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JUL 12 2013

Roderick L. Bremby, Commissioner  
Department of Social Services  
25 Sigourney Street  
Hartford, CT 06106-5033

RE: TN 11-011-B

Dear Mr. Bremby:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State Plan submitted under transmittal number (TN) 11-011-B. This amendment revises the reimbursement methodology for public intermediate care facilities for individuals with intellectual disabilities (ICF/IID) services. Specifically, payment rates for ICF/IID owned and operated by the Department of Developmental Services will increase based upon the legislative budget for the state fiscal years (SFYs) 2012 and 2013 biennium. The interim payment rates will increase 16% for SFY 2012 and 4.7% for SFY 2013.

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 Subpart C. This amendment also sunsets the previous cost reporting methodology as of June 30, 2013.

CMS will continue to monitor and address these cost reporting issues. As of July 1, 2013, the state will utilize a new cost reporting methodology that provides greater consistency with Medicare cost principles and requirements outlined in OMB Circular A-87.

We are pleased to inform you that Medicaid State Plan amendment 11-011-B is approved effective July 1, 2011. 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,  
/s/

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Cindy Mann  
Director, CMCS

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: 11-011B	2. STATE: CT
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		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, 2011	
5. TYPE OF STATE PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 435.1009, 42 CFR 447.253(a) and (b), 42 CFR 440.150		7. FEDERAL BUDGET IMPACT: a. FFY 2011      \$1.7 million (costs) b. FFY 2012      \$6.7 million (costs)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19D, pages 65, 66 and 67		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (if applicable) Attachment 4.19D, pages (NEW)	
10. SUBJECT OF AMENDMENT: Methods and Standards for Establishing Payment Rates for Publicly-Operated ICF/MR			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCL      Comments, if any, to follow <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL:  /s/		16. RETURN TO:  State of Connecticut Department of Social Services 25 Sigourney Street Hartford, CT 06106-5033  Attention: Ginny Mahoney, Medical Policy	
13. TYPED NAME: Roderick L. Bremby			
14. TITLE: Commissioner			
15. DATE SUBMITTED: September 29, 2011			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED:		18. DATE APPROVED: JUL 12 2013	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2011		20. SIGNATURE OF REGIONAL OFFICIAL: /s/	
21. TYPED NAME: [REDACTED]		22. TITLE: Deputy Director, Policy & Financial Mgt, CHCS	
23. REMARKS:			

**State of Connecticut****Methods and Standards for Establishing Payment Rates for Publicly-Operated Intermediate Care Facilities for the Mentally Retarded**

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**a. Definition of Public ICF/MR Services**

The ICF/MR services provided in a public intermediate care facility for the mentally retarded are delivered in compliance with the provisions of 42 CFR 440.150 and include health-related and programmatic care, supervised personal care, and room and board. A public ICF/MR billing will be triggered when a Medicaid eligible client had a recorded inpatient day in a public intermediate care facility for the mentally retarded or has an allowable leave day per 42 CFR 447.40. Documentation of a recorded inpatient day or an allowable leave day shall be maintained in facility's records and recorded in the Department of Developmental Services' electronic attendance system. A payment for direct care services may not duplicate payments made under the Connecticut Medical Assistance Program for other services which are covered under the program.

**b. Interim Rates**

Interim rates for public ICF/MR services provided by the Department of Developmental Services (DDS) shall be updated annually. Interim rates are based on the most recent finalized replacement rates for ICF/MR services provided to Medicaid Clients by DDS based upon the cost settlement, as determined in section e below, rounded up to the nearest \$10 except for rate year 2012. Interim rates may be reduced if ICF/MR service costs for services delivered DDS to Medicaid clients are anticipated to decline during the interim rate period. Interim rates are provisional in nature, pending the completion of cost reconciliation and cost settlement for that period. Payments for ICF/MR services provided by DDS may not duplicate payments made under the Connecticut Medical Assistance Program for other services which are covered under the program.

For the rate years ending June 30, 2012 and June 30, 2013 interim rates will be increased 16.8% and 4.7% respectively.

**c. Cost Reports**

Final reimbursement for ICF/MR services provided by DDS is based on the certified cost reports submitted by the DDS based upon the methodology approved by the Centers for Medicare and Medicaid Services (CMS), which includes the scope of cost and methods of cost allocation that have been approved by CMS, consistent with the process described below.

