

Figure 3-2: Average Annual Patient Care and Operating per Diem Rates in Florida Nursing Homes (1999-2008)

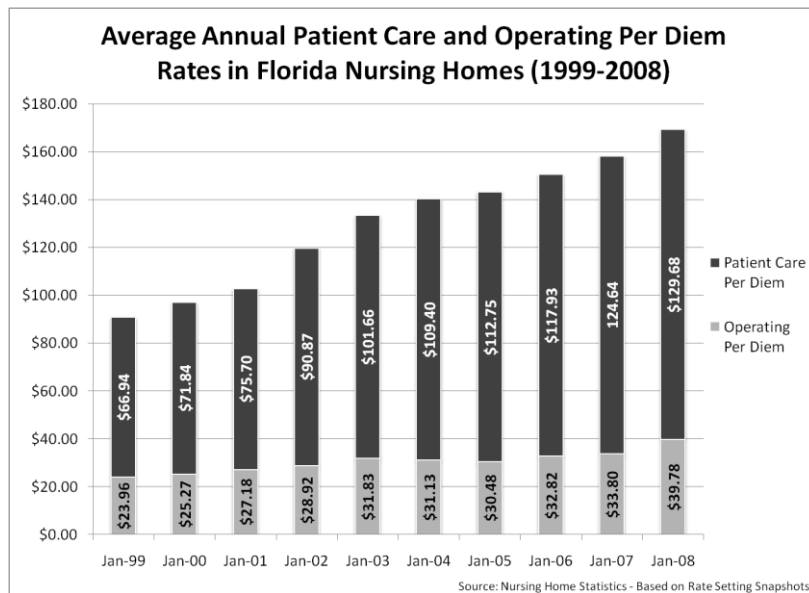


Figure 3-3, Average Reimbursement's Percentage of Total Cost in Florida Nursing Homes (1999-2008), provides another insight into funding Medicaid nursing home costs. Providers submit cost reports that reflect the total cost of providing care. Figure 3-3 shows the gap between costs and the average Medicaid reimbursement. The percentage of costs covered decreased to 90% in 2005 but has been steadily increasing since 2005. Percentage of total costs reimbursed spikes in January 2003 and January 2008. This is consistent with Florida's reimbursement system which pays providers prospectively based on the previous year's costs. We believe these increases in costs covered reflect a delay in paying providers their total direct care cost for new staffing requirements because 1) demand for new direct care workers increased wages; and, 2) actual average staffing hours exceeded the minimum required levels. Therefore, the increases in costs covered represent a lag in payment to providers being reimbursed for new staff. The January 2008 rate indicates almost 93% of all costs are covered.