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State/Territory Name: IN

State Plan Amendment (SPA) #: 13-0005

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Additional Companion letter (delete if not applicable)
- 3) CMS 179 Form/Summary Form (with 179-like data)
- 4) Approved SPA Pages

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



JUL 15 2014

Mr. Joseph Moser, Director of Medicaid
Office of Medicaid Policy and Planning
Indiana Family and Social Services Administration
402 West Washington Street, Room W461
Indianapolis, IN 46204-2739

RE: Indiana State Plan Amendment (SPA) 13-005

Dear Mr. Moser:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 13-005. This SPA extends a 5% reduction in Medicaid payments for Nursing Facility (NF) services and a 3% reduction in Medicaid payments for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) and Community Residential Facility for the Developmentally Disabled (CRF/DD) services, effective July 1, 2013 through December 31, 2013. The SPA reduces the NF reduction to 3% and reduces the ICF/IID and CRF/DD reduction to 1%, effective January 1, 2014 through June 30, 2015. Additionally, the Medicaid rate for the ICF/IID licensed as a Comprehensive Rehabilitative Management Needs Facility (CRMNF) is being revised effective January 1, 2014.

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 regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 13-005 is approved effective July 1, 2013. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Michelle Beasley at (312) 353-3746 or via email at Michelle.Beasley@cms.hhs.gov.

Sincerely,

A large black rectangular redaction box covers the signature area of the letter.

Cindy Mann
Director, CMCS

Enclosure

Department of Health & Human Services
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601-5519



July 15, 2014

Mr. Joseph Moser, Director of Medicaid
Office of Medicaid Policy and Planning
Indiana Family and Social Services Administration
402 West Washington Street, Room W461
Indianapolis, IN 46204-2739

RE: Indiana State Plan Amendment (SPA) 13-005

Dear Mr. Moser:

This letter is being sent as a companion to our approval of Indiana State plan amendment (SPA) 13-005 that extends a 5% reduction in Medicaid payments for Nursing Facility (NF) services and a 3% reduction in Medicaid payments for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) and Community Residential Facility for the Developmentally Disabled (CRF/DD) services, effective July 1, 2013 through December 31, 2013. The SPA reduces the NF reduction to 3% and reduces the ICF/IID and CRF/DD reduction to 1%, effective January 1, 2014 through June 30, 2015. Additionally, the Medicaid rate for the ICF/IID licensed as a Comprehensive Rehabilitative Management Needs Facility (CRMNF) is being revised effective January 1, 2014. During our review for SPA13-005, we became aware of a news article published by the *Indianapolis Business Journal* titled "Nursing home profits surge as owners seek moratorium" (dated February 15, 2014). In the course of reviewing this news article, we determined that we need additional information about the partnerships between non-state government owned (NSGO) hospitals and NFs to assure compliance with all federal requirements. While we note and appreciate the additional information that the state has provided thus far to CMS regarding the partnerships between NSGO hospitals and NFs, we have identified additional questions.

In order to more fully understand the relationships between the county-owned hospitals and the NFs, as well as the management companies under contract with the NSGO hospitals to manage the NFs, please provide responses to the following questions. Several of the questions also require the state to submit documentation. As the state works through these questions, we are available for technical assistance. We have the identified the following questions:

1. Please provide example completed cost reports for a NF and the NSGO hospital that operates the NF.
2. Is it always the case with these partnerships that the NSGO hospitals only own the license of the NF, while another entity owns the property and equipment of the NF?

Mr. Moser
Page 2

3. Do any of the management companies also own the property and equipment of the NFs?
4. Are any of the management companies affiliated with or related to the NFs or the NSGO hospitals that own the license of the NFs?
5. Please confirm that any costs booked on the NF cost reports are not duplicated on the NSGO hospital cost reports.
6. Please provide example audited financial statements of the NSGO hospital and the management company of the NF.
7. Please explain which entity is the enrolled provider with the state. For example, is the NSGO hospital enrolled as the NF provider?
 - a. Please provide an example enrollment agreement of a NF that partners with a NSGO hospital.
8. If the NF provider is related to the management company, then are the management services only recognized at cost on the NF's cost report?
9. Please provide an explanation for how the management fee, which is a percentage based on net patient revenue, is incorporated in the NF per diem rate.
10. Please further explain the manner in which the hospital would receive the unspent Other Revenue (supplemental payments made to NSGO NFs) or Other Revenue Reserve Deposit (the portion of the supplemental payments paid to NSGO NFs restricted for use as additional Working Capital until the end of the NSGO hospital's Fiscal Year). Please fully explain this process and provide CMS with data on how often this occurs, what the amounts are (in total and per facility), and how this payment is claimed.

The state has 90 days from the date of this letter, to address the issues described above. Within that period the state may submit responses to our questions, along with the requested documentation. Failure to respond may result in the initiation of a formal compliance process. During the 90 days, CMS will provide any required technical assistance. If you have any questions concerning this SPA, please contact Michelle Beasley at Michelle.Beasley@cms.hhs.gov or (312) 353-3746 for more information.

