



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



EDMUND G. BROWN JR.
Governor

JUN 30 2011

Gloria Nagle, Ph.D., MPA
Associate Regional Administrator
Centers for Medicare and Medicaid Services
Division of Medicaid and Children's Health
90 7th Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT 11-010: Payment Reduction Up to 10 Percent for Various Long Term Care Services

Dear Dr. Nagle,

Enclosed are the following: State Plan Amendment (SPA) 11-010 (amending Attachment 4.19-D, pages 15.4 and 15.4a), CMS form 179 - Transmittal and Notice of Approval of State Plan Material, and the SPA Impact form for your review and approval.

Welfare and Institutions Code Sections 14105.07 and 14105.192, added by Assembly Bill 97 (Chapter 3, Statutes of 2011), require that, effective June 1, 2011, Medi-Cal payments for the following classes of long term care facilities will be reduced to the 2008-09 rate on file less ten percent:

- Intermediate Care Facilities
- Distinct Part Nursing Facilities
- Rural Swing-Bed Facilities
- Distinct Part Adult Subacute Care Facilities
- Distinct Part Pediatric Subacute Facilities
- Intermediate Care Facilities for the Developmentally Disabled (ICF/DD), including ICF/DD-Habilitative, ICF/DD-Nursing, and ICF/DD-Continuous Nursing

Also effective June 1, 2011, Medi-Cal payments to Freestanding Pediatric Subacute facilities will be reduced by 5.7 percent. The payment reduction will be applied to the rate on file as of May 31, 2011.

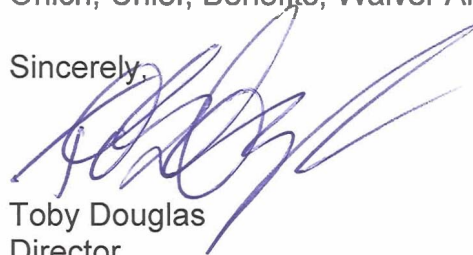
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A Notice of General Public Interest explaining the payment rate reductions for these long-term care services was published in the May 27, 2011, California State Notice Register.

The Department notified Indian Health Programs and Urban Indian Organizations of the reduction to Medi-Cal reimbursement rates for the various long-term care services in a letter dated May 16, 2011. On May 31, 2011, a Webinar was hosted and additional information related to various SPAs, including SPA 11-010, was presented.

If you have any questions or need additional information, please contact Ms. Vickie Orlich, Chief, Benefits, Waiver Analysis and Rates Division, at (916) 552-9400.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Toby Douglas', is written over the word 'Sincerely,'.

Toby Douglas
Director

Enclosures

cc: Vickie Orlich, Chief
Benefits, Waiver Analysis and Rates Division
1501 Capitol Avenue, MS 4612
P.O. Box 997413
Sacramento, CA 95899-7413

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

1. TRANSMITTAL NUMBER:
11-010

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, 2011

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

7. FEDERAL BUDGET IMPACT:
a. FFY 2010-11 -\$24.88.M (4mo.) (savings)
b. FFY 2011-12 -\$86.15 M (savings)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D: pages 15.4 & 15.4a

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

Attachment 4.19-D: pages 15.4 & 15.4a (SPA 10-021)

10. SUBJECT OF AMENDMENT:

Payment Reduction for Various Long Term Care Services

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.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Toby Douglas

14. TITLE:

Director

15. DATE SUBMITTED:

16. RETURN TO:

**Department of Health Care Services
Attn: State Plan Coordinator / Kathryn Waje
1501 Capitol Avenue, Suite 71.3.026
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:

2. A skilled nursing facility that is a distinct part of a general acute care hospital as defined in Section 72041 of Title 22 of the California Code of Regulations.
 3. A subacute care program, as described in Section 14132.25 or subacute care unit, as described in Sections 51215.5 and 51215.8 of Title 22 of the California Code of Regulations.
 4. An adult day health care center.
- K. 1. Medi-Cal reimbursement rates applicable to the classes of facilities listed below for services rendered during the 2009-10 rate year, and each rate year thereafter, will not exceed the reimbursement rates that were applicable to those facilities and services in the 2008-09 rate year.
- Nursing Facilities – Level A (NF-A)
 - Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)
 - Small and Rural Hospitals
 - Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
 - Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
 - Freestanding Pediatric Subacute Care Units
 - Intermediate Care Facilities for the Developmentally Disabled (including Habilitative, Nursing and Continuous Nursing)
4. ~~2.~~ Medi-Cal payments that would otherwise be paid for the services listed below under the current rate methodology subparagraph K.1. shall will be reduced by 5% percent for dates of service on or after October 1, 2010, through and including May 31, 2011.
- Nursing Facilities – Level A (NF-A)
 - Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)
 - Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
 - Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
- ~~2.~~ The payment reductions specified in paragraph (1) above shall not apply to small and rural hospitals, as defined in Section 124840 of the California Health and Safety Code.
3. Medi-Cal reimbursement rates applicable to the classes of facilities payments that would otherwise be paid for the services listed below for services rendered during the 2009-10 rate year, and each rate year thereafter, shall not

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~~exceed the reimbursement rates that were applicable to those facilities and services in the 2008-09 rate year. The rates resulting from the application of this Paragraph K.3 will not be further reduced pursuant to Paragraph K.1. under subparagraph K.1. will be reduced by 10 percent for dates of service on or after June 1, 2011.~~

- Nursing Facilities – Level A (NF-A)
- Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)
- Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
- Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
- Intermediate Care Facilities for the Developmentally Disabled (ICF/DD), including ICF/DD-Nursing, ICF/DD-Habilitative, and ICF/DD-Continuous Nursing facilities.

