



JENNIFER KENT
Director

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



EDMUND G. BROWN JR.
Governor

September 30, 2015

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

STATE PLAN AMENDMENT 15-032

Dear Ms. Sam-Louie:

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) 15-032 to describe changes to the reimbursement rate methodology applicable to long term care freestanding nursing facilities level-B.

On June 24, 2015, Assembly Bill 119 (Statutes 2015, Chapter 17) was enacted into law, effective August 1, 2015. Further, Assembly Bill 119 will enact additional changes to the Assembly Bill 1629 reimbursement methodology for the rate years 2015-2016 through 2019-2020, which include the following:

- Extends the sunset date by five years to July 31, 2020,
- Provides for an annual increase to the weighted average Medi-Cal reimbursement rate of up to 3.62 percent,
- Adds direct care staff retention as a new quality measure to the Skilled Nursing Facility Quality and Accountability Supplemental Payment (QASP) program.

DHCS is submitting the following SPA documents for your review and approval:

- HCFA Form 179-Transmittal and Notice of Approval of State Plan Material
- Supplement 4 to Attachment 4.19-D, Pages 1, 17, 23 & 24 (Clean Version)
- Supplement 4 to Attachment 4.19-D, Pages 1, 17, 23 & 24 (Redline Version)

Henrietta Sam-Louie
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If you have any questions regarding this SPA, please contact Ms. Connie Florez, Chief, Fee-For-Service Rates Development Division, at (916) 552-9589.

ORIGINAL SIGNED

Enclosures

cc: Ms. Connie Florez, Chief
Fee-For-Service Rates Development Division
1501 Capitol Avenue, MS 4600
Sacramento, CA 95814

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

1. TRANSMITTAL NUMBER:
15-032

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, 2015

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:
CCR title 22, section 51124.5

7. FEDERAL BUDGET IMPACT:
a. FFY 2014/15 \$ 12,787,929.00
a. FFY 2015/16 \$ 77,190,499.00
b. FFY 2016/17 \$ 79,984,795.00

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

Supplement 4 to Attachment 4.19-D pages; 1,17, 23 & 24

10. SUBJECT OF AMENDMENT:

Extends the AB 1629 facility specific rate methodology, Quality Assurance Fee, and Quality and Accountability Supplemental Payment Program from July 31, 2015 to July 31, 2020.

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

13. TYPED NAME:
Mari Cantwell

14. TITLE:
Director

15. DATE SUBMITTED:

SEP 30 2015

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**

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:

**METHODS AND STANDARDS FOR ESTABLISHING FACILITY-SPECIFIC
REIMBURSEMENT RATES FOR FREESTANDING SKILLED NURSING FACILITIES
LEVEL-B AND SUBACUTE CARE UNITS OF FREESTANDING SKILLED NURSING
FACILITIES**

I. Introduction

- A. This document, labeled Supplement 4 to Attachment 4.19-D, describes the overall reimbursement rate methodology for skilled nursing facility services provided to Medi-Cal recipients by: (1) freestanding skilled nursing facilities level-B (FS/NF-B), both publicly and privately operated, and (2) subacute care units of FS/NF-Bs as defined in California Code of Regulations, title 22, section 51124.5.
- B. This Supplement is submitted by the single State Medicaid (Medi-Cal) Agency, the State of California Department of Health Services (hereinafter "Department"). This Supplement is necessary to describe changes to the FS/NF-B reimbursement rate methodology adopted by the 2004 State Legislature in Assembly Bill (AB) 1629, signed into law on September 29, 2004, as Chapter 875 of the Statutes of 2004.
- C. AB 1629 establishes the Medi-Cal Long-Term Care Reimbursement Act, which mandates a facility-specific rate-setting methodology effective on August 1, 2005; and which will cease to be operative on and after July 31, 2008. This statute requires the Department to develop and implement a Medi-Cal cost-based facility-specific reimbursement rate methodology for Medi-Cal participating FS/NF-Bs, including FS/NF-Bs with subacute care beds. AB 203, signed into law on August 24, 2007, as Chapter 188 of the Statutes of 2007, extends the operative date to July 31, 2009. AB 1183, signed into law on September 30, 2008, as Chapter 758 of the Statutes of 2008, extends the operative date to July 31, 2011. SB 853, signed into law on October 19, 2010, as Chapter 717 of the Statutes of 2010, extends the operative date to July 31, 2012. ABX1 19, signed into law on June 28, 2011, as Chapter 4 of the Statutes of 2011, extends the operative date to July 31, 2013. AB 1489, signed into law on September 27, 2012, as Chapter 631 of the Statutes of 2012, extends the operative date to July 31, 2015. AB 119 (Chapter 17, Statutes of 2015) extends the operative date to July 31, 2020.
- D. The cost-based reimbursement rate methodology is intended to reflect the costs and staffing levels associated with the quality of care for residents in FS/NF-Bs. This methodology will be effective August 1, 2005, and will be implemented the first day of the month following federal approval. A retroactive increase in reimbursement rates to August 1, 2005, to FS/NF-Bs will be provided in the event that federal approval occurs after the effective date of the methodology.
- E. The reimbursement rates established will be based on methods and standards described in Section V of this Supplement.
- F. Provisions of this legislation require that the facility-specific reimbursement rates for rate years 2005/06 and 2006/07 will not be less than the rates developed based upon the methodology in effect as of July 31, 2005, as described in Attachment 4.19-D, Pages 1 through 22 of the State Plan, plus projected proportional costs for new state or federal mandates for the applicable rate year

