Utilization Rate Used for Rate Setting

The Division of Rate Setting (Division) is charged with issuing guidelines for utilization percentages to be used in calculating PNMI providers' per diem rates per V.P.N.M.I.R. §6.6. This practice and procedure issuance details how the Division will use the base year utilization percentages, subject to the minimum occupancy percentages applicable to each program, to set PNMI per diem rates. This Practice and Procedure issuance replaces all prior utilization and minimum occupancy requirement issued by the Placement Authorizing Departments (PADs).

Methodology

In the calculation of PNMI per diem rates, the Division divides the total allowable base year costs from each program's settled funding application by the total base year resident days for each program, subject to minimum occupancy requirements. V.P.N.M.I.R. §7.4.

It is expected that PNMI programs are utilized as much as possible and that the total licensed capacity accurately reflects the demand for each program. However, programs cannot be expected to be utilized at full capacity all of the time and appropriate minimum occupancy requirements should allow for normal fluctuation in utilization. The minimum occupancy requirements vary based on the total licensed capacity of the program and expected average length of stay of each program. The following table details the minimum occupancy requirements for PNMI programs.

Category of PNMI Program as Determined by PADs	Total Licensed Capacity	Average Length of Stay	Minimum Occupancy Requirement
Long Term Program	16 beds and greater	Greater than 90 days	90%
Long Term Program	11 to 15 beds	Greater than 90 days	85%
Long Term Program	Up to and including 10 beds	Greater than 90 days	80%
Short Term Crisis/Stabilization Program	All programs	11 to 90 days	75%
Crisis Programs	All programs	0 to 10 days	No minimum occupancy requirements

When calculating per diem rates, the Division will use the greater of the actual base year resident days or the minimum required number of resident days. For example, a long term program with a total licensed capacity of 20 beds that has a base year utilization of 88 percent would have a total of 6,424 resident days in the base year:

20 beds * 365 days * 0.88 = 6,424 days

The required minimum occupancy for this program is 90 percent, which is 6,570 days:

20 beds * 365 days * 0.90 = 6,570.

In calculating the per diem rate, the Division will divide the total base year allowable costs by 6,570 days as if the program were utilized at a 90 percent occupancy rate rather than the actual 88 percent occupancy rate.

Providers who are not occupied at or above the applicable minimum occupancy requirement will be penalized in the rate setting process. Providers who consistently run below the minimum required occupancy should consult with the Division and the PADs about what they can do to improve the utilization of their program, including a discussion about the types of services offered, strategies to increase utilization and the possibility of reducing total licensed capacity.

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