(2) Existing Facilities

The actual per diem cost from the January 1, 1992, to June 30, 1992, cost report shall become the initial allowable base rate for existing facilities. A new maximum allowable base rate will be calculated each year for existing facilities based on the June 30, 1992, cost report until rebasing occurs.

A new maximum allowable base rate will be calculated each year for existing facilities by increasing the prior year's maximum allowable base rate by the annual percentage increase of the Consumer Price Index for all urban consumers, U.S. city average. For the period beginning July 1, 2009, and ending June 30, 2010, the percentage increase shall be 3.0%, instead of the CPI-U.

(3) All Facilities

The maximum allowable base rate for each period thereafter (until rebasing) will be calculated by increasing the prior year's maximum allowable base by the annual percentage increase of the Consumer Price Index for all urban consumers, U.S. city average. For the period beginning July 1, 2009 and ending June 30, 2010, the percentage increase shall be 3.0%, instead of the CPI-U.

Facility rates shall be rebased using the cost report for the year covering state fiscal year 1996 and shall subsequently be rebased each four years. The Department shall allow special rate adjustments between rebasing cycles if:

- An increase in the minimum wage occurs.
- A change in federal regulations occurs which necessitates additional staff or expenditures for capital improvements, or a change in state or federal law occurs, or a court order with force of law mandates program changes which necessitate the addition of staff or other resources.

f. Maximum Allowable Base Rate

(1) New Facilities

Following the first 12 months of operation as a Medicaid-certified ICF/MR, the facility shall submit a cost report for the second six months of operation and an on-site audit of facility costs shall be performed by the accounting firm under contract with the Department. Based on the audited cost report, a rate shall be established for the facility which shall be considered the base rate until rebasing of facility costs occurs.

The maximum allowable base rate for the first annual period will be determined by taking the per diem rate calculated for new facilities for the base period and then multiplying it by the Consumer Price Index and adding it to the base rate. For the period beginning July 1, 2009, and ending June 30, 2010, the percentage increase shall be 3.0%, instead of the CPI-U. See page 9 (paragraph c).

d. Inflation Factor

An inflation factor equal to the percentage increase of the Consumer Price Index for all urban consumers, U.S. city average. For the period beginning July 1, 2009, and ending June 30, 2010, the percentage increase shall be 3.0% instead of the CPI-U. An inflation factor shall be applied to the first six months and all subsequent cost reports submitted by new and existing ICFs/MR.

e. Incentive Factor

The incentive factor for new facilities shall be applied to the first six-month cost report files ending June 30 after a base rate has been established. The incentive factor for existing ICFs/MR shall be applied annually.

Facilities with a per diem cost percentage increase of less than the percentage increase of the Consumer Price Index shall be given their actual percentage increase plus one-half the difference of the Consumer Price Index less their actual percentage increase. This percentage difference times the actual per diem cost for the annual period just completed is the incentive factor.

For the period beginning July 1, 2009, and ending June 30, 2010, facilities with a per diem cost percentage increase of less than 3.0%, instead of the CPI-U, shall be given their actual percentage increase plus one-half the difference of 3.0%, instead of the CPI-U, less their actual percentage increase. This percentage difference times the actual per diem cost for the annual period just completed is the incentive factor for the period July 1, 2009, through June 30, 2010.

Facilities whose annual per diem cost decreased from the prior year shall be given one and one-half the percentage increase in the Consumer Price Index as an incentive for cost containment. One and one-half of the percentage increase of the Consumer Price Index times the actual per diem cost for the annual period just completed is the incentive factor.

For the period beginning July 1, 2009, and ending June 30, 2010, facilities whose annual per diem cost decreased from the prior year shall be given four and one-half percent of their actual per diem as an incentive for cost containment, instead of one and one-half of the percentage increase of the CPI-U.

**OS Notification**

**State/Title/Plan Number:** **Iowa 09-012**

**Type of Action:** **SPA Approval**

**Required Date for State Notification: 03/22/2010**

**Fiscal Impact:** **FFY 09 $1,515,693 FFY 10 $4,619,308**

**Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0**

**Number of Potential Newly Eligible People: 0**
**or**
**Eligibility Simplification: No**

**Provider Payment Increase: Yes or Decrease: No**

**Delivery System Innovation: No**

**Number of People Losing Medicaid Eligibility: 0**

**Reduces Benefits: No**

**Detail:**
**Effective for ICF/MR services on and after July1, 2009, this amendment provides for an inflation adjustment set at 3 %. Formerly it was based on the consumer price index.**

**Other Considerations:**
**This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.**

**This OSN has been reviewed in the context of the ARRA and approval of the OSN is not in violation of ARRA provisions.**

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**National Institutional Reimbursement Team**