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State/Territory Name: CT

State Plan Amendment (SPA) #: 13-027

This file contains the following documents in the order listed:

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

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



Financial Management Group

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

MAR 30 2013

RE: Connecticut 13-027

Dear Mr. Bremby:

We have reviewed the proposed amendment to Attachments 4.19-D, of your Medicaid State plan submitted under transmittal number (TN) 13-027. This amendment proposes comprehensive changes to the reimbursement methodology for intermediate care facility for individuals with intellectual disability (ICF/IID) services from state owned and operated facilities. Specifically, this SPA adds a new facility-specific cost identification protocol and cost reconciliation process to appropriately identify allowable cost at each of the State's ICF/IID providers operated by the Connecticut Department of Developmental Disability Services.

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. We are pleased to inform you that Medicaid State plan amendment 13-027 is approved effective July 1, 2013. 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,

Timothy Hill
Director

A handwritten signature in black ink, appearing to be 'Timothy Hill', written over a horizontal line.

**TRANSMITTAL AND NOTICE OF APPROVAL
OF STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:
13-027

2. STATE: CT

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, 2013

5. TYPE OF STATE 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 435.1009, 42 CFR 440.150
42 CFR 447.253(a) and (b)

7. FEDERAL BUDGET IMPACT:
a. FFY 2013 \$7.6 million (savings)
b. FFY 2014 \$31.3 million (savings)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D, pages 65, 66, 67 and 68
Attachment 4.19-D, pages 69 through 74

9. PAGE NUMBER OF THE SUPERSEDED PLAN
SECTION OR ATTACHMENT (if applicable)
Attachment 4.19-D, pages 65, 66, 67 and 68
(New)

10. SUBJECT OF AMENDMENT: As required by CMS and in accordance with current CMS guidance and procedures, this amendment proposes to update the reimbursement methodology for publicly-operated intermediate care facilities for individuals with intellectual disabilities (ICF/IIDs, formerly known as ICF/MRs). As required by CMS, rates will change from regional rates to individual rates for each facility and an indirect cost rate will be used in lieu of allocating administrative / indirect costs to program rates. Because of those changes, which are required by CMS to update the methodology, the net impact of the SPA is anticipated to result in a reduced federal budget impact as noted in Box 7.

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCL
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

TYPED NAME: Roderick L. Bremby

14. TITLE: Commissioner

15. DATE SUBMITTED:
September 16, 2013

16. RETURN TO:

State of Connecticut
Department of Social Services
55 Farmington Avenue, 9th Floor
Hartford, CT 06105
Attention: Ginny Mahoney, Medical Policy

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: MAR 30 2013

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JUL 01 2013

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: Kristin FAN

22. TITLE: Deputy Director, FMO

23. REMARKS:

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**Methods and Standards for Establishing Payment Rates for Publicly-Operated
Intermediate Care Facilities for Individuals with Intellectual Disabilities**

- a. **General Description:** Effective July 1, 2013, rate setting for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs) operated by the State of Connecticut will be governed by this section of Attachment 4.19-D. The ICF/IID rates include services being provided in the ICF/IID with the addition of the Day Services, Health Care Taxes, and Case Management as provided under the ICF benefit to residents of these facilities, which are calculated as set forth in paragraphs 3.A.iii., 3.A.iv. and 3.D.i.
- b. **Reporting Requirements.**
The State will report costs by facility in accordance with Generally Accepted Accounting principles in a complete Medicare CMS-287.05 Cost Report and the CMS approved In Lieu of Schedule H spreadsheet.
- c. **Definitions applicable to this section:**
1. **Allowable Operating Costs:** are all necessary and proper costs which are appropriate in developing and maintaining the operation of ICF/IIDs. Necessary and proper costs are those which are common and accepted occurrences in the field of intermediate care facilities for individuals with intellectual disabilities. These costs will be determined in accordance with the cost principles described in the Medicare Provider Reimbursement Manual (PRM-15) and OMB Circular A-87. This will include allowable direct care, clinical costs, case management, fringe benefits, and indirect costs.
 2. **Base Period:** is the state fiscal year (SFY) beginning July 1, 2013 through June 30, 2014.
 3. **Certified Capacity:** represents the total capacity of the specific ICF/IID Facilities in the Operating Certificates.
 4. **Census:** is the number of individuals in each ICF/IID facilities on a given day.
 5. **Cost Report:** is the CMS-287.05 Cost Report used to report each Facility specific costs for the ICF/IID services along with related utilization statistics.
 6. **Facility:** the certified ICF/IID facility where actual services are provided. Each Facility has its own NPI number.

