M E M O R A N D U M

TO: RHCF Members

FROM: Dan Heim, Vice President for Public Policy

DATE: June 27, 2008

SUBJECT: **State Plan Amendment Approved for Medicaid "Rebasing"**

ROUTE TO: Administrator, CFO

ABSTRACT: CMS approves Medicaid state plan for nursing home "rebasing."

Introduction

Good news! NYAHSA has learned that the federal Centers for Medicare and Medicaid Services (CMS) has approved the Medicaid state plan amendment (SPA) for the nursing home reimbursement reforms that were enacted in 2006. The state is planning to issue a press release to this effect as early as today.

The biggest issue CMS had raised was the state's ability to demonstrate compliance with the Medicare upper payment limit (UPL) for non-state operated public facilities. DOH had to assure CMS that the payments under the new Medicaid system, when added to the current rate payments, would not exceed what would be paid under Medicare principles of reimbursement.

NYAHSA and its Joint Association Task Force (JATF) partners (HANYS and NYSHFA) developed an alternative methodology for calculating the UPL, which demonstrated sufficient "room" to accommodate payments under the new system. We shared a full analysis, description and examples of this UPL calculation with DOH. DOH subsequently had multiple discussions with CMS about the new UPL approach to provide them with a comfort level on the calculations.

Resolution of the UPL issue will also allow for the release of financially disadvantaged facility funding to qualifying public facilities for 2006 and beyond.

Payment of Transition Funds

Approval of the plan amendment paves the way for the state to make transition payments to facilities totaling $137.5 million in 2007 and $167.5 million in 2008, and implementation of the

new system in 2009. NYAHSA and its JATF partners have calculated and shared with DOH the individual facility add-ons for 2007 and 2008. These add-ons were calculated by allocating the available statewide funding proportionally across all nursing homes based on the estimated increase in each facility's Medicaid rate under the new methodology. NYAHSA has issued these estimates to its members for use in determining their estimated rate add-ons for 2007 and 2008.

DOH has indicated it will take at least 6-8 weeks from receipt of written CMS approval to authorize, process and make the payments to facilities. The initial payment should include the 2007 transition funding, retroactive to January 1, 2007, and likely some or all of the 2008 transition funding for the first six months of this year. NYAHSA will continue to work closely with DOH and the Division of the Budget to ensure these funds go out expeditiously, and keep members updated.

Next Steps

NYAHSA staff, along with the JATF consultant, are working closely with DOH to prepare for full implementation of the new system on January 1, 2009. Work is well underway on the analysis of the 2002 cost base, and on developing the computer programming needed for the new rate-setting system. The Department intends to publish initial 2009 rates reflecting the new system on or before November 2, 2008.

DOH is now in the process of calculating the RUG-III case-mix weights that will be used in the new system, based on a complete dataset of patient assessments, staff times and wages from the base year. These refined weights will, in turn, be used to refine the pricing calculations for the new system. NYAHSA and the JATF are directly involved in these efforts, acting as a technical resource.

As always, we will continue to provide our members with the latest information on the new system as soon as it becomes available. In the meantime, if you have questions on the new system, please contact me at dheim@nyahsa.org or call 518-449-2707 ext. 128. If your question specifically concerns your facility's estimated rate adjustments under the new system, please contact Darius Kirstein at dkirstein@nyahsa.org or ext. 104.

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