.99%	5.72%				
SAUK*	Sauk County HCC	97.44	106.36	106.36	8.95	9.19%	108.40	10.96	11.25%	1.16%	3.06%	3.06%	5.72%				
Sawyer	St Clara Meadows Care Center	105.67	106.89	106.89	1.22	1.16%	108.80	3.24	3.06%	1.16%	3.06%	3.06%	5.72%				
Sawyer	Hayward Area Memorial Nursing Home	95.88	105.89	105.89	9.92	10.33%	105.46	9.48	9.87%	1.16%	3.06%	3.06%	5.72%				
Sawyer	Valley Health Care Center	92.66	100.91	100.91	8.23	8.68%	100.47	7.79	8.41%	1.16%	3.06%	3.06%	5.72%				
Shawano	Birch Hill Healthcare Center	91.51	107.76	107.76	16.25	17.76%	107.32	15.81	17.28%	1.16%	3.06%	3.06%	5.72%				
Shawano	Evergreen Healthcare Center	96.39	105.51	105.51	9.13	9.47%	105.07	8.69	9.01%	1.16%	3.06%	3.06%	5.72%				
Shawano	Heartland Health Care Center - Shawano	88.39	99.61	99.61	11.42	12.92%	99.37	10.98	12.42%	1.16%	3.06%	3.06%	5.72%				
Shawano	Honore Home for the Aging	99.80	108.00	108.00	8.20	8.22%	107.56	7.76	7.77%	1.16%	3.06%	3.06%	5.72%				
Shawano	Maple Lane Health Care Center	100.24	103.92	103.92	3.68	3.67%	103.48	3.24	3.23%	1.16%	3.06%	3.06%	5.72%				
Shawano	Beechwood Rest Home	120.62	125.87	125.87	5.25	4.35%	125.43	4.81	3.99%	1.16%	3.06%	3.06%	5.72%				
Shawano	Greendale Health Care Center	85.39	107.51	107.51	12.12	12.71%	107.07	11.68	12.25%	1.16%	3.06%	3.06%	5.72%				
Shawano	Heritage Nursing Home	108.74	112.32	111.88	3.58	3.30%	111.88	3.14	2.89%	1.16%	3.06%	3.06%	5.72%				
Shawano	Headrow Manor	103.61	111.48	111.48	7.87	7.60%	111.04	7.43	7.17%	1.16%	3.06%	3.06%	5.72%				
Shawano	Morningside Health Center	105.18	111.11	111.11	5.93	5.63%	110.67	5.49	5.22%	1.16%	3.06%	3.06%	5.72%				
Shawano	Pine Haven Christian Home	94.66	100.27	100.27	5.61	5.92%	99.83	5.17	5.46%	1.16%	3.06%	3.06%	5.72%				
Shawano	Shoebogon Retirement Home	105.66	109.72	109.72	4.03	3.81%	109.28	3.59	3.40%	1.16%	3.06%	3.06%	5.72%				
Shawano	Valley Manor Nursing Home	102.61	114.96	114.96	12.35	12.03%	114.52	11.91	11.60%	1.16%	3.06%	3.06%	5.72%				
Shawano	American Heritage Care Center	109.98	115.63	115.63	5.65	5.14%	115.93	6.95	6.32%	1.16%	3.06%	3.06%	5.72%				
ST. CROIX*	Balducci Care Center	101.58	106.91	106.91	7.33	7.21%	106.47	6.89	6.78%	1.16%	3.06%	3.06%	5.72%				
ST. CROIX*	Christian Community Home	111.03	116.49	116.49	5.46	4.92%	117.79	6.76	6.09%	1.16%	3.06%	3.06%	5.72%				
ST. CROIX*	Glenhaven, Inc.	92.06	101.53	101.53	9.47	10.25%	101.09	9.03	9.81%	1.16%	3.06%	3.06%	5.72%				
ST. CROIX*	Kinnia Long Term Care	112.72	119.38	119.38	6.64	5.89%	119.92	6.20	5.60%	1.16%	3.06%	3.06%	5.72%				
ST. CROIX*	Maple Manor	104.62	98.65	98.65	(6.97)	-7.1%	98.21	(6.41)	-6.13%	1.16%	3.06%	3.06%	5.72%				
ST. CROIX*	Parview Home	79.15	100.17	100.17	20.99	26.51%	99.73	20.55	25.96%	1.16%	3.06%	3.06%	5.72%				
Taylor	ST Croix Health Center	100.99	113.09	113.09	12.10	11.98%	114.39	13.40	13.27%	1.16%	3.06%	3.06%	5.72%				
Taylor	Memorial Nursing Home	100.94	108.21	108.21	7.27	7.20%	107.77	6.83	6.77%	1.16%	3.06%	3.06%	5.72%				
Taylor	Rib Lake Health Care Center	90.76	99.48	99.48	8.70	9.59%	98.04	6.26	6.10%	1.16%	3.06%	3.06%	5.72%				
Taylor	Zastrow Care Center	98.98	104.09	104.09	5.10	5.16%	103.65	4.66	4.71%	1.16%	3.06%	3.06%	5.72%				
Taylor	Arctadia Nursing Home	94.56	102.09	102.09	7.54	7.97%	101.65	7.10	7.50%	1.16%	3.06%	3.06%	5.72%				
Taylor	Grand View Care Center, Inc.	97.79	106.06	106.06	8.27	8.46%	105.62	7.83	8.01%	1.16%	3.06%	3.06%	5.72%				
Taylor	Marinika Manor	95.11	100.99	100.99	5.88	6.19%	100.55	5.44	5.72%	1.16%	3.06%	3.06%	5.72%				
Taylor	Oseco Area Hospital & NH	104.43	100.24	100.24	(4.19)	-4.01%	99.80	(4.63)	-4.43%	1.16%	3.06%	3.06%	5.72%				
Taylor	Pigeon Falls Nursing Home	98.83	110.90	110.90	12.07	12.21%	110.46	11.63	11.77%	1.16%	3.06%	3.06%	5.72%				
Taylor	Sturm Nursing Home	95.81	104.02	104.02	8.21	8.57%	103.58	7.77	8.11%	1.16%	3.06%	3.06%	5.72%				
Taylor	Trempealeau Co. Health Care Center	98.76	104.80	104.80	6.14	6.22%	104.46	5.70	5.77%	1.16%	3.06%	3.06%	5.72%				
Taylor	Tri-County Memorial Nursing Home	100.49	107.28	107.28	6.79	6.76%	106.84	6.35	6.32%	1.16%	3.06%	3.06%	5.72%				

**An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal  
and Its Impact on 2001-02 Nursing Home Rates-- Provided by the Wisconsin Association of Homes and Services for the Aging  
(WAHSA)**

