

## **DEPARTMENT OF SOCIAL SERVICES**

### **Notice of Proposed Medicaid State Plan Amendment (SPA)**

#### **SPA 18-AB: Nursing Facility Reimbursement**

The State of Connecticut Department of Social Services (DSS) proposes to submit the following Medicaid State Plan Amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS) within the U.S. Department of Health and Human Services (HHS).

#### **Changes to Medicaid State Plan**

Effective on or after November 1, 2018, SPA 18-AB will amend Attachment 4.19-D of the Medicaid State Plan to provide Chronic and Convalescent Nursing Home (CCNH) and Rest Home with Nursing Supervision (RHNS) nursing homes a 2% Medicaid rate increase. The increase is specifically intended to support a permanent increase of no less than 2% in aggregate to the compensation of employees working at the nursing home. Funding from this 2% rate increase program should be used for the following purposes: increases to employee wages or salaries, increases to the health/dental benefit or retirement plans and/or a combination of all three. After the implementation of an overall 2% increase to the compensation of employees, the balance may be utilized to address critical operational needs. Specific non-eligible uses include increases in management fees, rent, ownership compensation, and related party contractors.

#### **Fiscal Impact**

Based on estimates utilizing the most recent information that is available at this time, this SPA is anticipated to increase annual aggregate Medicaid expenditures by approximately \$15.9 million in State Fiscal Year (SFY) 2019 and \$27.3 million in SFY 2020.

#### **Obtaining SPA Language and Submitting Comments**

This SPA is posted on the DSS website at the following link: <http://portal.ct.gov/dss>. Scroll down to the bottom of the webpage and click on “Publications” and then click on “Updates”. Then click on “Medicaid State Plan Amendments”. The proposed SPA may also be obtained at any DSS field office, at the Town of Vernon Social Services Department, or upon request from DSS (see below).

To request a copy of the SPA from DSS or to send comments about the SPA, please email: [christoper.lavigne@ct.gov](mailto:christoper.lavigne@ct.gov) or write to: Christopher LaVigne, Office of Certificate of Need and Rate Setting, Department of Social Services, 55 Farmington Avenue, Hartford, CT 06105-3730 (Phone: 860-424-5719, Fax: 860-424-4812). Please reference “SPA 18-AB: Nursing Facility Reimbursement”.

Anyone may send DSS written comments about this SPA. Written comments must be received by DSS at the above contact information no later than October 25, 2018.

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are less than the additional costs identified in Part 2 item A, accounting for implementation date and pro-ration, the Medicaid per diem rate increase shall be adjusted downward, as necessary, to reflect the Medicaid pro-rata portion of the actual cost of wage increases implemented in fiscal year ending June 30, 2016.

The part 3 per diem Medicaid rate add-on shall be determined as follows:

- A. Each participating nursing home shall submit to the commissioner a schedule of additional costs in the wage and benefit categories listed below and the effective date of such wage and/or benefit increases. These costs shall reflect new annualized costs incurred on or after July 1, 2015 for the following:
  1. Implementation of New Pension Plan
- B. The Medicaid utilization rate shall be calculated by dividing the nursing facility's Medicaid days by total days as reported on the facility's 2014 cost report.
- C. For each nursing facility, the costs identified for each item identified in Part 3 items A shall be multiplied by Part 3 item B to calculate the total allowable Medicaid costs.
- D. For each nursing facility, the wage and benefit component identified in Part 3 item C shall be divided by the aggregate sum of all Part 3 item C components for all nursing facilities.
- E. For each nursing facility, the results of component of Part 3 item D shall be funded in full.
- F. The results of Part 3 item E shall be divided by the facility's Medicaid days as reported on the facility's 2014 cost report. This will result in the Medicaid wage and benefit enhancement per diem rate increase. The rate increase related to wage and/or benefit increases will be effective on the first day that the fiscal year 2016 wage and/or benefit enhancement was implemented by the nursing facility.
- G. During the desk review and/or field audit of the nursing facility's 2015, 2016 and 2017 cost reports, which are conducted immediately following the February 15<sup>th</sup> annual submission deadline, if expenditure increases within the wage and benefit categories listed in Part 3 item A are less than the additional costs identified in Part 3 item A, accounting for implementation date and pro-ration, the Medicaid per diem rate increase shall be adjusted downward, as necessary, to reflect the Medicaid pro-rata portion of the actual cost of wage increases implemented in fiscal year ending June 30, 2016.

