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**State Name: Pennsylvania**

**State Plan Amendment (SPA) #11-028**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS-179
- 3) 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



**Center for Medicaid and CHIP Services**

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Mr. Gary D. Alexander, Secretary  
Commonwealth of Pennsylvania  
Department of Public Welfare/Department of Aging  
Office of Long Term Living  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1919

**MAR 13 2012**

RE: State Plan Amendment 11-028

Dear Mr. Alexander:

We have reviewed the proposed amendment to Attachment 4.19-D to the Pennsylvania State plan submitted under transmittal number (TN) 11-028. This amendment modifies the State's methods for setting peer group medians and pricing for the special rehabilitation nursing facilities (SRF). Specifically, this amendment establishes a subset in the SRF peer group for the original four SRFs.

We conducted our review of your submittal according to the statutory requirements at Sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1902(a)(30) of the Social Security Act (the Act) and the regulations at 42 CFR 447 Subpart C. We are approving Pennsylvania State plan amendment 11-028 effective date of November 1, 2011. I have enclosed the approved HCFA-179 and the amended state plan pages.

If you have any questions, please call Gary Knight on (304) 347-5723.

Sincerely,

Cindy Mann  
Director, CMCS

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

**TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

1. TRANSMITTAL NUMBER:  
11-028

2. STATE  
Pennsylvania

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

4. PROPOSED EFFECTIVE DATE  
November 1, 2011

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 447.250

7. FEDERAL BUDGET IMPACT:  
a. FFY 2012      \$405,366  
b. FFY 2013      \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19D, PART I, page 3a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):  
Attachment 4.19D, PART I, page 3a

10. SUBJECT OF AMENDMENT: Changes to methods and standards for payment of Medical Assistance (MA) nursing facility services provided by Special Rehabilitation Nursing Facilities (SRF). For the period commencing November 1, 2011, peer group medians and prices will be established for facilities classified as special rehabilitation facilities on or before July 1, 2000 separate from any other facilities meeting the definition of a special rehabilitation facility; facilities classified as special rehabilitation facilities after July 1, 2000 will have peer group medians and prices established using data from all facilities meeting the definition of a special rehabilitation facility. For the period November 1, 2011 through June 30, 2012, this change in peer group methodology will not be a factor in the quarterly BAF calculations.

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

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:  
Gary D. Alexander

14. TITLE:  
Secretary of Public Welfare

15. DATE SUBMITTED:  
DEC 27 2011

16. RETURN TO:

Commonwealth of Pennsylvania  
Department of Public Welfare/Department of Aging  
Office of Long-Term Living  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, Pennsylvania 17101-1919

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:      MAR 13 2012

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
NOV - 1 2011

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:  
PENNY Thompson

22. TITLE:  
Deputy Director, CMCS

23. REMARKS:

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facility peer groups, the Department will collapse a peer group with fewer than seven nursing facilities into the adjacent peer group with the same bed size. If there are two adjacent peer groups with which to merge, the peer group with fewer than seven nursing facilities will be collapsed into the peer group with the larger population MSA group.

For rate years 2009-2010, 2010-2011 and 2011-2012, county nursing facilities will be included when determining the number of nursing facilities in a peer group in accordance with § 1187.94(1)(iv) (relating to peer grouping for price-setting).

For rate year 2012-2013 and thereafter, county nursing facilities' allowable MA costs will not be used in the rate-setting process for non-public nursing facilities.

For the period commencing November 1, 2011, peer group medians and prices will be established for facilities classified as special rehabilitation facilities on or before July 1, 2000 separate from any other facilities meeting the definition of a special rehabilitation facility; facilities classified as special rehabilitation facilities after July 1, 2000 will have peer group medians and prices established using data from all facilities meeting the definition of a special rehabilitation facility. For the period November 1, 2011 through June 30, 2012, this change in peer group methodology will not be a factor in the quarterly BAF calculations.

### 3. Peer Group Price and Net Operating Rate Setting

Once the Department classifies nursing facilities into the appropriate peer groups, the Department then calculates the prices for each peer group. Under the case-mix payment system, nursing facility net operating costs are separated into three cost centers: resident care cost center, other resident related cost center and administrative cost center. The Department sets prices for each cost center and peer group on an