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State/Territory Name: Hawaii

State Plan Amendment (SPA) #: HI-23-0014

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850

Financial Management Group

February 27, 2024

Judy Mohr Peterson, PhD
Med-QUEST Division Administrator
Office of the Director
Department of Human Services
PO Box 339
Honolulu, HI 96809-0339

RE: Hawaii State Plan Amendment Transmittal Number 23-0014

Dear Administrator Peterson:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 23-0014. This amendment, effective January 1, 2024, updates the Hawaii nursing facility acuity-based per diem rate components and rate methodology.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 23-0014 is approved effective January 1, 2024. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561 or mark.wong@cms.hhs.gov.

Sincerely,

[redacted]

Rory Howe
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 23-0014

2. STATE: HI

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
01/01/2024

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2024 $ ~~28600000~~ 1,262
b. FFY 2025 $ ~~28800000~~ 1,695

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-D pg. 1
Attachment 4.19-D pg. 38,38a, 39

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-D pg. 1
Attachment 4.19-D pg. 38, 39
Supplement to Attachment 4.19-D pg. 1-3

9. SUBJECT OF AMENDMENT
SPA 23-0014 Nursing Facility Payment Methodology Change
Hawaii MQD rebasing NF rates and changing the case mix from using the RUGs system to the Patient Driven Payment Model system (PDPM). The change is required because CMS has changed to PDPM and will no longer be supporting the RUGs system

10. GOVERNOR'S REVIEW *(Check One)*
( ) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
(●) OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Judy Mohr Peterson, PhD

13. TITLE
Med-QUEST Administrator

14. DATE SUBMITTED
12/20/23

15. RETURN TO
State of Hawaii
Department of Human Services
Office of the Director
P.O. Box 339
Honolulu, Hawaii 96809-0339

FOR CMS USE ONLY

16. DATE RECEIVED
December 20, 2023

17. DATE APPROVED
February 27, 2024

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2024

19. SIGNATURE OF APPROVING OFFICIAL
[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, Financial Management Group

22. REMARKS

Pen-and-ink change made to Boxes 6, 7, and 8 by CMS with state concurrence.

Instructions on Back

STATE OF HAWAII

METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR LONG-TERM CARE FACILITIES

I. DEFINITIONS:

When used in this Plan, the following terms shall have the indicated meanings:

A. "Acuity based reimbursement system" means the Medicaid reimbursement system for nursing facility (NF) level of care. The acuity based reimbursement system applies to Acuity A and Acuity Level C services, excluding services in critical access hospital.

B. "Acuity Level A" means that the Department has applied its standards of medical necessity and determined that the Resident requires a level of medical care from a Nursing Facility relatively lower than Acuity Level C. Prior to October 1, 1990, that level of care was appropriately obtained from an ICF.

C. "Acuity Level B" Means that the Department has applied its standards of medical necessity and determined that the Resident requires the level of medical care and special services that are appropriately obtained from an ICF/MR.

D. "Acuity Level C" means that the Department has applied its standards of medical necessity and determined that the Resident requires a level of medical care from a Nursing Facility relatively higher than Acuity Level A. Prior to October 1, 1990, that level of care was appropriately obtained from an SNF.

E. "Acuity Level D" means that the Department has applied its standards of medical necessity and determined that the Resident requires a level of medical care that is relatively higher than Acuity Level C but less than acute.

F. "Acuity Ratio" means the estimated average Level A direct nursing costs divided by the estimated average Acuity Level C direct nursing costs, as determined by the Department. For the FY 98 Rebasing, the Department has determined the ratio to be 1.00=0.8012.

G. "Adjusted PPS Rate" means the Basic PPS Rate and any adjustments to that rate that are applicable to a particular Provider. A

E. Each Provider shall keep financial and statistical records of the cost reporting year for at least six years after submitting the cost report form to the Department and shall make such records available upon request to authorized state or federal representatives.

XI. ACUITY BASED REIMBURSEMENT SYSTEM

A. Beginning with the effective date of these rules, the Department will implement a transition from PPS to an acuity based reimbursement system. The phased approach was implemented on July 1, 2008.

B. The rate methodology uses a price-based system with the following parameters:

1. For the direct care rate component, the component price is set at one hundred ten per cent of the day-weighted median. The rate that is calculated is subject to a case mix adjustment based upon the change on each facility's overall case mix.

2. For the administrative and general rate component, the component price is set at one hundred three per cent of the day-weighted median. The rate is not subject to a case mix adjustment.

3. For the capital rate component, the component price is at the day-weighted median. The rate is not subject to a case mix adjustment.

4. The gross excise taxes paid to the State of Hawaii (Hawaii general excise tax) is treated as a pass-through.

5. The Medicaid share of the NF Sustainability Fee is treated as a pass-through.

6. Effective January 13, 2021 the direct care, administrative and general, and capital component prices included an adjustment of 12% for private nursing facilities. The adjustment percent was in addition to the inflation adjustment discussed below and on page 3 of the "Acuity Based Long Term Care Reimbursement Rates" Supplement to Attachment 4.19-D. Effective January 1, 2024 the adjustment of 12% for private nursing facilities will no longer be applied to component prices.

