

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

PREPARED BY: Jeff Saxon, Bureau of Reimbursement Methodology and Policy

PRESENTED BY: Ruth Johnson, Deputy Director of Finance and Administration

DATE: July 27, 2012

SUBJECT: Nursing Facility Rate Updates Effective October 1, 2012

OBJECTIVE: To update the Medicaid nursing facility rates based upon the most recent cost report information available and to provide for a funding increase in the nursing facility budget line to take into account reduced occupancy levels that nursing facilities have been and are currently experiencing.

BACKGROUND: The SCDHHS intends to update the Medicaid nursing facility rates effective October 1, 2012 using the fiscal year ending September 30, 2011 cost report information. While the nursing facility cost center standards, deemed asset value, and market rate of return factors were updated, a 0% inflation factor allowance was applied in the computation of the October 1, 2012 payment rates. Additionally, to account for the agency's ongoing initiative to provide long term care services in the most appropriate setting (i.e. nursing home or community), the minimum occupancy factor used for facility specific rate setting and establishing cost center standards was lowered from 96% to 92%. Finally, in order to ensure that the October 1, 2012 weighted average rate did not exceed our nursing facility budget target for SFY 2013, a 3.805% budget neutrality factor was applied during the rate setting process. Therefore, the weighted average rate effective October 1, 2012 is projected to be \$156.21 per patient day, which represents a 1.96% increase above the September 30, 2012 weighted average payment rate.

BUDGETARY IMPACT: Annual aggregate expenditures are expected to increase by approximately \$11.6 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, 2012 based upon the FYE September 30, 2011 Medicaid cost reports and updates/revisions to the Medicaid reimbursement policy as reflected above.

EFFECTIVE DATE: October 1, 2012