For the fiscal year ending June 30, 2018, facilities that received a rate decrease due to the expiration of a 2015 fair rent asset shall receive a rate increase of an equivalent amount effective July 1, 2017. For the fiscal year ending June 30, 2018, the department shall determine facility rates based upon 2016 cost report filings subject to the provisions of this section and applicable regulations, but no facility shall receive a rate that is higher than the rate in effect on December 31, 2016, and no facility shall receive a rate that is more than three percent lower than the rate in effect on December 31, 2016. For the fiscal year ending June 30, 2019, no facility shall receive a rate that is higher than the rate in effect on June 30, 2018, except the rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2018, if the commissioner provides, within available appropriations, pro rata fair rent increases, which may, at the discretion of the commissioner, include increases for facilities which have undergone a material change in circumstances related to fair rent additions or moveable equipment placed in service in the cost report year ending September 30, 2017, and not otherwise included in rates issued.

TN # 17-0025  
Supersedes  
TN # 16-024

Approval Date \_\_\_\_\_

Effective Date 7/01/2017

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For the purpose of determining allowable fair rent, a facility with allowable fair rent less than the twenty-fifth percentile of the state-wide allowable fair rent shall be reimbursed as having allowable fair rent equal to the twenty-fifth percentile of the state-wide allowable fair rent, provided for the rate years ending June 30, 1996 and June 30, 1997, the reimbursement may not exceed the twenty-fifth percentile of the state-wide allowable fair rent for the rate year ending June 30, 1995. Beginning with the rate year ending June 30, 1996, any facility with a rate of return on real property other than land in excess of eleven per cent shall have such allowance revised to eleven per cent. Any facility or its related realty affiliate which finances or refinances debt through bonds issued by the State of Connecticut Health and Education Facilities Authority shall after reporting the terms and conditions of such financing or refinancing have the fair rent component of its rate adjusted to account for a share of, on a case-by-case basis the financial benefit the facility or its related realty affiliate received as a result of such financing or refinancing, including but not limited to, reductions in the amount of debt service payments or period of debt repayment. For good cause actual allowable debt service costs for bonds issued by the State of Connecticut Health and Educational Facilities Authority shall be allowed if such costs do not exceed allowable reimbursement component of the rate for a not-for-profit facility shall be as follows; first, fair rent as defined in the State Plan shall be calculated and second, to reflect the requirements of the State Plan which limit a not-for-profit facility's aggregate total allowable property costs. For facilities which first open on or after October 1, 1992, allowable fair rent shall be determined for real property other than land based on the rate of return for the cost year in which such bonds were issued. The methodology used to determine the property costs, the Department in its rate computation shall include the lower of fair rent or the Facility's actual allowable property costs comprised of allowable depreciation and interest plus those costs not allowed in the cost component categories of administrative and general, indirect and direct as a result of per day costs in excess of established cost component maximums plus amounts disallowed for salaries (including managerial), fees and dues in excess of reimbursement guidelines, and interest expenses related to movable equipment.

(6) A facility shall receive cost efficiency adjustments for indirect costs and for administrative and general costs if such costs are below the state-wide median costs. The cost efficiency adjustments shall equal twenty-five percent of the difference between allowable reported costs and the applicable median allowable cost.

(7) For the rate year ending June 30, 1992, allowable operating costs, excluding fair rent, shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (all urban) - All Items minus one and one-half per cent.

For the rate year ending June 30, 1993, allowable operating costs, excluding fair rent, shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs:

Consumer Price Index (all urban) - All Items minus one and three quarters percent.

For the rate year ending June 30, 1994, and June 30, 1995,

TN # 17-0025

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