



State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

September 29, 2014

Ms. Hye Sun Lee  
Acting Associate Regional Administrator  
Division of Medicaid and Children's Health Operations  
Centers for Medicare and Medicaid Services  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

Dear Ms. Lee,

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) 14-032, as requested by the Centers for Medicare and Medicaid Services (CMS), to continue supplemental payment scoring and payment processes for the Skilled Nursing Facility (SNF) Quality and Accountability Supplemental Payment (QASP) Program. This SPA increases the total payout amount, and updates the performance measures used in the program.

Senate Bill (SB) 853 (Chapter 717, Statutes of 2010) established the fee-for-service QASP program (Welfare and Institutions (W&I) Code 14126.022) for SNFs participating in the Assembly Bill (AB) 1629 Program. The QASP program will be utilized to provide supplemental payments to SNFs that improve the quality and accountability of care rendered to residents. The program has developed in phases since the 2010/11 rate year, establishing the 2014/15 rate year as the second performance period which will be used to make supplemental payments by April 30, 2015. Furthermore, ABX1 19 (Chapter 4, Statutes of 2011) and AB 1489 (Chapter 631, Statutes of 2012) amended the QASP program to extend the implementation timeframes.

The QASP methodology was developed in consultation with the California Department of Public Health (CDPH), representatives from the long-term care industry, organized labor, advocates, and consumers. A notice of General Public Interest notifying the public about a proposed QASP program was published in the July 23, 2010, California State Notice Register.

Ms. Hye Sun Lee  
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September 29, 2014

If you have any questions or concerns regarding the proposed state plan amendments, please contact Ms. Connie Florez, Chief, Fee-For-Service Rates Development Division, at (916) 552-9600.

Original Signed

Enclosures:

1. SPA
2. Form HCFA-179
3. Documentation for an exemption from Indian Health Program notification
4. Public Notice (7/23/10) for SB 853 (2010 TBL, established QASP)
5. SB 853
6. ABX1 19
7. AB 1489

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
**14-032**

2. STATE  
CA

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
August 1, 2014

5. TYPE OF PLAN MATERIAL (Check One):

- NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:  
42 CFR 447 Subpart B & 42 CFR 447 Subpart C

7. FEDERAL BUDGET IMPACT:  
a. FFY 2014/15      \$45,033,943  
b. FFY 2015/16      \$45,048,943

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Supplement 4 to Attachment 4.19-D, page 20,21 & 22

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

None

10. SUBJECT OF AMENDMENT:

Quality and Accountability Supplemental Payment (QASP) Program, Freestanding Skilled Nursing Facilities Reimbursement Rates

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:  
The Governor's Office does not  
wish to review the State Plan Amendment.

Original Signed

16. RETURN TO:

Department of Health Care Services  
Attn: State Plan Coordinator  
1501 Capitol Avenue, Suite 71.326  
P.O. Box 997417  
Sacramento, CA 95899-7417

14. TITLE:

15. DATE SUBMITTED:

9/29/14

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:

**PLAN APPROVED – ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

**IX. Quality and Accountability Supplemental Payment**

- A. For the rate year beginning August 1, 2014, the Department will develop and implement the Skilled Nursing Facility Quality and Accountability Supplemental Payment (QASP) System. This program provides supplemental reimbursement for FS/NF-Bs that improve the quality of care rendered to its residents and would be in addition to the rate of payment FS/NF-Bs receive under the current reimbursement methodology.
- B. For the rate year beginning August 1, 2010, the State treasury created the Skilled Nursing Facility Quality and Accountability Special Fund. The fund is continuously appropriated without regard to fiscal year for making quality and accountability payments to facilities that meet or exceed performance measures. The fund will contain monies deposited through:
1. Administrative penalties for failure to meet the nursing hours per patient day requirement imposed beginning with the rate year starting on August 1, 2010.
  2. Savings achieved from setting the professional liability insurance cost category, as described in V.C.4 of this supplement; including any insurance deductible costs paid by the facility at the 75<sup>th</sup> percentile, instead of a direct pass through cost at 100 percent.
  3. For the 2013/14 and 2014/15 rate years, the Department will set aside 1 percent of the weighted average Medi-Cal reimbursement rate and transfer the General Fund portion to the Skilled Nursing Facility Quality and Accountability Special Fund.
- C. For the rate year beginning August 1, 2010, the Department, in consultation with the California Department of Public Health (CDPH) and representatives from the long-term care industry, organized labor, and consumers, will establish and publish quality and accountability measures.
- D. The Department, in consultation with CDPH and representatives from the long-term care industry, organized labor, and consumers; has developed a three tiered scoring methodology, with improvement scoring, for supplemental payments.
1. 100 points are divided among the measurements with point values distributed for each quality indicator.
  2. Facilities that meet the benchmark as set at the statewide average would receive half the points allocated for a measure, while those at the 75<sup>th</sup> percentile would get the full allocation of points.
  3. Facilities receive an overall quality of care score when points from each of the quality measures are totaled.

