



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

September 9, 2013

Gloria Nagle, PhD, MPA
Associate Regional Administrator
Centers for Medicare and Medicaid Services
Division of Medicaid and Children's Health
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT (SPA) 13-019

Dear Ms. Nagle,

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) 13-019, to change the reimbursement rate methodology audit selection for Intermediate Care Facilities for the Developmentally Disabled (including Habilitative and Nursing), effective with the 2013-14 rate year and after. DHCS will audit facilities on the basis of their projected rebased costs.

Enclosed are SPA pages 15.4c.3 through 15.4c.5 of Attachment 4.19-D. Changes to Subsection M.12.b describe specific changes to the reimbursement methodology.

If you have questions or concerns regarding the proposed provisions, please contact Ms. Sandy Yien, Chief of the Long Term Care Reimbursement Unit, at (916) 552-9636

Sincerely,

ORIGINAL DOCUMENT SIGNED BY:

Toby Douglas
Director

Enclosures

cc: See Next Page

Gloria Nagle, PhD, MPA
Page 2

cc: John Mendoza, Chief
Fee-For-Service Rates Development Division
1501 Capitol Avenue, Suite 71.4001
MS 4600
Sacramento, CA 95814

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 13-019	2. STATE California
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION		4. PROPOSED EFFECTIVE DATE August 1, 2013	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES			
5. TYPE OF PLAN MATERIAL (<i>Check One</i>): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (<i>Separate Transmittal for each amendment</i>)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447 Subpart C		7. FEDERAL BUDGET IMPACT: a. FFY 2013-2014 \$ 0 b. FFY 2014-2015 \$ 0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-D Pages 15.4c.3, 15.4c.4, and 15.4c.5		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Attachment 4.19-D Page 15.4c.3 and 15.4c.4	
10. SUBJECT OF AMENDMENT: Audit Selection for Intermediate Care Facilities for the Developmentally Disabled (including Habilitative and Nursing), Effective August 1, 2013.			
11. GOVERNOR'S REVIEW (<i>Check One</i>): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: The Governor's Office does not wish to review State Plan Amendments <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: ORIGINAL SIGNED BY:		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	
13. TYPED NAME: Toby Douglas			
14. TITLE: Director			
15. DATE SUBMITTED: 09-09-2013			
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:			

11. The effect of the reduction specified in paragraph M.1 will be monitored in accordance with the access monitoring plan in Attachment 4.19-F.

12.a. Notwithstanding Sections III.A, IV.A.1 and IV.A.2 of this Attachment (at pages 9 and 10), effective with the 2012-13 rate year, DHCS will use audited costs in determining rates for those facilities which were audited, and will apply the ICF/DD-H and ICF/DD-N audit adjustment factors (as described in Section IV.A) to facilities which were not audited.

b Notwithstanding Sections III.A, IV.A.1, IV.A.2, and IV.M.12.(a) of this Attachment (at pages 9, 10, and 15.4c.3), beginning with the 2013-14 rate-year, DHCS will use facility-specific audited costs to calculate the rates for audited facilities.

DHCS will use reported costs to calculate the rates for those facilities which were not audited. Beginning with the 2013-14 rate-year, the ICF/DD, ICF/DD-H, and ICF/DD-N audit adjustment factors (as described in Section IV.A) will not be applied.

DHCS will audit one hundred percent of ICF/DD facilities. ICF/DD-H and ICF/DD-N facilities to be audited will be selected on the basis of reported and projected costs, and will include those facilities which would be adversely impacted under the rate methodology detailed in Section IV.M of this Attachment, if the audit adjustment factors (as described in Section IV.A), are 10% or less.

ICF/DD-H and ICF/DD-N facilities will not be selected for an audit if their reported and projected costs are low or high enough that the minimum or maximum rate would still be assigned with an audit adjustment factor up to and including 10%. This audit range takes into consideration the 5% increase per paragraph M.1 of this Section.

