

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

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

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**DATE:** July 14, 2013

**SUBJECT:** Nursing Facility Rate Updates Effective October 1, 2013

**OBJECTIVE:** To update the Medicaid nursing facility rates based upon the most recent cost report information available and the infusion of the \$5 million state fund appropriation provided by the SC General Assembly (which converts to approximately \$16.9 million total funds on an annual basis) for nursing facility rate rebasing efforts during SFY 2013/2014.

**BACKGROUND:** The SCDHHS intends to update the Medicaid nursing facility rates effective October 1, 2013 using the fiscal year ending September 30, 2012 cost report information. Based upon the additional funding provided by the SC General Assembly for nursing facility rate rebasing efforts, the Department will:

- Update the cost center standards based upon the FYE September 30, 2012 Medicaid cost reports.
- Update the deemed asset value and market rate of return factor for October 1, 2013 Medicaid rate setting purposes.
- Update the owner/lessor/relative compensation guidelines for the annual cost of living increase provided to state employees during SFY 2013.
- Apply a 3.60% inflation factor in the calculation of the October 1, 2013 payment rates.
- Apply a 2.9241% budget neutrality factor in the calculation of the October 1, 2013 payment rates in order to ensure that nursing facility expenditures remain within nursing facility budget projections for SFY 2014.
- Amend the county occupancy qualification factor from 90% to 85%. This change will exempt counties with a county occupancy rate of 85% or less from the minimum occupancy requirement of 92%.

As a result of the above changes, the weighted average rate effective October 1, 2013 is projected to be \$160.67 per patient day, which represents a 2.81% increase above the September 30, 2013 weighted average payment rate.

**BUDGETARY IMPACT:** Annual aggregate expenditures are expected to increase by approximately \$16.9 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, 2013 based upon the FYE September 30, 2012 Medicaid cost reports and updates/revisions to the Medicaid reimbursement policy as reflected above.

**EFFECTIVE DATE:** October 1, 2013