Sincerely,



Alan Freund
Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 13-005	2. STATE Indiana
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2013	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

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

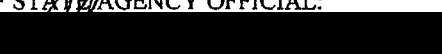
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.253	7. FEDERAL BUDGET IMPACT: a. FFY 2014 (\$15,960 thousands) \$15,960 thousands b. FFY 2015 (\$16,613 thousands) \$16,613 thousands
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-D, Page 44 Cont Attachment 4.19-D, Page 111 Attachment 4.19-D, Page 119	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-D, Page 44 Cont Attachment 4.19-D, Page 111 Attachment 4.19-D, Page 119

10. SUBJECT OF AMENDMENT:
Continuation of the five percent (5%) reduction in Medicaid reimbursement to nursing facilities (NFs) and the three (3%) reduction in Medicaid reimbursement to private intermediate care facilities for individuals with intellectual disabilities (ICFs/IID) and CRFs/DD from July 1, 2013 through December 31, 2013. Effective January 1, 2014 through June 30, 2015, the NF reduction will be decreased to 3% and the ICFs/IID and CRFs/DD reduction will be decreased to 1%.

11. GOVERNOR'S REVIEW (Check One):

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

Indiana's Medicaid State Plan does not require the Governor's review. See Section 7.4 of the State Plan

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Patricia Casanova Director of Medicaid Indiana Office of Medicaid Policy and Planning 402 West Washington Street, Room W382 Indianapolis, IN 46204 ATTN: Audie Gilmer, State Plan Coordinator
13. TYPED NAME: Patricia Casanova	
14. TITLE: Director of Medicaid	
15. DATE SUBMITTED: 6-27-13	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: JUL 15 2014
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PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2013	20. SIGNATURE OF REGIONAL OFFICIAL:
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21. TYPED NAME: Penny Thompson	22. TITLE: Deputy Director, Policy & Financial Mgt. PMCS
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23. REMARKS:
Per grant changed made to block 7 per state authorization

405 IAC 1-14.6-23.1 Reduction to Medicaid rate for nursing facilities

Notwithstanding all other provisions of this rule,

- (a) For the period beginning October 1, 2011 and continuing through December 31, 2013, all rates established under this rule shall be reduced by five percent (5%) per Medicaid resident per day; and
- (b) For the period beginning January 1, 2014 and thereafter, all rates established under this rule shall be reduced by three percent (3%) per Medicaid resident per day,

except for the following:

(1) The difference between:

(i) the quality rate add-on as described in subsection 7(m) of Legislative Services Agency (LSA) Document #12-279, posted as a final rule in the Indiana Register at:

<http://www.in.gov/legislative/iac/20130626-IR-405120279FRA.xml.pdf>

effective July 1, 2013, and

(ii) the nursing home report card score rate add-on calculated using each facility's current nursing home report card score, and the nursing home report card score rate add-on parameters contained in section 7(k) of LSA Document #10-183, posted as a final rule in the Indiana Register at:

<http://www.in.gov/legislative/iac/20101201-IR-405100183FRA.xml.pdf>

effective December 1, 2010; and

(2) The difference between:

(i) the quality assessment rate add-on calculated using the assessment rates in section 57 of LSA Document #12-396(E), posted as an emergency rule in the Indiana Register at:

<http://www.in.gov/legislative/iac/20120711-IR-405120396ERA.xml.pdf>

effective July 1, 2012; and

(ii) the quality assessment rate add-on calculated using the assessment rates in section 24(a) of LSA Document #10-65, posted as a final rule in the Indiana Register at:

<http://www.in.gov/legislative/iac/20101201-IR-405100065FRA.xml.pdf>

effective December 1, 2010.

TN: 13-005
Supersedes
TN: 11-020

Approval Date: JUL 15 2014 Effective Date: July 1, 2013

(c) Costs related to staffing shall be limited to seven (7) hours worked per patient day.

(d) Any ICFs/MR that is licensed as a CRMNF will be paid at the following rates:

(1) Effective September 1, 2012 through December 31, 2013 the per diem rate is six hundred thirty nine dollars and eighteen cents (\$639.18) per resident day.

(2) For the period from January 1, 2014 and thereafter the per diem rate is six hundred twenty six dollars and twenty six cents (\$626.26) per resident day.

This per diem rate is available only upon certification as a Medicaid ICF/MR and licensure by the division of disability and rehabilitative services. ICFs/MR that are licensed as CRMNFs will not receive a base rate nor be subject to the base rate reporting requirements at section 5.

TN: 13-005
Supersedes
TN: 12-010

Approval Date: JUL 15 2014 Effective Date: July 1, 2013

405 IAC 1-12-27 Rate Reduction

Sec. 27. Per diem Medicaid rates paid to nonstate owned intermediate care facilities for individuals with intellectual disabilities (ICFs/IID) and community residential facilities for the developmentally disabled (CRFs/DD) are subject to the following rate reductions:

- (a) For the period beginning July 1, 2011 and continuing through December 31, 2013, reimbursement rates established under this rule shall be reduced by three percent (3%) per Medicaid resident per day, and
- (b) For the period beginning January 1, 2014 and thereafter, reimbursement rates established under this rule shall be reduced by one percent (1%) per Medicaid resident per day.

TN: 13-005
Supersedes
TN: 11-021

Approval Date: JUL 15 2014 Effective Date: July 1, 2013