4. Facilities that score at least 50 points are eligible for QASP payments.
5. Facilities receiving 66.7 points or above receive 1 ½ times the payout as those in the lower tier. Below is an example of a three tiered scoring methodology:

**Total Payout \$90M**

Payment Tier	Point Range	# of SNFs	Payout per MCB D	Total MCB Ds per Tier	Total Payout per Tier	Avg. Payout per SNF
Tier 0 <sup>1</sup>		346	\$0.00	5,811,700	\$0	\$0
Tier 1	0 – 49.9	419	\$0.00	10,280,958	\$0	\$0
Tier 2	50 – 66.6	211	\$12.15	4,381,696	\$53,237,607	\$252,310
Tier 3	66.7-100	119	\$18.23	2,019,628	\$36,807,720	\$309,307
<b>Total Receiving Payment</b>		<b>330</b>				<b>\$272,865</b>
		<b>30.14%</b>				

6. An additional component of the QASP program is the improvement scoring, where 10% of the payment allocation is set aside for facility improvements from the baseline year.
- E. For the rate year beginning on August 1, 2014, the Department will pay a supplemental payment, by April 30, 2015, to participating skilled nursing facilities with Medi-cal bed-days, based on the following performance measures as specified in W&I Code Section 14126.022 (i):
1. Immunization rates (short stay only)
  2. Facility acquired pressure ulcer incidence
  3. The use of physical restraints.
  4. Urinary Tract Infection
  5. Control of Bowel or Bladder
  6. Self-Reported Moderate to Severe Pain
  7. Compliance with the nursing hours per patient per day requirements pursuant to Section 1276.5 of the Health and Safety Code.
    - a. The Department may determine a facility ineligible to receive supplemental payments if:
      - i. A facility fails to provide supplemental data as requested by the

Department.

- ii. The CDPH determines that a skilled nursing facility fails to meet the nursing hours per patient per day requirements pursuant to Section 1276.5 of the Health and Safety Code. Facilities must be in compliance with all Health and Safety Code requirements applicable to the skilled nursing facility provider type.

**IX. Quality and Accountability Supplemental Payment**

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  2. Savings achieved from setting the professional liability insurance cost category, as described in V.C.4 of this supplement; including any insurance deductible costs paid by the facility at the 75<sup>th</sup> percentile, instead of a direct pass through cost at 100 percent.
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- C. For the rate year beginning August 1, 2010, the Department, in consultation with the California Department of Public Health (CDPH) and representatives from the long-term care industry, organized labor, and consumers, will establish and publish quality and accountability measures.
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**Total Payout \$36 90M**

Payment Tier	Point Range	# of SNFs	Payout per MCBBD	Total MCBDs per Tier	Total Payout per Tier	Avg. Payout per SNF
Tier 0 <sup>1</sup>		346	\$0.00	5,811,700	\$0	\$0
Tier 1	0 – 49.9	419	\$0.00	10,280,958	\$0	\$0
Tier 2	50 – 66.6	211	\$4.86 12.15	4,381,696	\$21,295,043 53,237,607	\$100,924 252,310
Tier 3	66.7-100	119	\$7.29 18.23	2,019,628	\$14,723,088 36,807,720	\$123,723 309,307
<b>Total Receiving Payment</b>		<b>330</b>				<b>\$109,146</b> <b>272,865</b>
		<b>30.14%</b>				

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- i. A facility fails to provide supplemental data as requested by the Department.
- ii. The CDPH determines that a skilled nursing facility fails to meet the nursing hours per patient per day requirements pursuant to Section 1276.5 of the Health and Safety Code. Facilities must be in compliance with all Health and Safety Code requirements applicable to the skilled nursing facility provider type.