~~4. The payment reductions specified in subparagraphs (4) K.2. and K.3. above shall do not apply to small and rural hospitals, as defined in Section 124840 of the California Health and Safety Code.~~

~~5. For dates of service on and after June 1, 2011, Medi-Cal reimbursement rates applicable to freestanding pediatric subacute care units will be subject to a 5.7 percent payment reduction, based on the rate on file as of May 31, 2011.~~

4. 6. The payment limitations and reductions in this Paragraph K will not be implemented to the extent that they are subject to an injunction or other court order (or orders) that prohibits or restricts their implementation.

V. DETERMINATION OF RATES FOR NEW OR REVISED PROGRAMS

- A. When State adopts a new service or significantly revises an existing service, the rate of reimbursement shall be based upon comparable and appropriate cost information which is available. Comparable rate and cost data shall be selected and combined in such a manner that the rate is reasonably expected to approximate median audited facility costs, had accurate cost reports been available for the particular class of facility. Such factors as mandated staffing levels and salary levels in comparable facilities shall be taken into account. This method of rate-setting shall ordinarily be relied upon to set rates only until such time as accurate cost reports which are representative of ongoing operations become available.
- B. When it is determined that cost report data from a class of facilities is not reliable for rate-setting purposes due to inaccuracies or reporting errors, a random sample of such facilities shall be selected for audit and the resulting audited costs shall be used for the rate study. After five years from the end of the fiscal year in which a facility begins participating in a program for Medi-Cal reimbursement, the

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reimbursement rate methodology will either revert to the provisions described in Section I through IV of Attachment 4.19 – D or be subject to new provisions as described in a State Plan Amendment.

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2. A skilled nursing facility that is a distinct part of a general acute care hospital as defined in Section 72041 of Title 22 of the California Code of Regulations.
 3. A subacute care program, as described in Section 14132.25 or subacute care unit, as described in Sections 51215.5 and 51215.8 of Title 22 of the California Code of Regulations.
 4. An adult day health care center.
- K. 1. Medi-Cal reimbursement rates applicable to the classes of facilities listed below for services rendered during the 2009-10 rate year, and each rate year thereafter, will not exceed the reimbursement rates that were applicable to those facilities and services in the 2008-09 rate year.
- Nursing Facilities – Level A (NF-A)
 - Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals – Level B (DP/NF-B)
 - Small Rural Hospitals
 - Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
 - Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
 - Freestanding Pediatric Subacute Care Units
 - Intermediate Care Facilities for the Developmentally Disabled (including Habilitative, Nursing, and Continuous Nursing)
2. Medi-Cal payments that would otherwise be paid for the services listed below under subparagraph K.1. will be reduced by 5 percent for dates of service on or after October 1, 2010, through and including May 31, 2011.
- Nursing Facilities – Level A (NF-A)
 - Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)
 - Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
 - Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
3. Medi-Cal payments that would otherwise be paid for the services listed below under subparagraph K.1. will be reduced by 10 percent for dates of service on or after June 1, 2011.
- Nursing Facilities – Level A (NF-A)
 - Skilled Nursing Facilities that are Distinct Parts of General Acute Care Hospitals - Level B (DP/NF- B)

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- Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)
 - Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)
 - Intermediate Care Facilities for the Developmentally Disabled (ICF/DD), including ICF/DD-Nursing, ICF/DD-Habilitative, and ICF/DD-Continuous Nursing facilities.
4. The payment reductions specified in subparagraphs K.2. and K.3. above do not apply to small and rural hospitals, as defined in Section 124840 of the California Health and Safety Code.
 5. Medi-Cal payments that would otherwise be paid to Freestanding Pediatric Subacute Care Units under subparagraph K.1. will be reduced by 5.75 percent for dates of service on or after June 1, 2011.
 6. The payment limitations and reductions in this Paragraph K will not be implemented to the extent that they are subject to an injunction or other court order (or orders) that prohibits or restricts their implementation.

V. DETERMINATION OF RATES FOR NEW OR REVISED PROGRAMS

- A. When State adopts a new service or significantly revises an existing service, the rate of reimbursement shall be based upon comparable and appropriate cost information which is available. Comparable rate and cost data shall be selected and combined in such a manner that the rate is reasonably expected to approximate median audited facility costs, had accurate cost reports been available for the particular class of facility. Such factors as mandated staffing levels and salary levels in comparable facilities shall be taken into account. This method of rate-setting shall ordinarily be relied upon to set rates only until such time as accurate cost reports which are representative of ongoing operations become available.
- B. When it is determined that cost report data from a class of facilities is not reliable for rate-setting purposes due to inaccuracies or reporting errors, a random sample of such facilities shall be selected for audit and the resulting audited costs shall be used for the rate study. After five years from the end of the fiscal year in which a facility begins participating in a program for Medi-Cal reimbursement, the reimbursement rate methodology will either revert to the provisions described in Section I through IV of Attachment 4.19 – D or be subject to new provisions as described in a State Plan Amendment.

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