County	Facility Name	7/1/01-6/30/02		7/1/01-6/30/02		7/1/01-6/30/02		7/1/01-6/30/02		Homes Benefiting From		No Benefit From	
		MA Rate	Under DHFS Hold-Harmless	Rate Change Per Patient Day (PPD)	% Change	Projected MA Rate Under Option 1 Hold-Harmless	Rate Change PPD	% Change	Option 1 Hold-Harmless	Hold-Harmless	Option 1	DHFS	Option 1 Hold-Harmless
Vernon	Bethel Home	99.29	107.29	8.00	8.06%	106.85	7.56	7.62%					
	Noreland Nursing Home	93.43	101.19	7.76	8.30%	100.75	7.32	7.83%					7.82%
	St. Joseph's Nursing Home	97.59	106.13	8.54	8.75%	105.69	8.10	8.30%					8.40%
	Vernon Manor	94.29	101.04	6.75	7.16%	100.60	6.31	6.89%					8.30%
	Eagle River Health Care Center	93.72	98.20	4.48	4.78%	97.76	4.04	4.31%					7.16%
	Lillian E. Kerr Nursing Care & Rehab Cen	100.45	110.02	9.57	9.53%	109.58	9.13	9.09%					4.78%
	Fairhaven	107.95	107.57	0.22	0.21%	109.58	2.24	2.08%			2.08%		9.53%
	Geneva Lake Manor	110.29	112.04	1.75	1.59%	114.05	3.76	3.41%			3.41%		
	Holton Manor	107.69	108.09	0.51	0.47%	110.10	2.52	2.34%			2.34%		
	Kwanis Manor	105.70	108.97	1.28	1.21%	108.98	3.29	3.11%			3.11%		
Washburn	Williams Bay Care Center	108.46	111.03	2.57	2.37%	113.04	4.58	4.22%					
	Willowfield Nursing & Rehabilitation Cen	106.46	110.14	3.68	3.45%	112.15	5.69	5.34%					
	Community Memorial Hosp/NH	101.44	108.16	6.72	6.63%	107.72	6.28	6.19%					
	TerraVIEW Living Center	97.79	110.71	12.93	13.22%	110.27	12.49	12.77%					6.63%
	Harford Care Center	105.71	118.03	8.32	7.88%	117.59	7.88	7.18%					13.22%
	Samarian Health Center	107.95	115.36	7.41	6.87%	114.92	6.97	6.46%					7.88%
	Care-Age of Brookfield	115.53	122.37	6.84	5.92%	121.93	6.40	5.64%					6.87%
	Franciscan Woods	111.70	117.61	5.91	5.29%	117.17	5.47	4.90%					5.92%
	Lindengrove - Mukwonago	100.41	124.52	24.11	24.01%	124.08	23.67	23.57%					4.90%
	Lindengrove Menomonee Falls	111.50	118.54	7.04	6.31%	118.10	6.60	5.92%					24.01%
Washington	Lindengrove New Berlin	111.29	118.66	7.37	6.62%	118.22	6.93	6.22%					6.31%
	Lindengrove Waukeesa	111.19	118.50	7.31	6.67%	118.06	6.87	6.18%					6.62%
	Masonic Health Care Center	109.63	118.81	7.18	6.55%	118.37	6.74	6.15%					6.57%
	Menomonee Falls Health Care	109.38	113.90	4.52	4.04%	113.36	3.98	3.64%					6.55%
	Muskego Nursing Home	104.90	117.89	12.99	12.38%	117.45	12.55	11.95%					4.04%
	River Hills West HealthCare Center	105.08	106.94	1.86	1.77%	106.50	1.42	1.35%					12.38%
	Tudor Oaks	107.44	114.53	7.09	6.60%	114.09	6.65	6.19%					1.77%
	Virginia Health and Rehab	108.14	116.53	10.60	9.71%	116.19	10.05	9.30%					6.60%
	Westmontland Health Center	109.81	116.02	6.21	5.66%	115.58	5.77	5.28%					9.71%
	Woodland Health Center	113.20	121.41	8.21	7.26%	120.97	7.77	6.87%					5.66%
Waupaca	Bethany Home, Inc.	101.50	107.64	6.14	6.05%	107.20	5.70	5.61%					7.26%
	Crystal River Nursing & Rehab Ctr	98.25	105.27	7.02	7.14%	104.83	6.58	6.70%					5.05%
	Iola Nursing Home	101.47	106.57	7.10	7.00%	106.13	5.66	5.56%					5.05%
	Lakeview Manor	100.41	108.32	5.91	5.88%	105.88	5.47	5.45%					7.00%
	Manawa Community Nurs. Ctr.	81.95	93.63	11.68	14.26%	93.19	11.24	13.72%					5.88%
	Pine Manor Health Care Center	80.75	89.68	7.93	9.82%	88.24	7.49	9.27%					14.26%
	St. Joseph Residence	101.85	108.81	6.96	6.83%	108.37	6.52	6.40%					5.89%
	Weyauwega Health Care Center	100.69	107.45	6.76	6.71%	107.01	6.32	6.27%					9.27%
	Greenbree Health & Rehabilitation Center	94.83	103.78	9.15	9.67%	103.34	8.71	9.21%					6.83%
	Wautoma Care Center	93.42	103.53	10.11	10.83%	103.09	9.67	10.35%					6.71%
Wild Rose Manor	92.89	98.99	5.90	6.25%	98.25	5.36	5.78%					10.83%	

## An Analysis of the Option 1 Hold Harmless to the DHFS Nursing Home Labor Region Proposal and Its Impact on 2001-02 Nursing Home Rates-- Provided by the Wisconsin Association of Homes and Services for the Aging (WAHSA)