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The Department of Developmental Services annually will complete and certify a Cost Report for public ICF/MR services during the previous state fiscal year covering the period from July 1 through June 30. Cost reports are due to the Department of Social Services no later than 8 months following the close of the year during which the costs included in the Cost Report were incurred. The annual cost report shall include the certification of funds. Submitted cost reports are subject to desk review by the single state agency or its designee. Desk review will be completed in the 4 months following the receipt of the cost reports.

d. Cost Reimbursement Methodology

Medicaid allowable costs are defined as follows:

- i. Direct costs of providing ICF/MR services include salary, wage, fringe benefits and other costs that can be directly charged to ICF/MR services including costs that are integral to the delivery of ICF/MR services. Direct costs shall not include room and board charges.
- ii. Other direct costs include costs directly attributable to activities performed by personnel who are approved to deliver ICF/MR services, including but not limited to, travel, purchased services, materials and supplies. These direct costs are accumulated on the annual DDS ICF/MR Cost Report.
- iii. Total direct costs include the sum of items i and ii. Total direct costs are reduced by any federal payments for those costs, resulting in adjusted direct costs for public ICF/MR services.
- iv. Indirect costs are calculated at a portion of the State Wide Cost Allocation Plan (SWCAP), Central Office Distribution, Moveable Equipment Depreciation, Fair Rent of Property, Worker Compensation, Day Program Allocation, Case Management Allocation and Regional Overhead applicable to ICF/MR Medicaid services delivered in a public intermediate care facility for the mentally retarded.

SWCAP is allocated to DDS Regions using the Regions percentage of the regional total expenses (DDS, grants, ISA, and birth to three costs) to the statewide total expenses (same components). The regional

TN # 11-011-B  
Supersedes  
TN # NEW

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Approval Date \_\_\_\_\_ Effective Date 7/1/2011

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allocation is allocated to the regional programs using the programs salary costs. The regional program allocation is allocated to the facility level based on the client days.

Central Office Distribution allocates the costs of the various units of DDS Central Office, after the removal of specific units (Operations Center, Birth to Three, Waiver Policy Unit and Eligibility Unit), to DDS cost centers based on salaries, program costs, or clients as applicable. The allocation of the remaining Central Office costs to program level in each region is done using the same methodology as used by the SWCAP allocation. The offset units (Operations Center, Birth to Three, Waiver Policy Unit, and Eligibility Unit) are allocated to the programs that they support, which are not ICF/MR programs.

Moveable Equipment Depreciation costs are determined by the Comptroller's Office based on the Fixed Asset Reports (CO-59 Report) filed annually and is allocated to each Region and DDS Central Office based on those Reports and allocated to programs based on employee counts. Employee counts will be used in the rates for FY 2012; FY 2011 allocation was distributed based upon the percentage of specific program salaries over the regional total salaries. Facility level costs are allocated using the number of clients in each facility.

Fair Rent of Property allowable property and building costs are determined in accordance with fair rental value system – acquisition/capital improvement cost is amortized over its useful life with application of a rate of return in lieu of interest; the costs are allocated to the regional programs based on the use of the property.

Workers Compensation Costs DDS workers compensation costs are allocated to cost categories based on salaries. Facility level costs are allocated using the number of clients in each facility.

Regional Overhead allocated to the ICF/MR programs, are the administrative costs of the Regional administrative costs for oversight of the public ICF/MR programs. This is done by a quarterly survey of

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Regional Management to determine the percentage of their time providing oversight to all public programs. The quarterly surveys are used to allocate their annual costs to all public programs, including the ICF/MR programs. The costs are allocated to the facility level based on the client days.

Day Program Allocation is the allocation of public residential clients at private and/or public day programs, and is allocated based on the number of ICF/MR and non-ICF/MR clients; allocation to the ICF/MR programs are only for ICF/MR placed individuals for their private day programs, which would not be included in the total costs originating from the CORE-CT accounting system.

Case Management Allocation is the allocation of case management functions allocated to the ICF/MR programs based on case manager case loads. These costs are not included in targeted case management because ICF consumers are not eligible for targeted case management.

Health Care Taxes are the costs related to the assessment of user fees consistent with 42 CFR 433.68.

- v. Total allowable costs for public ICF/MR services are determined by taking the sum of adjusted direct costs (item iii.) and indirect costs (item iv.).
  - vi. The per diem rates for public ICF/MR services are calculated by dividing the total allowable ICF/MR costs (item v.) by the total number of actual recorded inpatient days and allowable leave days for the same period.
- e. Audit  
All supporting accounting records, statistical data and all other records related to the provision of public ICF/MR services delivered by the Department of Developmental Services' shall be subject to audit. If an audit discloses discrepancies in the accuracy and/or allowances of actual direct or indirect costs or statistical data as submitted for each fiscal year by the DDS, the Department of Social Services' payment rate for the said period shall be subject to adjustment.

The above reimbursement methodology for public ICF/MRs is effective until June 30, 2013.