

Calculation of Transition Floor

The Transition Floor is pretty simple conceptually though the calculations are a little more complicated. Conceptually, the transition floor protects providers from feeling both the negative impact of their historical low rate and the impact of utilization under 90%. Since the transition factor assumed 90% attendance the calculations compare the result for 90% attendance including the transition factor with the result that would be obtained if the rates were used. The provider receives the amount based on 90% attendance unless it is greater than the rates. If it is greater than the rates the rates would be used instead.

What makes the calculation more complicated is that changes occur in the people served and utilization varies from month to month, therefore the monthly calculation will have to be completed each month and a running total kept.

The actual calculation for a month is below.

Calculation of Transition Floor				
July Potential Days	Actual Days	Percent Utilization	90% of Potential Days	Amount based on 90% of the potential days
22	18	81.82%	19.8	1,986.34
22	19	86.36%	19.8	2,317.39
22	18	81.82%	19.8	2,482.92
22	21	95.45%	19.8	2,648.45
14	13	92.86%	12.6	1,369.37
102	89	87.25%	91.8	10,804.47
Provider Transition Percentage				95%
Monthly Payment including transition factor				9,983.09
Allowed Total With Transition Factor				10,264.25
Amount allowed by established rates				10,508.52
Provider Payment Transition Floor - Lesser of allowed amount or rates				10,264.25
Amount under transition floor				281.16
<p>To ensure good cash flow, monthly payments will include the adjustment for the transition floor. However an adjustment reducing the amount could be necessary due to variances in utilization. For example the next month utilization was over 92.16% the payment would be 195.36 over the transition floor. This would be offset against amounts under the transition floor. A running total would be kept and payments adjusted in 4th quarter or sooner if necessary.</p>				