County	Facility Name	7/1/01-6/30/02 Projected		7/1/01-6/30/02		7/1/01-6/30/02		Homes Benefiting From		No Benefit From		
		MA Rate	MA Rate Under DHFS Hold-Harmless	Rate Change Per Patient Day (PPD)	% Change	Under Option 1 Hold-Harmless	Rate Change PPD	% Change	Option 1 Hold-Harmless DHFS	Option 1 Hold-Harmless Hold-Harmless	Option 1 Hold-Harmless Option 1	Option 1 Hold-Harmless Hold-Harmless
Winnebago	Bethel Home	103.68	110.95	7.27	7.01%	110.51	6.83	6.59%			7.01%	6.58%
	Evergreen Health Center	104.22	110.77	6.55	6.25%	110.33	6.11	5.87%			6.25%	5.87%
	Oakridge Gardens Nursing Center	93.98	105.71	11.75	12.50%	105.27	11.31	12.03%			12.50%	12.03%
	Omro Care Center	104.95	116.09	10.14	9.68%	114.65	9.70	9.24%			9.68%	9.24%
	Oshkosh Medical & Rehab Center	98.83	107.82	8.99	9.09%	107.38	8.55	8.65%			9.09%	8.65%
	Park View - Pleasant Acres	100.39	107.98	7.59	7.58%	107.54	7.15	7.12%			7.58%	7.12%
	Park View - Rehabilitation Pavilion	103.01	110.51	7.51	7.29%	110.07	7.07	6.88%			7.29%	6.88%
	Vailhaven Care Center	101.90	107.26	5.36	5.26%	106.82	4.92	4.83%			5.26%	4.83%
	Bethel Center	100.77	107.82	7.05	7.00%	107.38	6.61	6.56%			7.00%	6.56%
	Edgewater Haven	98.58	104.97	6.39	6.48%	104.53	5.95	6.03%			6.48%	6.03%
	Family Heritage	99.74	107.28	7.54	7.56%	106.84	7.10	7.11%			7.56%	7.11%
Wood	Merrifield Center	85.06	102.61	17.55	20.63%	102.17	17.11	20.12%			20.63%	20.12%
	Norwood Health Center	100.24	105.86	5.62	5.61%	105.42	5.18	5.17%			5.61%	5.17%
	Riverview Manor	100.80	107.81	7.01	6.98%	107.37	6.57	6.52%			6.98%	6.52%
	Average Increase:				7.12%			6.99%	2.44%	4.18%	7.83%	7.48%
<p>The purpose of the "Option 1" hold harmless is to ensure that the DHFS labor region changes do not reduce any facility's direct care maximum payment in 2001-02 below its 2000-01 level. Facilities in the counties listed above that are in bold print, capitalized, and with an asterisk following them will need the Option 1 hold harmless funding to maintain their 2000-01 direct care maximum payments in 2001-02 because of the adverse impact of the proposed labor region changes. The exception: Facilities which themselves are in bold italicized print and are located in counties benefited by the Option 1 hold harmless but will receive no additional payments because their DHFS-projected direct care per patient day costs are below the 2000-01 direct care maximum payment. Those facilities are projected by DHFS to be fully reimbursed for their direct care costs regardless of the hold harmless methodology that is selected. The Option 1 hold harmless, according to the DHFS, would cost \$2.7 million more than the DHFS-proposed hold harmless; it would be paid for by increasing the maximum payment for nursing home administration and general costs to \$12.57 per patient day, an increase of 12.9% above the current maximum payment level of \$11.13 per patient day but \$4.44 less than the \$13.01 maximum payment level proposed by the DHFS in the 7/1/01-6/30/02 nursing home payment formula. The Option 1 hold harmless rates projected above reflect that 44-cent per patient day decrease for all facilities listed, including those located in counties benefited by the Option 1 hold harmless. Those projected Option 1 hold harmless rates reflect a "worst case" scenario: They are intentionally lower than they should be for approximately one-third of the facilities listed since these facilities have administrative and general costs below the maximum payment target and therefore only will be subject to an 11-cent per patient day rate decrease rather than a 44-cent decrease.</p>												
<p>** Counties which are in bold print, capitalized and followed by two asterisks are counties with split labor regions. Facilities with a 530 zip code prefix in Fond du Lac County, a 535 zip code prefix in Grant County, a 539 zip code prefix in Green Lake County and a 540 zip code prefix in Polk County are in the "High to Rural" labor region and potentially could be benefited by the Option 1 hold harmless.</p>												
<p>A total of 56 nursing facilities would be benefited by the Option 1 hold harmless: 27 not-for-profit facilities, 15 for-profit facilities and 14 county nursing facilities.</p>												
(Data Source: DHFS Projected 7/01 Medicaid Rates Using 1999 Medicaid Cost Reports Trended for Inflation and for Modeling)												
WAHSA, November, 2001												
Hold Harmless-- JFC												

**WAHSA Labor Region Analysis:  
A Comparison of Proposed 2001-02 Nursing Home Funding Increases Over  
2000-01 Levels by Labor Region - DHFS Proposal v. "Option 1"  
(From Attachment III -- 10/19/01 DHFS Labor Region Report)**

MSA	2001-02 Proposed Funding Increase Over 2000-01 Levels: <u>DHFS Proposal</u>		2001-02 Proposed Funding Increase Over 2000-01 Levels: <u>"Option 1" Proposal</u>		
Brown (17 Facilities)	\$3,056,900	4.54%	\$2,917,200	(\$139,700)	4.34%
Calumet/ Outagamie/ Winnebago (20 Facilities)	\$4,204,200	6.25%	\$3,998,100	(\$206,100)	5.95%
Chippewa/ EauClaire (14 Facilities)	\$2,289,500	3.40%	\$2,191,800	(\$97,700)	3.26%
Dane (20 Facilities)	\$2,287,400	3.40%	\$2,160,000	(\$127,400)	3.21%
Douglas (5 Facilities)	\$859,800	1.28%	\$924,100	\$64,300	1.37%
Kenosha (8 Facilities)	\$971,200	1.44%	\$1,087,000	\$115,800	1.62%
La Crosse (7 Facilities)	\$1,321,600	1.96%	\$1,238,700	(\$82,900)	1.84%
Marathon (6 Facilities)	\$1,790,800	2.66%	\$1,689,600	(\$101,200)	2.51%
Milwaukee/ Ozaukee/ Washington/ Waukesha (62 Facilities)	\$16,278,000	24.19%	\$15,424,400	(\$853,600)	22.94%
Pierce/ St. Croix (13 Facilities)	\$1,663,400	2.47%	\$1,792,600	\$129,200	2.67%
Racine (8 Facilities)	\$588,200	0.87%	\$856,300	\$268,100	1.27%
Rock (8 Facilities)	\$2,264,400	3.37%	\$2,165,500	(\$98,900)	3.22%
Sheboygan (8 Facilities)	\$2,395,100	3.56%	\$2,324,000	(\$71,100)	3.46%
<b>Rural</b>					
High to Rural (51 Facilities)	\$3,543,800	5.27%	\$5,601,600	\$2,057,800	8.33%
Moderate to Rural (81 Facilities)	\$14,698,800	21.85%	\$14,086,900	(\$611,900)	20.95%
Low to Rural (53 Facilities)	<u>\$9,073,400</u>	<u>13.48%</u>	<u>\$8,781,900</u>	<u>(\$291,500)</u>	<u>13.06%</u>
<b>TOTAL</b>	<b>\$67,286,500</b>	<b>100.00%</b>	<b>\$67,239,700</b>	<b>(\$46,800)</b>	<b>100.00%</b>

**Counties**

High to Rural	Adams, Columbia, Dodge, Fond du Lac - 530, Grant - 535 Green, Green Lake - 539, Iowa, Jefferson, Juneau, Lafayette Marquette, Polk - 540, Richland, Sauk, Waushara
Moderate to Rural	Barron - 547, Buffalo - 547, Clark, Door, Dunn, Florence, Fond du Lac - 549, Green Lake - 549, Kewaunee, Langlade, Lincoln, Manitowoc, Marinette, Oconto, Pepin, Portage, Shawano, Taylor, Trempealeau - 547, Waupaca, Waushara, Wood, Menominee
Low to Rural	Ashland, Barron - 548, Bayfield, Buffalo - 546, Burnett, Crawford, Forest, Grant - 538, Iron, Jackson, Monroe, Oneida, Polk - 548, Price, Rusk, Sawyer, Trempealeau - 546, Vernon, Vilas, Washburn

## Labor Region Summary

**July 1, 1992:** Changed the previous system that had 42 groupings or cells made up of individual counties or a group of counties to the 13 metropolitan statistical areas and 14 other groups that were combined based on ZIP 3 (the first three numbers from the facility zip code). Prior to July 1992, the labor regions were based on average direct care costs. The new labor region system considered wage and fringe benefits from each nursing facility and applied an average of direct care hours to these costs. An adjustment factor was applied to the facility average wage per hour including fringe benefits based on ownership, licensed beds and hospital affiliation.

