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**State/Territory Name: CT**

**State Plan Amendment (SPA) #: 17-0025**

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

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

**Financial Management Group**

Roderick L. Bremby, Commissioner
Department of Social Services
55 Farmington Avenue, 9th Floor
Hartford, CT 06105-3730

September 18. 2018

RE: Connecticut 17-0025

Dear Commissioner Bremby:

We have reviewed the proposed amendment to Attachment 4.19-D, of your Medicaid State Plan submitted under transmittal number (TN) 17-0025. This amendment proposes several adjustments to nursing home rates in State Fiscal Year (SFY) 2018 and SFY 2019. The first adjustment restores the funding that was removed from the rate in SFY 2017 due to the expiration of fair rent. The second rate adjustment freezes SFY 2018 and SFY 2019 nursing home rates in the aggregate while rebasing SFY 2018 nursing home rates, providing a downside stop loss of 1.6%. The final adjustment allows for new fair rent additions in SFY 2018 and SFY 2019 based on assets placed into service in SFY 2016 and SFY 2017, respectively.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30) and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447. We are pleased to inform you that Medicaid State plan amendment 17-0025 is approved effective July 1, 2017. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Novena James-Hailey at (617) 565-1291.

Sincerely,

[redacted]

Kristin Fan
Director

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

FORM APPROVED
OMB NO. 0938-0193

**TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL**
**FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES**

1. TRANSMITTAL NUMBER: 17-0025

2. STATE: CT

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

TO: REGIONAL ADMINISTRATOR, CENTERS FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2017

5. TYPE OF STATE PLAN MATERIAL (Check One):

__ NEW STATE PLAN __ AMENDMENT TO BE CONSIDERED AS NEW PLAN _X_ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
Section 1905(a)(4)(A) of the Social Security Act and 42 CFR 440.40(a) and 447.253(a) and (b)

7. FEDERAL BUDGET IMPACT:
a. FFY 2017 ($13.6 million) savings
b. FFY 2018 ($81.75 million) savings

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-D , Pages 59c and 59d

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If applicable)
Attachment 4.19-D, Pages 59c and 59d

10. SUBJECT OF AMENDMENT: Effective July 1, 2017, SPA 17-0025 amends Attachment 4.19-D of the Medicaid State Plan to make several adjustments to nursing facility reimbursement. First, this SPA restores funding that was removed from the rate in State Fiscal Year (SFY) 2017 due to expiration of fair rent. This adjustment will be provided if the nursing home's issued rate is less than the calculated rate. Second, this SPA freezes SFY 2018 and SFY 2019 nursing home rates in the aggregate while rebasing SFY 2018 nursing home rates, providing a downside stop loss of 1.6%. The rebasing of nursing home rates every two to four years is already a component of the approved Medicaid State Plan. Finally, this SPA allows for new fair rent additions in SFY 2018 and SFY 2019 based on assets placed into service in SFY 2016 and SFY 2017, respectively.

11. GOVERNOR'S REVIEW (Check One):

X GOVERNOR'S OFFICE REPORTED NO COMMENT
__ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
__ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
__ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:
[redacted]

TYPED NAME: Roderick L. Bremby

14. TITLE: Commissioner

15. DATE SUBMITTED:
September 29, 2017

16. RETURN TO:

State of Connecticut
Department of Social Services
55 Farmington Avenue, 9th Floor
Hartford, CT 06105
Attention: Ginny Mahoney, Medical Policy

**FOR REGIONAL OFFICE USE ONLY**

**17. DATE RECEIVED:**

**18. DATE APPROVED:** SEP 18 2018

**PLAN APPROVED – ONE COPY ATTACHED**

**19. EFFECTIVE DATE OF APPROVED MATERIAL:** JUL 01 2017
JUL 01 2017

**20. SIGNATURE OF REGIONAL OFFICIAL:**
[redacted]

**21. TYPED NAME:** Kristin Fan

**22. TITLE:** Director, FMG

**23. REMARKS:**

FORM CMS-179 (07-92)

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 15th 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 1.6 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 to reflect pro rata fair rent increases for facilities which have undergone a material change in circumstances related to fair rent additions placed in service in the cost report year ending September 30, 2017, and not otherwise included in rates issued.

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 tis 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,