IHCP *bulletin*

INDIANA HEALTH COVERAGE PROGRAMS BT201231 AUGUST 21, 2012

Changes made in nursing facility reimbursement rules

Overview of rule changes

Pursuant to *Section 162* of *P.L. 229-2011* and *LSA Document #12-396(E)*, changes have been made to the Medicaid nursing facility reimbursement rules effective July 1, 2011, October 1, 2011, and July 1, 2012. Specifically, the Family and Social Services Administration (FSSA), Office of Medicaid Policy and Planning (OMPP), is extending authorization of the nursing facility quality assessment fee (QAF), including various rate setting parameters and limitations, and increasing the amount of the fee to the maximum amount permitted by federal law. A portion of the QAF will be used to increase nursing facility Medicaid reimbursement for initiatives that promote and enhance improvements in quality of care to nursing facility residents. The OMPP is proceeding with implementation of these changes following the recent federal approval of the associated Medicaid State Plan Amendment.

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Changes to the nursing facility QAF and reimbursement are summarized as follows:

Effective July 1, 2011

1. Increase the quality assessment fee to $14.70 or $3.68, depending on the facility's census days and nonstate government-owned status.
2. Recalculated Medicaid rates resulting from audits will be implemented retroactively, immediately following the reconsideration period. (*IC 12-15-13-4(d)*)

Effective October 1, 2011

1. Revise and clarify the allowable cost definition of the direct care component to include:
   a. Rental costs for low-air-loss mattresses, pressure-support surfaces, and oxygen concentrators.
   b. Support and license fees for software used exclusively in hands-on resident care support, such as Minimum Data Set (MDS) assessment software and medical records software
   c. Replacement dentures for Medicaid residents provided by the facility that exceed State Medicaid plan limitations for dentures
   d. Legend and nonlegend sterile water used for any purpose
   e. Educational seminars for direct care staff
2. Revise and clarify the allowable cost definition of the indirect care component to include:
   a. Cable or satellite television throughout the nursing facility, including residents' rooms
   b. Pets, pet supplies and maintenance, and veterinary expenses
   c. Educational seminars for indirect care staff
   d. Nonambulance travel and transportation of residents

3. Revise the "grandfathered" employment start date for a Special Care Unit (SCU) director to August 21, 2004, after which specific educational degrees are required
4. Revise the reporting period for the Employee Turnover report (Schedule X), and the Special Care Unit report (Schedule Z) to a calendar-year basis, with a submission due date of March 31 of the following calendar year
5. Increase the nursing home report card score add-on to a maximum of $14.30
6. For the period October 1, 2011, through June 30, 2012, provide a $0.75 per Medicaid resident day add-on. This add-on is to recognize the changes in allowable costs noted previously.

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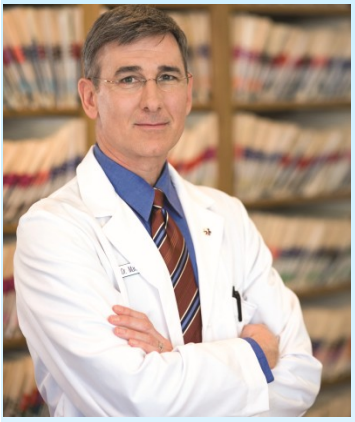

7. For the period October 1, 2011, through June 30, 2012, increase the administrative component reimbursement to 110% of the average allowable median patient day cost.

8. Clarify the definition of related parties, as well as the types of transactions that are not considered to be "arm's-length" transactions in an open competitive market.

9. Increase the quality assessment fee to $16.00 or $4.00, depending on the facility's census days and nonstate government-owned status.

Effective July 1, 2012

1. Effective July 1, 2012, the rental costs for low-air-loss mattresses, pressure support surfaces, and oxygen concentrators are subject to an overall $1.50 per resident day limit.

2. For the period July 1, 2012, through June 30, 2013, adjust the administrative component reimbursement to 108% of the average allowable median patient day cost. (**Note**: Beginning July 1, 2013, the administrative component reimbursement will be adjusted to 100% of the average allowable median patient day cost.)

3. Beginning July 1, 2012, the treatment of related-party transactions for nonstate government-owned entities is clarified.

Implementation schedule

A large volume of State Fiscal Year (SFY) 2012 claims and quality assessment fees will need to be reprocessed to implement these changes. The OMPP has worked closely with HP and Myers and Stauffer to develop a plan to retroactively process all SFY 2012 nursing facility claims and fee assessments due to the State. The plan is to implement the updates by quarter, allowing each quarter's fee assessments and claims to be reprocessed before proceeding sequentially to the next quarter. Implementation of this process began in June 2012, and it is anticipated that reprocessing all fee assessments and claims for the four quarters will be completed by October 31, 2012.

To retroactively process the SFY 2012 claims and quality assessment fees in the most accurate and efficient manner possible, all other nursing facility rate changes will not be released to providers and HP until the SFY 2012 reprocessing is complete. This will affect the issuance of the July 1, 2012, annual rate changes, which will not be released until after October 31, 2012. In conjunction with issuing audit reports, Myers and Stauffer will continue to issue preliminary audited nursing facility rate changes for effective dates before July 1, 2011, during this time period; however, any final audited rate changes will not be released until after October 31, 2012.

QUESTIONS?

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