**July 1, 1992 Phase-in:** Increased the direct care maximums for the moderate and low labor regions. Allowed the direct care payments to exceed the maximum in these labor regions for facilities that dropped from the July 1, 1991 high or moderate labor regions.

Cost: \$1.7 million for the direct care labor region phase-in. \$1.6 million for the phase-in for facilities dropping from the high labor region.

**July 1, 1993:** \$1.6 million for facilities dropping from the high labor region.

**July 1, 1994:** Direct care target decreased from 110.8% to 110% of the median. Labor region update cost was \$1.4 million.

**July 1, 1995:** Medicaid hold-harmless rates were established at the 6/30/94 level.

**July 1, 1996:** Rate-on-rate year.

**July 1, 1997:** Direct care target decreased from 110% to 103% of the median. Labor regions were updated using the principles established in 1992. An ownership adjustment factor was not applied to the facility average wage per hour. A hold harmless was established for the MSA's and Zip 3 groups who dropped from the high or moderate labor regions. Groups held harmless included Racine, St. Croix, Kenosha, Brown, Zip 540 and Zip 541. The cost for this hold-harmless was \$6 million.

**July 1, 1998:** The July 1, 1998 Medicaid nursing home reimbursement formula included a 3.5% rate increase. The operating rates from 6/30/98 were increased on average by 3.4%. Applied a 1.7% increase and fixed increment to each level of care. The labor region hold harmless from the 7/1/97 rates continued until 6/30/99.

**July 1, 1999:** The July 1, 1999 formula changed labor regions from high, moderate and low to 13 metropolitan Medicare SNF PPS regions and one Medicare SNF PPS rural region. Each region had a Medicare labor index. The labor factor used to adjust direct care maximums was derived from the Medicare labor index and indexes developed for the high, moderate and low labor regions. The 7/99 rates used one third of the medicare index and two thirds of the labor region index. This change had a negative impact on nursing facilities in Sheboygan County and in counties now designated as Rural who were previously in the high labor region. These facilities were given a hold harmless provision that allowed them to use the high labor region index. These facilities did not receive an inflation adjustment in direct care. The cost of the hold harmless was less than \$400,000.

**July 1, 2000:** The July 1, 2000 formula used two thirds of the July 2000 Medicare labor index and one third of the indexes from the high, moderate and low labor regions. The change again had a negative impact on Sheboygan County and rural facilities previously in the high labor region. Racine County also was negatively impacted by the second year transition. These facilities were allowed to use the high labor region index but did not receive the inflation adjustment in direct care. The cost of the hold harmless was approximately \$2 million.

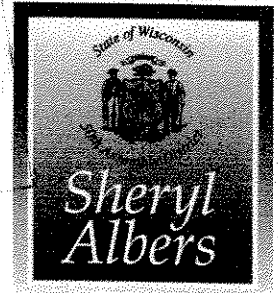
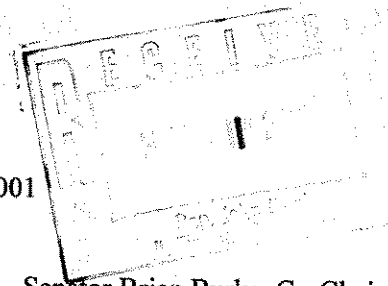
**July 1, 2001:** The July 1, 2001 formula uses the 13 metropolitan Medicare SNF PPS regions and one Medicare SNF PPS rural region. A labor index was calculated for each region based on Wisconsin facility-specific average nursing wages per hour, excluding county homes. The average wage rates for each region were weighted by Medicaid patient day costs, rather than using all patient days in order to better reflect actual Medicaid costs.

The formula contains a hold-harmless provision utilizing the 2000-01 direct care target of \$57.42 and the primary labor factor in the 2000-01 nursing home formula. This provision did not include the \$1.74 inflation adjustment from 2000-01 or the 2000-01 hold-harmless provision that further incorporated some historical labor factors from 1996. The hold-harmless has an estimated cost of \$0.7 million distributed primarily to nursing facilities in Douglas, Pierce and St. Croix counties. Nursing facilities in these counties, Racine and Kenosha counties and 16 rural counties are negatively impacted by this year's labor region change. Approximately 56 facilities will have a lower direct care SNF payment when compared to their 6/30/01 SNF direct care payment.

Brian Schoeneck  
October 19, 2001



November 1, 2001



Representative John Gard, Co-Chair  
Joint Committee on Finance  
State Capitol, 308 East  
PO Box 8952  
Madison, Wisconsin 53708-8952

Senator Brian Burke, Co-Chair  
Joint Committee on Finance  
State Capitol, 317 East  
PO Box 7882  
Madison, Wisconsin 53707-7882

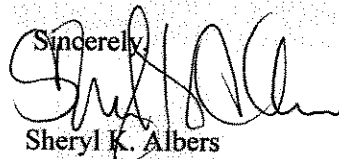
Dear Representative Gard and Senator Burke:

I am formally objecting to the proposed Department of Health and Family Services (DHFS) nursing home labor region plan submitted October 19, 2001. I find the proposed option #4 submitted by DHFS to be detrimental to the predominantly rural nursing homes and healthcare centers located in my district.

The Department's labor region proposal would result in a \$2.45 per resident day decrease in reimbursement for direct care. The direct care portion of the Medicaid rate funds staff; consequently, this decrease would negatively impact the most vital component in providing quality care for seniors and others receiving care in these impacted facilities. As noted in the attached, this is demonstrated by the chart illustrating those nursing homes negatively impacted by the proposed DHFS 2001-02 labor region changes.

I have received numerous letters and phone calls from administrators from both nursing homes and health care centers in my districts describing the adverse affects of the proposed labor region hold-harmless option offered by DHFS. While these same administrators support the Wisconsin Health Care Association (WHCA) "normalized" region methodology recommended by the DHFS, they do not support the labor region hold-harmless option #4 offered by DHFS. I oppose this option as well and strongly encourage you and my fellow members of the Joint Committee on Finance to reconsider Option 1 (see attached).