- 13.a (i) In the event that DHCS determines, pursuant to subparagraph M.13.b, that reduced per-diem reimbursement rates calculated using the methodology specified in subparagraph M.1 may be insufficient to enlist or maintain participation of providers of ICF/DD services, DHCS will institute a per-diem rate for a 120 day review period for facilities statewide that will be equal to the per-diem reimbursement rates in effect for the 2008-09 rate-year. DHCS may adjust the per-diem rate for one or more mandates that are applicable to the providers of ICF/DD services.
- (ii) In the event that DHCS determines, pursuant to subparagraph M.13.b, that reduced per-diem reimbursement rates calculated using the methodology specified in subparagraph M.1 may be insufficient to enlist or maintain participation of providers of ICF/DD-H or ICF/DD-N services, DHCS will institute a per-diem rate for a 120 day review period for facilities in a geographic area (as defined in paragraph 13.d) that will be equal to the per-diem reimbursement rates in effect for the 2008-09 rate year.

DHCS may adjust the per-diem rate for one or more mandates that are applicable to the providers of ICF/DD-H or ICF/DD-N services.

- b. The determination described in subparagraphs M.13.a(i) and M.13.a(ii) will be made when the number of licensed beds decreases by 5 percent or more, relative to when the per-diem reimbursement rate decrease took effect, in either of the following:
- ICF/DDs statewide, if the total resident occupancy level statewide is equal to or in excess of 98 percent.
 - An ICF/DD-H or ICF/DD-N geographic area (as defined in paragraph 13.d) where the total resident occupancy level is equal to or in excess of 98 percent.

The number of licensed beds will be measured on an ongoing basis, and the occupancy levels will be measured on a quarterly basis in accordance with the DHCS' monitoring plan at Attachment 4.19-F, entitled "Monitoring Access to Medi-Cal Covered Healthcare Services".

- c. The 120-day review period will begin on the date that DHCS notifies CMS of its intention to increase the rate. DHCS will also notify the affected providers of the effective date of the rate increase, and will provide the data that triggered the rate change.
- d. A geographic area is defined as a geographic peer-group for purposes of this Paragraph M. A listing of the counties comprising each geographic peer-group can be found in Section V, at page 18 of Supplement 4 to Attachment 4.19-D.
- e. In conjunction with the reinstatement of per-diem reimbursement rates to the 2008-09 levels for a given geographic peer-group for ICF/DD-H and ICF/DD-N, and ICF/DD statewide, DHCS shall have a period of 120 days to conduct an analysis of the extent to which reduced per-diem reimbursement rates may have resulted in the decrease in the number of licensed beds. Once DHCS has concluded its analysis, it shall notify Centers for Medicare & Medicaid Services' Regional Office and affected providers of its final determinations and provide the data in support of DHCS' analysis and conclusion. DHCS will then take one of the following actions:
- (i) Restore the reduced per-diem reimbursement rates previously in effect, because DHCS' analysis determined that the decrease in the number of licensed beds was not related to the reduced per-diem reimbursement rates.

- (ii) Submit another SPA within the next 90 days following the initial 120 days to adjust the per-diem reimbursement rates. The higher rates paid under paragraphs 13.a(i) and (ii) shall remain in effect as the reimbursement rates up to the effective date of the new SPA. The higher rates paid under paragraphs 13.a(i) and (ii) shall also continue to be paid, as interim rates, from the effective date of that new SPA until that SPA is approved; the rates approved under the new SPA will then be retroactively applied back to the effective date of that SPA.

- f. The effective date for making the determination set forth in subparagraph 13.b will be based on the effective date of SPA 11-010B (that is August 1, 2012). For purposes of this determination, each facility category as identified in subparagraphs 13.a(i) and 13.a(ii) will be examined separately.

- g. The reimbursement rates resulting from the application of this Paragraph M.12 will be published on the DHCS website at the following link:
<http://www.dhcs.ca.gov/services/medi-cal/Pages/LTCRU.aspx>.

11. The effect of the reduction specified in paragraph M.1 will be monitored in accordance with the access monitoring plan in Attachment 4.19-F.

12. a. Notwithstanding Sections III.A, IV.A.1 and IV.A.2 of this Attachment (at pages 9 and 10), effective with the 2012-13 rate year, DHCS will use audited costs in determining rates for those facilities which were audited, and will apply the ICF/DD-H and ICF/DD-N audit adjustment factors (as described in Section IV.A) to facilities which were not audited.

b. Notwithstanding Sections III.A, IV.A.1, IV.A.2, and IV.M.12.(a) of this Attachment (at pages 9, 10, and 15.4c.3), beginning with the 2013-14 rate-year, DHCS will use facility-specific audited costs to calculate the rates for audited facilities.

