



STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Aging and Long Term-Support Administration
Management Services Division
PO Box 45600, Olympia, WA 98504-5600

June 30, 2016

AL TSA: NH Rates #2016-002

**RE: JULY 2016 MEDICAID RATES FOR NURSING
HOMES AND 2015 EXAMINATION ADJUSTMENTS**

Dear Nursing Facility Administrator:

The July 1, 2016 Medicaid payment rate for your facility is enclosed. As you may be aware the legislature modified the Nursing Facilities Payment Methodology with the passage of SHB 2678. Please refer to SHB 2678 for more specific detail about your facility rate outlined below.

Briefly, these changes include:

- Going forward there are three main rate components: direct care, indirect care, and capital. Additionally there is a quality incentive component and for the next three rate years a hold harmless component. The Safety Net Assessment from prior rate settings will continue unchanged.
- Direct care is the industry median direct care cost per case mix unit adjusted by a county specific wage index and case-mix adjusted with the facility specific Medicaid Case Mix Index. The direct care median includes 2014 Medicaid cost report costs for direct care, therapy, food, laundry, and dietary. The median calculation will be posted on the Department website.
- The Case Mix data used in the direct care rate calculation will be Minimum Data Set (MDS) 3.0, Resource Utilization Group (RUG) IV, and Grouper 57.
- Indirect care is 90% of the industry indirect median. The indirect care median includes 2014 Medicaid cost report costs for administrative, maintenance, and housekeeping. The median calculation will be posted on the Department website.
- Capital is a facility specific Fair Market Rental calculation updated yearly and is based on a series of inputs and formulas (for example RS Means data, 2015 square feet, 2015 facility age, 2015 renovations, current licensed beds, regional adjustments, 2015 patient day occupancy at a minimum of 90%, etc).
- Quality incentive is a quality measure that facilities may earn by doing well on predetermined CMS quality measures of Long-Stay Pressure Ulcers, Urinary Tract Infections, Self-Reported Pain, Falls with Major Injury, and the CMS Quality Five Star Rating. Currently it is a average 1% of the rate; in the future it may be up to 5% of the rate. The quality incentive calculation will be posted on the Department website.
- Hold harmless is a component for three years to ensure that any facility will not see a rate reduction of more than 1% in Fiscal Year 2017, 2% in Fiscal Year 2018, and 5% in Fiscal Year 2019 when compared to the rate in effect 6/30/2016 (Fiscal Year 2016 ending rate). The hold harmless calculation will be posted on the Department website.

- There is a requirement that facilities have a minimum of 3.4 hours per resident day of direct care staff. The staff that are counted are direct care staff as defined by the CMS Payroll Based Journal. Facilities may also count geriatric behavioral health workers towards their total direct care hours if the workers meet certain criteria.
- Large non-essential community providers (more than 60 beds and not more than forty minutes away from another nursing facility by car) must have an RN on staff 24 hours per day. All other facilities remain at the current standard of 16 hours of RN staff and the remaining 8 with an LPN or RN.

Additionally, there was a Budget Proviso in 2ESHB 2376 that modified the Low RUG score reduction.

- Previously, the payments for residents in the 10 RUG classifications PA through PE is reduced by 13%. Going forward, the payments for residents in the 5 RUG classifications PA through PC1 will be reduced by 13%.
- A facility must notify state case managers if a resident is identified as a PA1 through PC1 resident.
- During SFY17, facilities shall work collaboratively with the Department to find community alternate settings for 96 residents classified PA1 through PC1 who are willing to transition into other community alternatives. Should the Department determine facilities are not making sufficient progress by the end of the first two quarters of FY17, the 13% reduction will raise to 20% for the lowest 4 RUG classifications PA1 through PB2.

The July 1, 2016 Medicaid payment rate is subject to administrative review in accordance with WAC 388-96-901 and 388-96-904. To appeal this rate, you must submit a request in writing within twenty-eight (28) calendar days after receiving this notice of the rate.

The desk examination summary and Reason Codes for the 2015 Medicaid cost report are also enclosed and subject to administrative review in accordance with WAC 388-96-901 and 388-96-904. To appeal these adjustments, you must submit a request in writing within twenty-eight (28) calendar days after receiving this notice of the adjustments.

The Department calculated your facility's July 1, 2016 adjusted rate using your facility's Medicaid Average Case Mix Index (with defaults) from the 1 Semiannual 2016 Final Case Mix RUG Report (10/1/2015 through 3/31/2016) MDS 3.0 RUG IV Grouper 57.

If you wish to request an administrative review conference in relation to your July 1, 2016 rate or any subsequent adjusted rate, please keep in mind WAC 388-96-904, the regulation that controls such requests. The regulation provides in part:

(1)...The contractor's request for administrative review shall:

- (a) Be signed by the contractor or by a partner, officer, or authorized employee of the contractor;

- (b) State the particular issues raised; and
- (c) Include all necessary supporting documentation or other information.

(2) After receiving a request for administrative review conference that meets the criteria in subsection (1) of this section, the Department shall schedule an administrative review conference. The conference may be conducted by telephone.

(3) At least fourteen calendar days prior to the scheduled date of the administrative review conference, the contractor must supply any additional or supporting documentation or information upon which the contractor intends to rely in presenting its case. In addition, the Department may request at any time prior to issuing a determination any documentation or information needed to decide the issues raised, and the contractor must comply with such a request within fourteen calendar days after it is received... The Department shall dismiss issues that cannot be decided or resolved due to a contractor's failure to provide requested documentation or information within the required period. (emphasis added)

The Department will enforce this regulation in responding to requests for administrative review. Requests that are not properly signed, that do not state the issues with particularity, or that are not supported by the required documentation or information, will be denied or dismissed. Mail your appeal to the Office of Rates Management at: P.O. Box 45600, Olympia, WA 98504-5600. Do not mail your appeal to our physical address. Ground carriers such as UPS and FedEx can deliver to the physical address of Blake West 4450 10th Ave SE, Lacey, WA 98503, but the Post Office will not.

If proof of the date of receipt of the Department's rate notification letter exists, then that date shall be used to determine the timeliness of your request for an administrative review conference. If there is no proof of the date of receipt of the Department's rate notification letter, then you will be deemed to have received notice by July 6, 2016 in accordance with WAC 388-96-904 (1).

Please note that the foregoing description is given as a courtesy only. It is not intended as a complete description of the provisions of the operating budget and the other legislation, and you may not rely on it. You may find the laws, their legislative history, and their legislative reports at the Legislature's website, and I encourage you to review them. Each facility and contractor is responsible for understanding all relevant laws.

If you have questions about your rate, please contact your analyst. The facility/analyst list is available on our website at <https://www.dshs.wa.gov/altsa/management-services-division/nursing-facility-cost-reports>. Also at that website are the calculations for the 2014 Direct Care and Indirect Care industry medians, Quality Incentive July 1, 2016, and Hold Harmless July 1, 2016.

Nursing Facility Administrator
June 30, 2016
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Sincerely,

A handwritten signature in black ink that reads "Ken Callaghan". The signature is written in a cursive, slightly slanted style.

Ken Callaghan, Chief
Office of Rates Management

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Enclosures
cc: Interested Parties