This proposal from DHFS will become effective on November 6, 2001 unless the Joint Committee on Finance meets to address the aforementioned concerns regarding this impact on rural nursing homes and health care centers.

Sincerely,  
  
Sheryl K. Albers  
State Representative  
50<sup>th</sup> Assembly District

cc: Jim Olson, Schmitt Woodland Hills  
Kathy Cianci, Pine Valley Healthcare and Rehabilitation Center  
Dan Manders, Mile Bluff Medical Center  
James S. Ehasz, Mile Bluff Medical Center  
George Johnson, Reedsburg Medical Center

## Attachment V - Labor Factor Hold-Harmless Options

The state plan submitted by DHFS to the Center for Medicare and Medicaid Services (CMS) contained a hold-harmless provision in Direct Care related to labor region factor changes. It utilized the 2000-01 direct care base amount of \$57.42 and the primary labor factor in the 2000-01 nursing home formula. This provision did not include the \$1.74 per patient day inflation adjustment from 2000-01 or the 2000-01 hold-harmless provision that further incorporated some historical labor factors from 1996. The hold-harmless provision that was submitted to CMS has an estimated cost of \$0.7 million distributed primarily in the Minneapolis and Superior Metro areas with modest increases in Racine and Kenosha.

### Option 1

WAHSA noted that the maximum payment for some regions would be lower under the DHFS proposal than in the 2000-01 formula. They suggested an option that would "...hold the direct care payments at least equal to the 2000-01 maximum direct care payments for facilities at or above these levels ... and could be funded by reducing the scheduled 16.5% increase in the A&G target". This objective could be accomplished by incorporating the \$1.74 per patient day inflation adjustment in the DHFS proposed hold-harmless and creating a second hold-harmless that included the 1996 labor factors. Incorporating this change would produce the following results:

- No facility would have a lower direct care maximum in 2001-02 than 2000-01.
- The target for Administration and General (A&G) would be reduced from \$12.59 to \$12.15. This is a change from 95% of the median to 91.7% of the median.
- Approximately \$3.4 million would be redistributed to facilities qualifying for the hold-harmless.
- Regions would receive a net increase in payments when the additional hold-harmless payments exceed the reduced payment for A&G. Likewise, regions would receive a net decrease in payments when the additional hold-harmless payments are less than the decreased payment for A&G.
  - Regions with a significant increase would be Rural High of \$2.1 million, Racine of \$0.3 million, and Minneapolis Metro & Kenosha of \$0.1 million each.
  - Regions with a significant reduction would be: Milwaukee of \$0.9 million, Rural Medium of \$0.6 million, Rural Low of \$0.3 million, Appleton of \$0.2 million and Eau Claire, La Crosse, Wausau, Madison, Janesville, Green Bay & Sheboygan of \$0.1 million each.

### Option 2

WAHSA also proposed an enhancement to the Option 1 hold-harmless approach. They suggested that the wage-pass-through payment for 2000-01 be added to the hold-harmless target. Incorporating this change would require a significant adjustment to other targets.



WAHSA Member Nursing Homes Negatively Impacted by the DHFS 2001-02 Labor Region Changes

Facility	MSA	Medicaid Days	Projected 6/30/01 Direct Care Cost Per Resident Day (prd)	DHFS		2000-01 Direct Care Maximum prd Formula Payment	2001-02 Direct Care Maximum prd Formula Payment	2001-02 prd Direct Care Maximum Formula or Hold Harmless Payment	Decrease Over Prior Year	Direct Care Payment Annual Decrease
				(1)	(2)					
St. Croix Health Center	Minneapolis	25,964	90.08	69.67	63.86	67.93	-1.74	(45,233)		
Heritage of Elmwood	Pierce	13,915	65.65	69.67	63.86	67.93	None this year			
Baldwin Care Center	St. Croix	12,636	66.72	69.67	63.86	67.93	None this year			
Christian Community Home	St. Croix	16,011	65.77	69.67	63.86	67.93	None this year			
Glenhaven, Inc.	St. Croix	10,337	53.48	69.67	63.86	67.93	None this year			
St. Croix Care Center	Pierce	14,210	76.31	69.67	63.86	67.93	-1.74	(24,756)		
St. Francis Home-- Park	Superior/Metro	44,837	66.83	62.43	58.46	60.69	-1.74	(78,016)		
Ridgewood Care Center	Racine	59,873	93.50	62.24	60.58	60.58	-1.66	(99,389)		
Becker/Shoop Center	Racine	33,956	66.66	62.24	60.58	60.58	-1.66	(56,367)		
Lakeshore Manor	Racine	10,603	96.35	62.24	60.58	60.58	-1.66	(17,801)		
Lincoln Lutheran Home	Racine	50,092	72.84	62.24	60.58	60.58	-1.66	(83,153)		
Lincoln Village CC	Racine	23,093	79.11	62.24	60.58	60.58	-1.66	(38,334)		
Brookside Care Center	Kenosha	42,276	81.64	61.46	59.73	59.73	-1.73	(73,137)		
St. Joseph's Home	Kenosha	16,268	71.71	61.46	59.73	59.73	-1.73	(28,144)		
<b>High to Rural</b>										
Bloomfield Manor	Iowa	19,347	77.32	62.24	59.79	59.79	-2.45	(47,400)		
Clearview South	Dodge	51,006	106.67	62.24	59.79	59.79	-2.45	(124,965)		
Columbia Manor	Columbia	36,721	79.72	62.24	59.79	59.79	-2.45	(89,966)		
Countryside Home	Jefferson	62,003	110.13	62.24	59.79	59.79	-2.45	(151,907)		
Clearview North	Dodge	50,267	111.18	62.24	59.79	59.79	-2.45	(123,154)		
Golden Age Manor	Polk	28,782	77.96	62.24	59.79	59.79	-2.45	(70,516)		
Lafayette Manor	Lafayette	24,020	84.03	62.24	59.79	59.79	-2.45	(58,849)		
Pine Valley Manor	Richland	24,310	83.87	62.24	59.79	59.79	-2.45	(59,560)		
Pleasant Acres	Juneau	14,737	80.42	62.24	59.79	59.79	-2.45	(36,106)		
Pleasant View NH	Green	30,393	98.03	62.24	59.79	59.79	-2.45	(74,463)		
Sauk County HCC	Sauk	40,790	95.77	62.24	59.79	59.79	-2.45	(99,936)		
Adams County Memorial NH	Adams	5,740	76.90	62.24	59.79	59.79	-2.45	(14,063)		
Hillside Manor	Dodge	23,803	93.12	62.24	59.79	59.79	-2.45	(58,317)		
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Edward Snyder NH	Sauk	13,247	79.42	62.24	59.79	59.79	-2.45	(32,455)		