~~b. For managed care plans that contract with the Department to provide skilled nursing services, the Department will adjust payments by the actuarial equivalent of reimbursements calculated in IX.D for contracts amendments or change orders effective on, or after, July 1, 2013.~~

California Highway Patrol  
Commercial Vehicle Section  
ATTN: Officer Ron Leimer  
P.O. Box 942898  
Sacramento, CA 94298-0001

Written comments must be received no later than 4:45 p.m., September 10, 2010.

**DEPARTMENT OF HEALTH CARE SERVICES**

**NOTICE OF GENERAL PUBLIC INTEREST**

**PROPOSED RATE METHODOLOGY CHANGES FOR FREESTANDING SKILLED NURSING FACILITIES AND FREESTANDING ADULT SUBACUTE FACILITIES**

This notice is to provide information of public interest with respect to rate methodology changes that are proposed for freestanding skilled nursing facilities (SNFs) and freestanding adult subacute facilities.

The California Legislature is considering several proposals pursuant to the Medi-Cal Long Term Care Reimbursement Act enacted under Article 3.8 (commencing with Section 14126) of Chapter 7, Part 3 of Division 9 of the Welfare and Institutions Code (added by Assembly Bill 1629 of 2004). The proposed changes will be phased in beginning August 1, 2010, and are as follows:

2010-11

- Assess the Quality Assurance Fee (QAF) on Multi Level Facilities, excluding Continuing Care Retirement Communities (CCRCs).
- Provide a General Fund-neutral net rate increase not to exceed 3.93 percent if the American Recovery and Reinvestment Act of 2009 (ARRA) is extended, with the potential of a reduced adjustment to 3.14 percent if ARRA is not extended beyond December 2010.
- Reduce reimbursement for professional liability insurance to the 75th percentile.
- Eliminate the Labor Driven Operating Allocation (LDOA) daily reimbursement.
- Disallow reimbursement for legal costs related to cases that have not been resolved in favor of the SNFs.

2011-12

- Set the net reimbursement rate cap increase at a level not to exceed 2.4 percent, and allocate 1 percent of the rate increase in the Skilled Nursing Facility Quality and Accountability Special Fund for the supplemental payment pool.

- Begin supplemental payment pool quality and accountability payments to SNFs that meet or exceed the required performance measure targets/benchmarks.

When available, further information on the proposed changes may be viewed on the DHCS Long Term Care System Development Unit web page at: [www.dhcs.ca.gov/services/medi-cal/Pages/LTCAB1629.aspx](http://www.dhcs.ca.gov/services/medi-cal/Pages/LTCAB1629.aspx).

**PUBLIC REVIEW AND COMMENTS**

A detailed description of the proposed California legislation that will amend the Welfare and Institutions Code and Health and Safety Code to make the changes described in this notice will be made available for public review at local county welfare offices throughout the State. A copy of the description may also be requested, in writing, from:

Mr. John McCraw, Chief  
Long Term Care System Development Unit  
Department of Health Care Services  
Medi-Cal Benefits, Waiver Analysis, and Rates Division  
Department of Health Care Services, MS 4612,  
P.O. Box 997413  
Sacramento, CA 95899-7413

Any written comments concerning the proposal may also be mailed to Mr. McCraw at the above address.

**PROPOSITION 65**

**OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT**

California Environmental Protection Agency  
Office of Environmental Health Hazard Assessment  
Notice to Interested Parties

July 23, 2010

**ANNOUNCEMENT OF PUBLIC COMMENT PERIOD**

**Draft Technical Support Document on Proposed Public Health Goal for Benzo(a)pyrene in Drinking Water**

The Office of Environmental Health Hazard Assessment (OEHHA) of the California Environmental