The rate setting parameters will remain constant for all future rate setting periods. The prices calculated for direct care, administrative and general, and capital will reflect prices that relate to the rate period beginning July 1, 2002 and ending June 30, 2003. The component prices will be updated for each subsequent rate period by the inflation adjustment for each period, provided that no inflation adjustment shall be applied in determining component prices for the 4th quarter of FFY 2015 and the 1st, 2nd and 3rd quarters of FFY 2016.

Effective for rate periods beginning January 1, 2024. The Acuity Based Nursing Facility Rate Parameters have been updated. The rate component prices listed in the table on pg. 38a relate to the period 1/1/2023 – 12/31/2023.

Prices will remain constant for all future rate periods, except that the component prices (direct care, A&G, capital) will be updated for each subsequent rate period by the inflation adjustment factor as published by S&P Global Market Intelligence Healthcare Cost Service, Nursing Home without Capital Market Basket.

Rate Component	Component Price %	Component Price	Case Mix Adjusted
Direct Care (nursing hours per resident day less than 3.5)	100% of Median	$114.89	Yes
Direct Care (nursing hours per resident day greater than or equal to 3.5)	112% of Median	$173.48	Yes
Administrative & General	100% of Median	$140.64	No
Capital	120% of Median	$22.50	No

For facilities with nursing hours per day less than 3.5 hours, the direct care rate component price is set at 100% of their day-weighted median cost. For facilities with nursing hours per day greater than or equal to 3.5 hours, the direct care rate component price is set at 112% of their day-weighted median cost.

Facilities are assigned their applicable direct care rate component price based on nursing hours reported in the Quarter Ended 3/31/2023 CMS Payroll Based Journal. Facilities will continue to receive their assigned direct care rate component price for all future rate periods, except a facility may change to the higher direct care rate component price if nursing hours per resident day are greater than or equal to 3.5 hours for 4 consecutive quarters as reported in the CMS Quarterly Payroll Based Journals. The change will become effective at the beginning of the next rate period.

The average case mix of all the residents in the facility at various points in time are applied to the direct care component for each facility. Case mix is determined using the Patient Driven Payment Model (PDPM).

The weighted average case mix of all the residents in the facility at various points in time is applied to the direct care component for each facility. Case mix will be updated semi- annually on January 1 and July 1. The January 1 facility weighted average case mix is determined from the case mix index of all the residents in the facility on the most recent May 1 and August 1 point in times. The July 1 facility average case mix is determined from the case mix index of all the residents in the facility on the most recent November 1 and February 1 point in times.

The administrative and general rate component price is set at 100% of the day-weighted median. The administrative and general rate component price is not subject to a case mix adjustment.

The capital rate component price is set at 120% of the day-weighted median. The capital rate component price is not subject to a case mix adjustment.

Gross excise tax paid to the State of Hawaii (Hawaii General Excise Tax)and county surcharge tax is added to the rate component prices.

The Medicaid share of the NF Sustainability Fee is added to the rate component prices.

In a state fiscal year where the acuity based rates described here would have resulted in aggregate Medicaid FFS payments in excess of the federal nursing facility upper payment limit per 42 CFR 447.272, for each facility whose Medicaid payments are in excess of its own contribution to the upper payment limit, its acuity based rate will be adjusted down so that its Medicaid payment amount would be equal to its upper payment limit, as calculated in the upper payment limit demonstration for that state fiscal year. The state will return the federal share of any overpayment resulting from this adjustment to CMS.

C. Effective for rate periods starting September 1, 2003 and July 1, 2004, the annual cost increases shall be determined as follows:

1. Calculate the blended Acuity A and Acuity C rates for all eligible NF facilities using the inflation adjustment.

2. For each NF, compare the blended rates with the inflation adjustment to the rates that would have been reimbursed under the acuity based reimbursement system.

3. Apply the inflation adjustment only to the NFs that would have received an increase under the acuity-based reimbursement system. The rate as increased by the inflation adjustment for the NF shall not exceed the rate the provider would have been entitled to under the acuity based reimbursement system. Any NF not entitled to the inflation adjustment shall receive no rate increase or decrease.

4. For all NFs that are not entitled to an inflation adjustment, or whose rate is limited by the rate determined by the acuity based reimbursement system, calculate by facility the annual amount associated with the inflation adjustment based on the Medicaid bed days from the latest available cost report.

5. The total amount of inflation adjustments calculated in paragraph (4) shall be distributed to NFs whose rates with inflation adjustments are below the rate calculated under the acuity based reimbursement system. The total amount shall be divided by the number of Medicaid bed days for the NFs with rates below those calculated by the acuity based reimbursement system. A SNF and ICF bed day rate shall be calculated.

6. Each NF with rates below that calculated by the acuity based reimbursement system shall receive an additional adjustment to its rate. The adjustment shall be applied to each SNF and ICF bed day, provided the new bed day rate does not exceed the rate that would have been paid under the acuity based reimbursement system.

D. Effective for rate periods starting September 1, 2003, and July 1, 2004, all NFs that do not receive an inflation adjustment under paragraph C above shall receive an additional transition payment equal to the difference between the rate as calculated under paragraph C above and the allowable cost of serving Medicaid eligible patients (based on the most recently approved cost report trended forward).