



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

July 1, 2014

ALTSA: NH Rates #2014-001
RE: JULY 2014 MEDICAID RATES FOR NURSING HOMES AND 2013 EXAMINATION ADJUSTMENTS

Dear Nursing Facility Administrator:

The July 1, 2014 Medicaid payment rate for your facility is enclosed. In creating the rate computation worksheet, the Department used wording and calculation descriptions as similar as possible to that used in prior rate settings to facilitate your review. Note that the July 1, 2014 non-capital component rates are still based on the 2007 cost report information. The next rebase of non-capital components is currently scheduled for rates beginning July 1, 2015, which will be rebased to the 2013 cost report.

The July 1, 2014 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 2013 Medicaid cost report are also enclosed and subject to administrative review in accordance with WAC 388-96-901 and 388-96-904. Also enclosed is your facility's depreciation schedule. 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, 2014 adjusted rate using your facility's Medicaid Average Case Mix Index (with defaults) from the January 1, 2013 rate. To allow for the transition to MDS 3.0 and RUG IV, this MACMI is to be used through June 30, 2015, increased by .5% every six months.

If you wish to request an administrative review conference in relation to your July 1, 2014 rate or to the desk examination of the 2013 cost report, 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 of Blake West 4450 10th Ave SE, Lacey, WA 98503. Ground carriers such as UPS and FedEx can deliver to the physical address, 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 7, 2014 in accordance with WAC 388-96-904 (1).

In its session earlier this year, the Legislature adopted a supplemental operating budget for SFY 2015, which begins July 1, 2014; see ESSB 6002, which was adopted as c. 221, 2014 Laws. Sec. 206 of the budget included several add-ons to Medicaid rates beginning July 1, 2014:

- a second, supplemental low-wage worker add-on that is estimated to add \$2.53 to the daily rate of facilities accepting it (\$2.44 on an industry weighted average basis)
- a direct care rate add-on of \$3.63 per resident day
- a support services rate add-on of \$1.12 per resident day, and
- a therapy care rate add-on of \$0.05 per patient day.

Sec. 206 provides for the continuation of the "comparative analysis" and the "acuity add-on" for SFY 2015. The add-ons listed above, as well as the original low-wage worker add-on, are excluded when performing the "comparative analysis" and "acuity add-on."

Nursing Facility Administrator
July 1, 2014
Page 3

These add-ons appear only in Sec. 206 of the budget, and are currently provided only for SFY 2015 (from July 1, 2014 through June 30, 2015). The law on Medicaid nursing facility rates, Ch. 74.46 RCW, was not amended to reflect these add-ons.

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 or exam, please contact your analyst. The facility/analyst list is available on our website at <http://www.altsa.dshs.wa.gov/professional/rates/>.

Finally, a reminder to those facilities that pay the Safety Net Assessment: the upper level of the SNA rises from \$14.00 to \$21.00 as of July 1, 2014. The lower level of \$1.00, and the exemption categories, will not change. For those facilities paying the assessment at the higher level, their July 1, 2014 rates have been adjusted to reflect the new amount of \$21.00. A copy of the Notice Concerning the Safety Net Assessment which was mailed to facilities earlier is enclosed for your convenience. The SNA levels may be changed later in the fiscal year. If they are, the normal notice requirements will be observed.

Sincerely,



Ken Callaghan, Chief
Office of Rates Management

Enclosures
cc: Interested Parties



STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Management Services Division
PO Box 45600, Olympia, WA 98504-5600

Notice Concerning the Safety Net Assessment

The Department of Social and Health Services hereby informs you of a change concerning the Safety Net Assessment (SNA) imposed on licensed nursing facilities under Ch. 74.48 RCW:

The upper level of the SNA will increase from \$14.00 to \$21.00. This change will be effective July 1, 2014. The lower level of \$1.00 will not change. The exemption categories, defining which facilities pay and whether they pay at the higher or lower level, will not change. Medicaid payment rates will be adjusted to reflect the higher SNA amount.