DHCS will use reported costs to calculate the rates for those facilities which were not audited. Beginning with the 2013-14 rate-year, the ICF/DD, ICF/DD-H, and ICF/DD-N audit adjustment factors (as described in Section IV.A) will not be applied.

DHCS will audit one hundred percent of ICF/DD facilities. ICF/DD-H and ICF/DD-N facilities to be audited will be selected on the basis of reported and projected costs, and will include those facilities which would be adversely impacted under the rate methodology detailed in Section IV.M of this Attachment, if the audit adjustment factors (as described in Section IV.A), are 10% or less.

ICF/DD-H and ICF/DD-N facilities will not be selected for an audit if their reported and projected costs are low or high enough that the minimum or maximum rate would still be assigned with an audit adjustment factor up to and including 10%. This audit range takes into consideration the 5% increase per paragraph M.1 of this Section.

- 13.a (i) In the event that DHCS determines, pursuant to subparagraph M.13.b, that reduced per-diem reimbursement rates calculated using the methodology specified in subparagraph M.1 may be insufficient to enlist or maintain participation of providers of ICF/DD services, DHCS will institute a per-diem rate for a 120 day review period for facilities statewide that will be equal to the per-diem reimbursement rates in effect for the 2008-09 rate-year. DHCS may adjust the per-diem rate for one or more mandates that are applicable to the providers of ICF/DD services.
- (ii) In the event that DHCS determines, pursuant to subparagraph M.13.b, that reduced per-diem reimbursement rates calculated using the methodology specified in subparagraph M.1 may be insufficient to enlist or maintain participation of providers of ICF/DD-H or ICF/DD-N services, DHCS will institute a per-diem rate for a 120 day review period for facilities in a geographic area (as defined in paragraph 13.d) that will be equal to the per-diem reimbursement rates in effect for the 2008-09 rate year.

TN ~~11-010B~~ 13-019

Supersedes

TN ~~N/A~~ 11-010B

2013

Approval Date _____ Effective Date ~~August 1, 2012~~ August 1,

DHCS may adjust the per-diem rate for one or more mandates that are applicable to the providers of ICF/DD-H or ICF/DD-N services.

- b. The determination described in subparagraphs M.13.a(i) and M.13.a(ii) will be made when the number of licensed beds decreases by 5 percent or more, relative to when the per-diem reimbursement rate decrease took effect, in either of the following:
- ICF/DDs statewide, if the total resident occupancy level statewide is equal to or in excess of 98 percent.
 - An ICF/DD-H or ICF/DD-N geographic area (as defined in paragraph 13.d) where the total resident occupancy level is equal to or in excess of 98 percent.

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- e. In conjunction with the reinstatement of per-diem reimbursement rates to the 2008-09 levels for a given geographic peer-group for ICF/DD-H and ICF/DD-N, and ICF/DD statewide, DHCS shall have a period of 120 days to conduct an analysis of the extent to which reduced per-diem reimbursement rates may have resulted in the decrease in the number of licensed beds. Once DHCS has concluded its analysis, it shall notify Centers for Medicare & Medicaid Services' Regional Office and affected providers of its final determinations and provide the data in support of DHCS' analysis and conclusion. DHCS will then take one of the following actions:
- (i) Restore the reduced per-diem reimbursement rates previously in effect, because DHCS' analysis determined that the decrease in the number of licensed beds was not related to the reduced per-diem reimbursement rates.

TN ~~11-010B~~ 13-019

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2013

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- (ii) Submit another SPA within the next 90 days following the initial 120 days to adjust the per-diem reimbursement rates. The higher rates paid under paragraphs 13.a(i) and (ii) shall remain in effect as the reimbursement rates up to the effective date of the new SPA. The higher rates paid under paragraphs 13.a(i) and (ii) shall also continue to be paid, as interim rates, from the effective date of that new SPA until that SPA is approved; the rates approved under the new SPA will then be retroactively applied back to the effective date of that SPA.

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- g. The reimbursement rates resulting from the application of this Paragraph M.12 will be published on the DHCS website at the following link:
<http://www.dhcs.ca.gov/services/medi-cal/Pages/LTCRU.aspx>.

TN 13-019
Supersedes
TN None

Approval Date _____

Effective Date August 1, 2013