3

WAHSA Member Nursing Homes Negatively Impacted by the DHFS 2001-02 Labor Region Changes

Facility	MSA	High to Rural	Medical Days	Projected 6/30/01 Direct Care Cost Per Resident Day (prcl)	2000-01 Direct Care Maximum prd Formula Payment	2001-02 Direct Care Maximum prd Formula Payment	2001-02 prd Direct Care Maximum Formula or Hold Harmless Payment	Decrease Over Prior Year	Direct Care Payment Annual Decrease
Fairhaven	Walworth		11,367	85.69	62.24	59.79	59.79	-2.45	(27,849)
Kiwanis Manor	Walworth		15,688	79.86	62.24	59.79	59.79	-2.45	(38,436)
Fairview Nursing Home	Juneau		15,676	92.25	62.24	59.79	59.79	-2.45	(38,406)
St Clare Meadows CC	Sauk		21,364	72.23	62.24	59.79	59.79	-2.45	(52,342)
L.O. Simenstad NCU	Polk		9,943	84.01	62.24	59.79	59.79	-2.45	(24,360)
Lodi Good Samaritan	Columbia		20,255	74.10	62.24	59.79	59.79	-2.45	(49,825)
Marquardt Memorial Manor	Dodge		34,148	74.71	62.24	59.79	59.79	-2.45	(83,863)
Memorial Hospital of Iowa Co. Iowa	Iowa		8,033	87.55	62.24	59.79	59.79	-2.45	(19,881)
New Glarus Home	Green		17,227	56.01	62.24	59.79	59.79	None this year	(12,627)
Markesan Resident Home	Green Lake		15,913	55.70	62.24	59.79	59.79	None this year	(50,127)
Schmitt Woodland Hills	Richard		5,154	78.27	62.24	59.79	59.79	-2.45	(50,127)
St. Coletta School	Jefferson		20,460	106.84	62.24	59.79	59.79	-2.45	(55,260)
St. Croix Valley GSC	Polk		22,555	60.96	62.24	59.79	59.79	-2.45	(55,260)
Villa Loreto NH	Fond du Lac		11,839	61.52	62.24	59.79	59.79	-2.45	(29,006)

The purpose of the WAHSA "hold harmless" is to ensure that the DHFS labor region changes do not reduce direct care maximum payments in 2001-02 below their 2000-01 level. The facilities listed above will need this "hold harmless" funding to maintain their 2000-01 direct care maximum payments for this year because of the adverse impact of the proposed labor region changes. In the case of facilities in the Minneapolis MSA (Pierce and St. Croix Counties) and the Superior Metro MSA (Douglas County), the proposed DHFS "hold harmless" benefits those facilities but not enough to enable them to maintain their 2000-01 direct care maximum payments. The WAHSA "hold harmless" would eliminate the "Direct Care Payment Annual Decrease" figure listed for each facility under column (7) above and provide the figure listed under column (3) as the direct care maximum payment for each of these facilities. Facilities with "None this year" listed under column (6) are projected by DHFS to have direct care costs per resident day below the 2000-01 direct care maximum payment and therefore are not anticipated to be impacted by this year's labor region changes.

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TO: Representative John Gard, Co-Chair  
Senator Brian Burke, Co-Chair  
Members, Joint Finance Committee

FROM: Tom Moore and Jim McGinn, Wisconsin Health Care Association (WHCA)

DATE: November 2, 2001

RE: DHFS Nursing Home Labor Region Plan

As previously communicated to Committee members, the Wisconsin Health Care Association (WHCA) supports the Department of Health and Family Services recommendation with respect to its' comprehensive plan on nursing home labor regions as submitted to the Committee by Secretary Phyllis Dube on October 19, 2001.

It is our understanding that at least one member of the Committee has expressed support for modifying DHFS's labor region plan by adopting "option" 1, which is discussed in the Secretary's recommendation and advanced by the Wisconsin Association of Homes and Services for the Aging.

**WHCA opposes this option, and requests the Committee to reject this option as well.**

For the Committee's information, adoption of this option would reduce nursing home reimbursement payments by -\$2.7 million for facilities in the following labor regions:

<u>LABOR REGIONS</u>	<u>CUTS IN PAYMENTS</u>
Green Bay (Brown)	-\$139,700
Appleton (Calumet, Outagamie, Winnebago)	-\$206,100
Eau Claire (Chippewa, Eau Claire)	-\$97,700
Madison (Dane)	-\$127,400
LaCrosse	-\$82,900
Wausau (Marathon)	-\$101,200

Milwaukee, Ozaukee, Washington, Waukesha	-\$853,600
Janesville (Rock)	-\$98,900
Sheboygan	-\$71,100
Rural-Medium (Barron, Buffalo, Clark, Door, Dunn, Florence, part of Fond du Lac, part of Green Lake, Kewaunee, Langlade, Lincoln, Manitowoc, Marinette, Oconto, Pepin, Portage, Shawano, Taylor, Trempealeau, Waupaca Waushara, Wood, and Menominee)	-\$611,900
Rural-Low (Ashland, Barron, Bayfield, Buffalo, Burnett, Crawford, Forest, Grant, Iron, Jackson, Monroe, Oneida, part of Polk, Price, Rusk, Sawyer, Trempealeau, Vernon, Vilas, and Washburn)	-\$291,500

For the Committee's information, adoption of this option would increase nursing home reimbursement payments for facilities in the following labor regions:

<u>LABOR REGION</u>	<u>INCREASES IN PAYMENTS</u>
Superior (Douglas)	+\$64,300
Kenosha	+\$115,800
Minneapolis-High (Pierce, St. Croix)	+\$129,200
Racine	+\$268,100
Rural-High (Adams, Columbia, Dodge, part of Fond du Lac, Grant, Green, part of Green Lake, Iowa, Jefferson, Juneau, Lafayette, Marquette, part of Polk, Richland, Sauk, Walworth)	+\$2,057,800

Although WHCA represents facilities in the 5 labor regions which would receive increased payments, we simply cannot support reductions in payments for facilities in the 11 labor regions noted above.

Again, it is WHCA's hope that the Committee will approve the Department's plan without modification.

Wisconsin Association of Homes and Services for the Aging, Inc.