Explanation

The SNA was created by ESSB 5581, adopted by the Legislature in 2011 as c. 7, 2011 Laws, 1st sp. sess. The bill recognized that it might sometimes be necessary to adjust the level of the SNA. Section 16, Administration and Collection, of the bill (now codified as RCW 74.48.040) directs the Department to adopt rules concerning the SNA, including rules for either a decrease or increase in the SNA amount. In relation to an increase, it says in part:

- (1)...Such rule making shall specifically include provision for:
 - (c) Adjustment of the assessment amounts as follows:
 - (i) The assessment amounts under section 15 of this act may be adjusted as follows:
 - (B) So long as none of the conditions set forth in section 18 (2) of this act have occurred [*relating to possible changes in the design of the SNA, which did not happen*], if the department's forecasts indicate that the assessment amounts under section 15 of this act, together with all other appropriated funds, are not sufficient to support the skilled nursing facility reimbursement rates authorized in the biennial appropriations act and other uses and payments authorized under sections 14 and 15 of this act, the department shall increase the assessment rates to the amount necessary to support those reimbursement rates and other payments to the maximum amount allowable under federal law. (emphasis added)

Under the authority of this section, the Department adopted WAC 388-96-910 Safety net assessment. Subsection (1) of that rule says in part:

Each year, under section 16 of the act, the department of social and health services (the department) may adjust the amount(s) of the SNA to be paid for the next state

fiscal year (SFY), beginning July 1. If necessary, the department may further adjust the amount(s) of the SNA at other times during the SFY...[T]he department will submit any adjustments to the SNA amount(s), along with the data supporting the adjustments, to the Washington Health Care Association and the Aging Services of Washington¹ for review and comment at least sixty calendar days prior to implementation of the adjusted assessment amounts. These submissions may be made electronically....

The Department finds it necessary to adjust the amount of the SNA to \$21.00 beginning July 1, 2014 because earlier this year the Legislature adopted a supplemental operating budget that was premised on such an increase. See ESSB 6002, which was adopted as c. 221, 2014 Laws. Sec. 206 of the budget included several add-ons to Medicaid rates beginning July 1, 2014:

- a second, supplemental low-wage worker add-on that is estimated to add \$2.53 to the daily rate of facilities accepting it (\$2.44 on an industry weighted average basis)
- a direct care rate add-on of \$3.63 per resident day
- a support services rate add-on of \$1.12 per resident day, and
- a therapy care rate add-on of \$0.05 per patient day.

These add-ons, which are currently provided only for SFY 2015 (from July 1, 2014 through June 30, 2015), are all to be funded from the additional revenue received by this increase in the SNA. Because of these add-ons, the statewide weighted average daily rate for SFY 2015 is now set at \$178.82, up from \$171.58 set last year in the original operating budget. Under the section of the statute cited above, the Department is required to increase the SNA to assure that the reimbursement rates provided in the biennial operating budget can be paid.

In addition to the Legislature's direction to increase the SNA, the amount of \$21.00 for the higher SNA level is also the result of a small surplus in SNA collections from SFY 2014. As stated in RCW 74.48.040:

(1)(C) Any positive balance remaining in the fund at the end of the fiscal year shall be applied to reduce the assessment amount for the subsequent fiscal year.

The surplus was applied to the calculation of the SNA necessary to fulfill the Legislature's directions. The SNA is slightly lower than it would have been otherwise.

The Department currently projects that this change in the upper level of the SNA to \$21.00 will apply from July 1, 2014 through June 30, 2015. However, it is possible that, due to results experienced as the year progresses, the level of the SNA may need to be adjusted again in compliance with the statute cited above. If that is necessary, the Department will issue another notice.

Please note that Medicaid payment rates to nursing facilities will be adjusted as of July 1, 2014 so that the add-on to reimburse facilities for the SNA paid in relation to Medicaid residents will reflect the amount of \$21.00. The new rates will be sent out at the end of June 2014.

¹ Aging Services of Washington has since been renamed LeadingAge Washington.

If you have any questions, please contact the analyst assigned to your facility.

**Ken Callaghan, Chief
Office of Rates Management**

**Ed Southon, Manager
Nursing Home Rates**

**cc: Jane Beyer, Assistant Secretary, BHSIA
Bill Moss, Assistant Secretary, AL TSA**