

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and CHIP Services

Toby Douglas
Director of Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

OCT 27 2011

Dear Mr. Douglas:

Enclosed is an approved copy of California State plan amendment (SPA) 11-011. This SPA proposes to reduce the reimbursement rates for freestanding skilled nursing facilities level-B and freestanding subacute skilled nursing facilities level-B by 10%, effective June 1, 2011. The SPA also proposes to provide a supplemental payment to these facilities by December 31, 2012 in the amount equivalent to the 10% reduction.

We conducted our review of your submittal with particular attention to the statutory requirements at sections 1902(a)(13) and 1902(a)(30) of the Social Security Act (Act). Because I find that this amendment complies with all applicable requirements, Medicaid State plan amendment 11-011 is approved effective June 1, 2011. We are enclosing the HCFA-179 and the amended plan pages.

As part of the analysis of this amendment, the State was able to provide metrics which adequately demonstrated beneficiary access in accordance with section 1902(a)(30)(A) of the Act. In general, these metrics included data which provided:

- Total number of providers by type and geographic location and participating Medi-Cal providers by type and geographic area
- Total number of Medi-Cal beneficiaries by eligibility type
- Utilization of services by eligibility type over time
- Analysis of benchmark service utilization where available

Data concerning these metrics were submitted for State Fiscal Years (SFY) 2008, 2009 and 2010. These metrics demonstrated a baseline level of beneficiary access that we find is consistent with the requirements of section 1902(a)(30)(A) of the Act prior to the implementation of SPA 11-011. As well as determining beneficiary access for SFY 2010, the State also submitted a monitoring plan as part of SPA 08-009B1 (also being approved today) that would apply to the services at issue in this SPA by which beneficiary access will be monitored on a service-by-service basis. The State will monitor predetermined

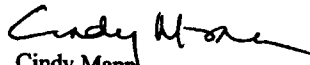
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metrics on a quarterly or annual basis in order to ensure that beneficiary access is comparable to services available to the general population in the geographic area.

In light of the data CMS reviewed, the monitoring plan, and our consideration of stakeholder input, we have determined that the above mentioned amendment complies with section 1902(a)(30)(A) of the Act.



If you have any questions, please have your staff contact Mark Wong at (415)744-3561.

Sincerely,



Cindy Mann
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 11-811	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 June 1, 2010 JUNE 1, 2011	
5. TYPE OF PLAN MATERIAL (Check One): <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 16 IF THIS IS AN AMENDMENT (Secure 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 2010 \$0.00 b. FFY 2011 \$9,999,999.00	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Supplement 4 to Attachment 4.19-D, pages 1, 16, & 17		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Supplement 4 to Attachment 4.19-D, pages 1, 16, & 17	
10. SUBJECT OF AMENDMENT: Freestanding Skilled Nursing Facilities Reimbursement Rates			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: The Governor's Office does not wish to review the State Plan Amendment.			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Department of Health Care Services Attn: State Plan Coordinator 1501 Capitol Avenue, Suite 713.26 P.O. Box 997417 Sacramento, CA 95899-7417	
13. TYPED NAME: Toby Douglas			
14. TITLE: Director			
15. DATE SUBMITTED: 10/27/11			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: OCT 27 2011	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUN - 1 2011 OCT 27 2011		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: CINDY MANN		22. TITLE: DIRECTOR, CMCS	
23. REMARKS: Pen-and-ink change made to Box 7 by Regional Office with State concurrence. <i>Pen & ink change made to block 4</i>			

**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. AB 19, signed into law on June 28, 2011, as Chapter 4 of the Statutes of 2011, extends the operative date to July 31, 2013.
- 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 years.

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- G. The percentiles in labor costs, indirect care non-labor costs, and administrative costs will be based on annualized costs divided by total resident days and computed on a geographic peer-group basis. For the rate year beginning August 1, 2010, and for subsequent rate years, professional liability costs will be based on annualized costs divided by total resident days and computed on a geographic peer-group basis.

VI. Limitations on the Medi-Cal Facility-Specific Reimbursement Rate Calculation

In addition to limitations described in Section V.C.4.e. of this Supplement (FRVS reimbursement limitations), the aggregate facility-specific Medi-Cal payments calculated in accordance with the methodology set forth in Section V of this Supplement will be limited by the following:

- A. For the 2005/06 rate year, the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not exceed eight percent of the weighted average reimbursement rate for the 2004/05 rate year, as adjusted for the change in the cost to the FS/NF-B to comply with the skilled nursing facility quality assurance fee for the 2005/06 rate year, plus the total projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.
- B. For the 2006/07 rate year, the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not exceed five percent of the weighted average Medi-Cal rate for the 2005/06 rate year, as adjusted for the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.
- C. For the 2007/08 and 2008/09 rate years, the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not exceed 5.5 percent of the weighted average Medi-Cal rate for the 2006/07 rate year, as adjusted for the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.
- D. For the 2009/10 rate year, the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not be increased over the weighted average Medi-Cal rate for the 2008-09 rate year, as adjusted for the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.
- E. For the 2010/11 rate year, the maximum annual increase in the weighted average Medi-Cal reimbursement rate will not exceed 3.93 percent of the maximum annual increase in the weighted average rate from the 2009/10 rate year, plus the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.
- F. For the 2011/12 rate year, the maximum annual increase of each FS/NF-Bs Medi-Cal reimbursement rate will not exceed 2.4 percent from the rate effective May 31, 2011, plus the projected FS/NF-B Medi-Cal cost of complying with new state or federal mandates.

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- 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."

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Supersedes

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ENCLOSURE

**FOR STAKEHOLDERS ONLY

Revised Pages for:
CALIFORNIA MEDICAID STATE PLAN
Under Transmittal of
STATE PLAN AMENDMENT (SPA)

11-011*

All new pages will have this SPA* number identified as the new TN No., so it will not be repeated for each new insert pages.

Remove Page(s)	Insert Page(s)
Supplement 4 to Attachment 4.19-D, pages 1, 16-17 (TN 10-015)	Supplement 4 to Attachment 4.19-D, pages 1, 16-17