204 South Hamilton Street • Madison, Wisconsin 53703 • 608-255-7060 • FAX 608-255-7064 • www.wahsa.org

October 30, 2001

To: Members, Joint Committee on Finance

From: John Sauer, Executive Director  
Tom Ramsey, Director of Government Relations

Subject: DHFS Comprehensive Plan on Nursing Home Labor Regions During the 2001-03 Biennium:

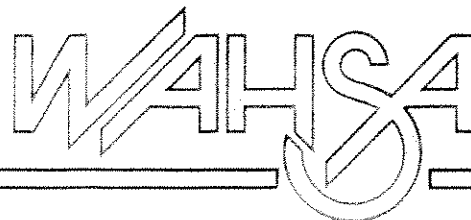
**A REQUEST FOR A MEETING BASED ON WAHSA-MEMBER OBJECTIONS  
TO THE DHFS PROPOSAL**

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership organization of not-for-profit corporations principally serving elderly and disabled persons. Membership is comprised of 197 religious, fraternal, private and governmental not-for-profit organizations which own, operate and/or sponsor 154 private and 47 county-operated nursing facilities, 65 community-based residential facilities, 32 residential care apartment complexes, 95 senior housing complexes, 26 facilities for the developmentally disabled, 10 licensed home health agencies, and over 300 community service agencies which offer programs ranging from Alzheimer's support, child daycare, hospice, adult daycare and home care to Meals on Wheels.

The Department of Health and Family Services (DHFS) submitted an October 19, 2001 letter to Co-Chairs Burke and Gard which contained a comprehensive nursing home labor region plan as required by the 2001-03 biennial budget. Co-chairs Burke and Gard have requested that objections to the DHFS nursing home labor region plan and/or a request for a meeting on the plan be filed by Joint Committee on Finance (JFC) members by Tuesday, November 6<sup>th</sup>.

**WAHSA members support the "WHCA Normalized" labor region methodology recommended by the DHFS but oppose the labor region hold-harmless option offered by the Department. As an alternative, WAHSA members support labor region hold-harmless "Option 1" as outlined under Attachment V of the DHFS nursing home labor region report.**

As noted in Attachment V to the DHFS labor region report, the DHFS hold-harmless provision would cost approximately \$700,000 while the WAHSA proposal would cost approximately \$3.4 million. To



make up for that \$2.7 million difference, WAHSA proposes to lower the Administration and General (A & G) payment maximum from \$12.59 per resident day to \$12.15 per resident day, or \$.44 per resident day. The A & G cost center of the nursing home payment formula recognizes the allowable expenses for administrative services, central office services and management services contract fees.

In support of this position, we offer the following:

- 1) The Legislature and the Governor provided a Medicaid rate increase of 6% for nursing facilities in 2001-02. While these increased funds are distributed through a formula which does not ensure that each individual facility will receive a 6% rate increase, WAHSA members believe that in a year where 6% funding is provided, no facility should receive a maximum payment in the formula's direct care cost center which is less this year than it was in 2000-01. **That is the rationale for our hold-harmless option: To ensure that no facility receives a cut in their direct care maximum payment in 2001-02.** (The direct care maximum payments for each labor region under the DHFS-proposed "WHCA-Normalized" labor region methodology is shown by the attachment "WAHSA Labor Region Analysis").
- 2) WAHSA members oppose the DHFS hold-harmless option because 38 of our members would have their direct care maximum payments cut in 2001-02 under that proposal. (Please see the attached table). That number is increased when for-profit, non-WAHSA member facilities are included.
- 3) Under the 2001-02 nursing home payment formula the DHFS has forwarded to the federal Centers for Medicare and Medicaid Services (CMS, formerly known as HCFA) for its approval, the maximum payment for direct care services would increase 6.3%; for support services (laundry, housekeeping and dietary services), the proposed increase is 3%. The Department's proposed increase in the maximum payment for A & G administrative expenses is 16.9%. To fund the WAHSA hold-harmless option and thus ensure all facilities receive a direct care maximum payment this year that at least equals last year's, we suggest the increase in the A & G maximum payment increase be lowered from 16.9% to 12.9%, still more than double the proposed direct care maximum payment increase.
- 4) A majority of WAHSA members are benefited more under the DHFS hold-harmless option than they are under the WAHSA hold-harmless option, if they look at the two options purely from a self-serving standpoint. In spite of that, our members support the WAHSA hold-harmless option because it bolsters payments to direct caregivers. They are willing to "give up" some of the gains they received under the DHFS proposal to pay for their administrative costs in order to fund additional payments for direct caregiving under the WAHSA proposal.
- 5) Contrary to the argument made by the DHFS that Milwaukee facilities in essence will fund the WAHSA hold-harmless option, all facilities will fund that change through a small reduction in their A & G payment. The purpose of the hold-harmless itself is to help facilities in Racine, Kenosha, Douglas, St. Croix, Pierce and 16 rural counties which were negatively impacted by the "WHCA Normalized" labor region methodology recommended by the DHFS which benefited, among other, facilities in Milwaukee County. The decrease in A & G payments Milwaukee County facilities will experience to fund the WAHSA-proposed hold-harmless option still will be far less than the direct care increases they will receive under the "WHCA Normalized" labor region methodology.
- 6) The DHFS argues: "This hold-harmless continues the trend of disproportionately higher payments to a few higher-cost facilities, some of which provide care to relatively few Medicaid residents." We disagree with most of this statement: A) The DHFS refers to "disproportionately higher

payments" going to certain facilities under the WAHSA hold-harmless option. The only "higher payments" going to these facilities will enable them to maintain their direct care maximum payment from last year. In other words, these "higher payments" the DHFS refers to in reality are the funds needed to enable these facilities to avoid cuts in their direct care maximum payments; B) The DHFS enjoys referring to facilities which staff higher and pay better as "high cost;" we believe these facilities should be the benchmark of our system; C) If there is any "fat" in a nursing home, places where cuts can be made that would lower the "high costs" of some facilities without jeopardizing resident care, it is in administration. That is why WAHSA members proposed to fund their hold-harmless option by reducing the A & G maximum payment; and D) Of the 44 WAHSA facilities in counties which would benefit under the WAHSA hold-harmless proposal, 29 of those facilities, or 65.9%, have a Medicaid census higher than the statewide average of 69%. The average MA census of those 44 facilities is 69.9%.

- 7) The nature of any hold-harmless option is to minimize the negative impact of a given methodology. It is a purely political response to any methodology which results in "winners" and "losers." Simply stated, it asks the "winners" to win slightly less so that the "losers" don't lose. WAHSA members which "win" under the "WHCA Normalized" labor region methodology have indicated a willingness to "win" slightly less in order to fund a hold-harmless option which ensures that no facility "loses" under these proposed changes. Please keep in mind their willingness to forego a greater increase when you review the impact of these changes on your constituents.

