

**South Carolina Department of Health and Human Services
Medical Care Advisory Committee
Item for Committee Advisement**

PREPARED BY: Jeff Saxon, Program Manager, Office of Finance and Administration

PRESENTED BY: Jeff Saxon, Program Manager, Office of Finance and Administration

DATE: June 19, 2014

SUBJECT: Nursing Facility Rate Updates Effective October 1, 2014

OBJECTIVE: To update the Medicaid nursing facility rates based upon the most recent cost report information available; to adjust the Medicaid reimbursement policy when changes of ownership occur and; to adjust the Medicaid reimbursement policy when nursing facility providers convert from a self- insured plan to commercial insurance on and after October 1, 2014.

BACKGROUND: The SCDHHS intends to update the Medicaid nursing facility rates effective October 1, 2014 using the fiscal year ending September 30, 2013 cost report information. The Department will:

- Provide payments to nursing facilities based on the most recent cost report data available (i.e., FYE September 30, 2013);
- Update the cost center standards based upon the FYE September 30, 2013 Medicaid cost reports;
- Apply a 3.30% inflation factor in the calculation of the October 1, 2014 payment rates;
- Apply an updated deemed asset value and market rate of return factor for October 1, 2014 Medicaid rate setting purposes; and
- Eliminate the application of a budget neutrality factor in the calculation of the October 1, 2014 payment rates.

In addition to the above payment updates, the SCDHHS intends to update the current Medicaid reimbursement methodology as follows:

- Update the Medicaid payment policy as it relates to a change in ownership due to a purchase of fixed assets by discontinuing the practice of allowing the new owner to receive a new Medicaid rate based upon a minimum six month cost report. Under this proposal, the new owner would receive the prior owners most recent Medicaid rate adjusted for any industry wide inflation trend or industry wide add-on upon the effective date of the change in ownership;
- Update the Medicaid payment policy as it relates to a change in ownership due to a lease of fixed assets by discontinuing the practice of allowing the new owner to receive a new Medicaid rate based upon a minimum six month cost report effective the seventh month of operation. Under this proposal, the new owner would continue to receive the prior owners most recent Medicaid rate adjusted for any industry wide inflation trend or industry wide add-on effective with the seventh month of operation and;

- Perform a retrospective settlement process on any nursing facility that employs a Medicaid allowable self-insurance plan under the following circumstances: (1) - when there is a conversion of the self-insurance plan to a commercial insurance plan or (2) when a sale or lease of a nursing facility occurs and the prior owner/lessor employed a self-insurance plan.

As a result of the above payment methodology changes, the weighted average rate effective October 1, 2014 is projected to be \$167.51 per patient day, which represents a 3.82% increase above the September 30, 2014 weighted average payment rate.

BUDGETARY IMPACT: Annual aggregate expenditures are expected to increase by approximately \$24.0 million (total dollars).

EXPECTED OUTCOMES: Nursing facility services provided to Medicaid recipients will be maintained/should improve.

EXTERNAL GROUPS AFFECTED: Contracting Medicaid nursing facilities, Hospice providers, hospitals, and Medicaid recipients.

RECOMMENDATION: Move to amend the current state plan to allow for the rebasing of nursing facility rates effective October 1, 2014 based upon the FYE September 30, 2013 Medicaid cost reports and updates/revisions to the Medicaid reimbursement policy as reflected above.

EFFECTIVE DATE: October 1, 2014