TN 15-032

Supersedes

TN 12-023

Approval Date _____

Effective Date August 1, 2015

- G. For services provided on and after June 1, 2011 through July 31, 2012, Medi-Cal payments will equally be reduced by 10 percent. Specifically, for the period June 1, 2011 through July 31, 2011, the payment is based on the 2010-11 rate that would otherwise be paid to each FS/NF-B, reduced by 10 percent. Accordingly, for the period August 1, 2011 through July 31, 2012, the payment is based on the 2011-12 rate that otherwise would be paid to each FS/NF-B, reduced by 10 percent. The Department will determine the amount of reduced payments for each FS/NF-B, equivalent to the 10 percent payment reduction for the period beginning June 1, 2011, through July 31, 2012, and provide a supplemental payment to each FS/NF-B no later than December 31, 2012.
- H. To the extent that the prospective facility-specific reimbursement rates are projected to exceed the adjusted limits calculated pursuant to VI.A, VI.B, VI.C, VI. D, VI. E, and VI.F of this Supplement, the Department will adjust the increase to each FS/NF-B's projected reimbursement rate for the applicable rate year by an equal percentage.
- I. The payment reductions in the previous section(s) will be monitored in accordance with the monitoring plan at Attachment 4.19-F, entitled "Monitoring Access to Medi-Cal Covered Healthcare Services.
- J. For the 2012/13 rate year, FS/NF-Bs will be reimbursed the facility specific Medi-Cal reimbursement rate effective on August 1, 2011, excluding the reductions specified in VI.G, plus the cost of complying with new state or federal mandates.
- K. For the 2013/14 rate year, the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not exceed 3 percent of the maximum annual increase in the weighted average rate from the 2012/13 rate year, plus the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.
- L. For the 2014/15 rate year, the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not exceed 3 percent of the maximum annual increase in the weighted average rate from the 2013/14 rate year, plus the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.
- M. Beginning with the 2015/16 rate year through July 31, 2020 the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not exceed 3.62 percent of the maximum annual increase in the weighted average rate from the previous rate year, plus the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.

will receive a supplement payment equal to the improvement per diem times its number of Medicaid days (including fee-for-service and managed care).

The Medicaid days are derived from the same source as Medicaid days in paragraph B.6.

Note that any facility that does not have any Medicaid fee-for-service day either in the performance period or the payment period would not be included in the above computation and will not receive this payment.

8. The aggregate supplemental payments will be funded by a pool of \$90,000,000 for the 2014/15 rate year. \$81,000,000 will be the total pool amount used to compute the Tier 2 and 3 per diems in paragraph B.6, and \$9,000,000 will be the total pool amount used to compute the improvement per diem in paragraph B.7. Annually, the pool amounts will be updated in the state plan and will be based on funds derived from general fund related to setting aside 1% of the weighted average Medi-Cal per diem rate, plus the savings from the Professional Liability Insurance being applied at the 75th percentile and the administrative penalties collected for facilities' failure to meet the nursing hours per patient day requirement, minus administration costs.

- C. For the rate year beginning on August 1, 2015, the Department will pay an annual lump sum Medicaid supplemental payment (as computed in paragraphs B.6 and B.7 above), by April 30, 2016, to eligible skilled nursing facilities, 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.
 8. Staff retention
- a. The Department will determine a facility ineligible to receive supplemental payments if the facility fails to meet the following minimum qualifying criteria:

- i. A facility fails to provide supplemental data as requested by the Department.
- ii. 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.
- iii. For the performance period, facility has Class AA/A citations. These citations are issued due to serious harm or death of a resident.
- iv. For the audit period, facility does not have any Medi-Cal bed days. Furthermore, facility must have Medi-Cal fee-for-service bed days in the payment period in order to receive a Medi-Cal fee-for-service supplemental payment.

TN 15-032
Supersedes
TN 14-032

Approval Date _____ Effective Date: August 1, 2015