**For the reasons stated above, WAHSA members oppose the DHFS hold-harmless option outlined in Attachment V of the Department's nursing home labor region plan and ask the Joint Committee on Finance to hold a meeting to discuss the WAHSA-proposed "Option 1" hold-harmless proposal also contained in Attachment V of the DHFS labor region report.**

WAHSA Labor Region Analysis  
Direct Care Maximum Payments

MSA	2000-01	2001-02	Increase (Decrease)	% Change
	Maximum Payment	Maximum Payment		
Brown	\$ 59.79	\$63.80	\$ 4.01	6.71%
Calumet/ Outagamie/ Winnebago	\$ 59.05	\$63.86	\$ 4.81	8.15%
Chippewa/ EauClaire	\$ 57.95	\$61.25	\$ 3.30	5.69%
Dane	\$ 66.45	\$67.26	\$ 0.81	1.22%
Douglas	\$ 62.43	\$60.69	\$ (1.74)	-2.79%
Kenosha	\$ 61.46	\$59.73	\$ (1.73)	-2.81%
La Crosse	\$ 59.73	\$61.13	\$ 1.40	2.34%
Marathon	\$ 60.60	\$64.77	\$ 4.17	6.88%
Milwaukee/ Ozaukee/ Washington/ Waukesha	\$ 64.27	\$68.48	\$ 4.21	6.55%
Pierce/ St. Croix	\$ 69.67	\$67.93	\$ (1.74)	-2.50%
Racine	\$ 62.24	\$60.58	\$ (1.66)	-2.67%
Rock	\$ 61.34	\$65.93	\$ 4.59	7.48%
Sheboygan	\$ 62.24	\$63.92	\$ 1.68	2.70%
<b>Rural</b>				
High to Rural	\$ 62.24	\$59.79	\$ (2.45)	-3.94%
Moderate to Rural	\$ 56.69	\$59.79	\$ 3.10	5.47%
Low to Rural	55.83	\$59.79	\$ 3.96	7.09%

**Counties**  
High to Rural

Adams, Columbia, Dodge, Fond du Lac - 530, Grant - 535  
Green, Green Lake - 539, Iowa, Jefferson, Juneau, Lafayette  
Marquette, Polk - 540, Richland, Sauk, Walworth

Moderate to Rural

Barron - 547, Buffalo - 547, Clark, Door, Dunn, Florence,  
Fond du Lac -549, Green Lake - 549, Kewaunee, Langlade, Lincoln,  
Manitowoc, Marinette, Oconto, Pepin, Portage, Shawano, Taylor,  
Trempealeau - 547, Waupaca, Waushara, Wood, Menominee

Low to Rural

Ashland, Barron - 548, Bayfield, Buffalo - 546, Burnett, Crawford,  
Forest, Grant - 538, Iron, Jackson, Monroe, Oneida, Polk - 548,  
Price, Rusk, Sawyer, Trempealeau - 546, Vernon, Vilas, Washburn



# WAHSA Member Nursing Homes Negatively Impacted by the DHFS 2001-02 Labor Region Changes

Facility	MSA	(1) Medicaid Days	(2) DHFS Projected 6/30/01 Direct Care Cost Per Resident Day (prd)	(3) 2000-01 Direct Care Maximum prd Formula Payment		(4) 2001-02 Direct Care Maximum prd Formula Payment		(5) 2001-02 prd Direct Care Maximum Formula or Hold Harmless Payment		(6) Decrease Over Prior Year	(7) Direct Care Payment Annual Decrease
				Maximum prd	Formula Payment	Maximum prd	Formula Payment	Maximum Formula or Hold Harmless Payment	Maximum Formula or Hold Harmless Payment		
<b>Minneapolis</b>											
St. Croix Health Center	St. Croix	25,964	90.08	69.67	63.86	63.86	67.93	67.93	-1.74	(45,233)	
Heritage of Elmwood	Pierce	13,915	65.65	69.67	63.86	63.86	67.93	67.93	None this year		
Baldwin Care Center	St. Croix	12,636	66.72	69.67	63.86	63.86	67.93	67.93	None this year		
Christian Community Home	St. Croix	16,011	65.77	69.67	63.86	63.86	67.93	67.93	None this year		
Glenhaven, Inc.	St. Croix	10,337	53.48	69.67	63.86	63.86	67.93	67.93	None this year		
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Pine Valley Manor	Richland	24,310	83.87	62.24	59.79	59.79	59.79	59.79	-2.45	(59,560)	
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Divine Savior Nursing Home	Columbia	25,447	67.06	62.24	59.79	59.79	59.79	59.79	-2.45	(62,345)	
<b>Sauk</b>											
Edward Snyder NH	Sauk	13,247	79.42	62.24	59.79	59.79	59.79	59.79	-2.45	(32,455)	

**WAHSA Member Nursing Homes Negatively Impacted by the DHFS 2001-02 Labor Region Changes**

Facility	MSA	Medicaid Days	Projected 6/30/01 Direct Care Cost Per Resident Day (prd)	(3)		(4)		(5)		(6)	(7)
				2000-01 Direct Care Maximum prd Formula Payment	2000-01 Direct Care Maximum prd Formula Payment	2001-02 Direct Care Maximum prd Formula Payment	2001-02 Direct Care Maximum prd Formula Payment	2001-02 prd Direct Care Maximum Formula or Hold Harmless Payment	2001-02 prd Direct Care Maximum Formula or Hold Harmless Payment		
Fairhaven	High to Rural	11,367	85.69	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(27,849)
Klwanis Manor	Waltham	15,688	79.86	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(38,436)
Fairview Nursing Home	Waltham	15,676	92.25	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(38,406)
St Clare Meadows CC	Juneau	21,364	72.23	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(52,342)
L.O. Simenstad NCU	Sauk	9,943	84.01	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(24,360)
Lodi Good Samaritan	Polk	20,255	74.10	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(49,625)
Marquardt Memorial Manor	Columbia	34,148	74.71	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(83,663)
Memorial Hospital of Iowa Co. Iowa	Dodge	8,033	87.55	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(19,681)
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Markesan Resident Home	Green Lake	15,913	55.70	62.24	62.24	59.79	59.79	59.79	59.79	None this year	(50,127)
Schmitt Woodland Hills	Richland	5,154	78.27	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(55,260)
St. Coletta School	Jefferson	20,460	106.84	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	(29,006)
St. Croix Valley GSC	Polk	22,555	60.96	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	
Villa Loretto NH	Fond du Lac	11,899	61.52	62.24	62.24	59.79	59.79	59.79	59.79	-2.45	

The purpose of the WAHSA "hold harmless" is to ensure that the DHFS labor region changes do not reduce direct care maximum payments in 2001-02 below their 2000-01 level. The facilities listed above will need this "hold harmless" funding to maintain their 2000-01 direct care maximum payments for this year because of the adverse impact of the proposed labor region changes. In the case of facilities in the Minneapolis MSA (Pierce and St. Croix Counties) and the Superior Metro MSA (Douglas County), the proposed DHFS "hold harmless" benefits those facilities but not enough to enable them to maintain their 2000-01 direct care maximum payments. The WAHSA "hold harmless" would eliminate the "Direct Care Payment Annual Decrease" figure listed for each facility under column (7) above and provide the figure listed under column (3) as the direct care maximum payment for each of these facilities. Facilities with "None this year" listed under column (6) are projected by DHFS to have direct care costs per resident day below the 2000-01 direct care maximum payment and therefore are not anticipated to be impacted by this year's labor region changes.