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State Name: Maryland

State Plan Amendment (SPA)#: 15-0015

This file contains the following documents in the order listed:

1) Approval Letter
2) CMS 179 Form/Summary Form (with 179-like data)
3) Two (2) SPA Pages

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

Financial Management Group

NOV 24 2015

Ms. Shannon McMahon, Deputy Secretary
Office of Health Care Financing
201 W. Preston Street
Baltimore, Maryland 21201

RE: State Plan Amendment 15-0015

Dear Ms. McMahon:

We have completed our review of State Plan Amendment (SPA) 15-0015. This SPA modifies Attachment 4.19-D of Maryland's Title XIX State Plan. Specifically, the SPA reduces nursing facility rates for SFY 2016 and modifies the phase-in schedule of the prospective reimbursement methodology to help mitigate effects of the reduction.

We conducted our review of this SPA according to the statutory requirements at sections 1902(a)(3), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act (the Act) and the regulations at 42 CFR 447 Subpart C. We are approving state plan amendment 15-0015 effective July 1, 2015. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, or require additional information, please call Gary Knight at (304) 347-5723.

Sincerely,

/S/

Kristin Fan
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 15-0015

2. STATE: Maryland

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

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

4. PROPOSED EFFECTIVE DATE: July 1, 2015

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:

N/A

7. FEDERAL BUDGET IMPACT:
a. FFY 2015: $ (4,305)
b. FFY 2016: $ (12,915)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

4.19D pp. 1, 1A

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

4.19D pp. 1, 1A

10. SUBJECT OF AMENDMENT: This amendment is being submitted to reflect changes in State regulations related to reimbursement for nursing facility services.

11. 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:
Susan J. Tucker, Executive Director
Office of Health Services

12. SIGNATURE OF STATE AGENCY OFFICIAL: /S/

13. TYPED NAME: Shannon M. McMahon

14. TITLE: Deputy Secretary, Department of Health and Mental Hygiene

15. DATE SUBMITTED:

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: NOV 24 2015

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2015

20. SIGNATURE OF REGIONAL OFFICIAL: /S/

21. TYPED NAME: Kristin Fan

22. TITLE: Deputy Director, FMG

23. REMARKS:

FORM HCFA-179 (07-92)

4.19(d) Nursing facility payment rates, based on Maryland regulations COMAR 10.09.10, account for the cost of services required to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident eligible for Medicaid benefits.

Payment rates for nursing facilities are the sum of percentages of two reimbursement methodologies, "cost settled" and "prospective." This combination of payments is referred to as the "blended rate." The State will phase out the cost settled reimbursement methodology on a schedule defined below. At the end of the phase out, payments to facilities shall be solely based on the prospective reimbursement methodology.

Rate Periods	Cost Settled Rate Percentage	Prospective Rate Percentage
January 2015 - December 2015	75%	25%
January 2016 - June 2016	50%	50%
July 2016 - December 2016	25%	75%
January 2017 - Ongoing	0%	100%

Under the cost settled reimbursement methodology, payment rates for nursing facilities are based on costs and are the sum of per diem reimbursement calculations in four cost centers: administrative/routine, other patient care, capital, and nursing service; and payment for therapy services. After payments are made, the State reviews each facility's Nursing Home Uniform Cost Report and settles the payment based on those costs. This reimbursement methodology's cost centers are labeled as "cost settled."

The State uses each facility's 2012 fiscal year end cost settled rate, indexed to account for budgeted rate increases through January 2015 and after, as the basis for the cost settled reimbursement methodology included in the blended rate.

Under the prospective reimbursement methodology, payment rates for nursing facilities are based on pricing and are the sum of per diem reimbursement calculations in four cost centers: administrative/routine, other patient care, capital, and nursing services (which include certain direct care costs such as therapies). This reimbursement methodology's cost centers are labeled as "prospective." Prospective payments, as well as the blended rate, are considered paid in full.

Additional allowable ancillary payments are listed and are paid prospectively and in full.

In accordance with the Omnibus Budget Reconciliation Act of 1987, nursing facility payment rates, effective October 1, 1990, take into account the costs of nursing facilities' compliance with the requirements of Sections 1919(b) (other than paragraph (3)(F)), 1919(c), and 1919(d) of the Social Security Act.

Aggregate payments for these facilities may not exceed Medicare upper payment limits as specified at 42 CFR 447.272.

A provider that renders care to Maryland Medicaid recipients of less than 1,000 days of care during the provider's fiscal year may opt out of cost reporting requirements. To opt out, the provider must agree to accept as payment the average Medicaid payment for each day of care based on their geographic location as specified under COMAR 10.09.10.24A (which is appended to this attachment). Any provider choosing this option is exempt from the subsequent nursing cost center wage survey.

Nursing facilities that are owned and operated by the State are not paid in accordance with these provisions. These facilities are reimbursed reasonable costs based upon Medicare principles of reasonable cost as described at 42 CFR 413. Aggregate payments for these facilities may not exceed Medicare upper payment limits as specified at 42 CFR 447.272.

Unless otherwise defined, indexing noted under the Prospective Reimbursement Methodology refer to the latest Skilled Nursing Home without Capital Market Basket Index, published 2 months before the period for which rates are being calculated.

Provider rates shall be reduced by 1.96 percent during the period July 1, 2015 through December 31, 2015, and 3.28 percent during the period January 1, 2016 through June 30, 2016, from the methodology described herein. Rate adjustments based on nursing service costs and phase-in apply during these periods.

Prospective Reimbursement Methodology

The State initially establishes prices for each cost center for the rate period January 1, 2015, through June 30, 2015, and rebases prices between every two and four rate years. Prices may be rebased more frequently if the State determines that there is an error in the data or in the calculation that results in a substantial difference in payment, or if a significant change in provider behavior or costs has resulted in payment that is inequitable across providers. In years in which prices are not rebased, prices are subject to annual indexing.

Prospective Administrative/Routine Costs

The Administrative/Routine cost center includes the following expenses: administrative, medical records, training, dietary, laundry, housekeeping, operation and maintenance, and capitalized organization and start-up costs. There are 4 reimbursement groups in this cost center based on geographic location, as specified under COMAR 10.09.10.24A (which is appended to this attachment).

The State establishes a price for each reimbursement group. The price is the median cost per diem of all facilities in the group multiplied by 1.025. The price is based on the most recent Nursing Home Uniform Cost Report submitted by each nursing facility, indexed by the market basket, divided by the greater of total resident days or days at full occupancy times an occupancy standard calculated as the statewide average occupancy, not including providers with occupancy waivers, plus 1.5 percent.

Providers that maintain kosher kitchens and have administrative and routine costs in excess of the price that are attributable to dietary expense, shall receive an add-on to its per diem payments in an amount up to 15 percent of the median per diem cost for dietary expense in its reimbursement group.