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7. Indirect Cost Rate: a de minimis rate pursuant to 2 C.F.R. § 200.414, until a HHS approved indirect cost rate is obtained.
8. Individual: a person who resides in an ICF/IID.
9. Inpatient Day: recorded inpatient day or an allowable leave day (per 42 C.F.R. § 447.40) recorded in the Department of Developmental Services electronic attendance system.
10. Interim Claims: are claims paid at the interim rate for the ICF/IID services delivered by DDS during the reporting period, as documented in the MMIS.
11. MMIS: is the Medicaid Management Information System.
12. National Provider Identifier (NPI): is a Health Insurance Portability and Accountability Act (HIPAA) Administrative Simplification Standard. The NPI is a unique identification number for covered health care providers.
13. Operating Costs for Publicly Operated Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs): are all allowable operating costs with the exception of Health Care Taxes and Day Services.
14. Rate Period: is the annual time period that rates are affective, i.e. July 1st through June 30th.
15. Reimbursable Costs: are the allowable costs calculated from the base period Medicare Cost Report and the CMS approved In Lieu of Schedule H spreadsheet.
16. Room and Board Costs: are costs coded to the 10020 SID, which represent costs to operate the homes, such as heat, utilities, repairs, television, food and beverages, cleaning, etc.
17. Space Related Room and Board Costs: are room and board costs that are determined to be related to space of the home, and as such use the maximum total certified bed days of the facility to determine the Space Related per diem rate. These costs include heat and utilities, and any non-capitalized repairs.
18. Unit of Service: for rate setting purposes, is the Facility Medicaid days, which include billed, covered, and paid days by facility. These days are recorded in the MMIS system.

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d. Certified Public Expenditures - Determination of Allowable Medicaid ICF/IID Costs

To determine a governmentally-operated ICF/IID's allowable Medicaid costs and associated Medicaid reimbursements when such costs are funded by a State through the certified public expenditure (CPE) process, the following steps must be taken to ensure Federal financial participation (FFP):

1. Interim Rates

- A. Interim rates for public ICF/IID services provided by the Department of Developmental Services (DDS) shall be updated annually. Initial interim rates for ICF/IID services will be calculated using the costs from state fiscal year 2012 with CMS approved inflation using the CMS Market Basket Index added for setting of the SFY 2014 interim rates. Annually thereafter, interim rates will be computed using settled costs from the prior fiscal year for ICF/IID services provided to Medicaid clients in public ICF/IIDs, with the applicable adjustment for declining occupancy factor if the occupancy rate is below 75%, rounded to the nearest \$10.
- B. Interim rates are provisional in nature, pending the completion of cost reconciliation and cost settlement for that period, as noted in section 4 Settlement. Payments for ICF/IID services provided by DDS will not duplicate payments made under Medicaid for other services covered under the program
- C. Interim Payments are based on the reimbursement methodology contained in Section 3 of this subsection of State plan Attachment 4.19-D.
- D. The initial interim rates will be calculated as follows, by facility, the costs of the salaries and fringe benefits for the direct care staff and supervisors, case management (staff and supervisors) for ICF individuals, public day program (staff and supervisors), clinical (staff and supervisors), room and board costs, medical purchases costs, and workers compensation costs are the direct reimbursable costs. These costs will be projected forward, using the percentage change in inpatient days as recorded in the MMIS system from SFY 2012 to SFY 2015. In SFY 2014 and SFY 2015, the total direct reimbursable costs will have the CMS Market Basket Index inflation added, plus the application of the indirect cost rate,

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private program costs (with the percentage change in inpatient days as recorded in the MMIS system from SFY 2012 to SFY 2015 applied), and the user fee for the total reimbursable costs. The Space-Related room and board costs, after the application of the percentage change in inpatient days as recorded in the MMIS system from SFY 2012 to SFY 2015, will be divided by the maximum total certified available bed days. The total reimbursable costs less the Space-Related room and board costs will be divided by the inpatient days as recorded in the MMIS system for the Non-Space Related per diem rate. The initial interim rate will be the Space-Related per diem rate plus the Non-Space Related per diem rate.

- E. The annually updated interim rates for SFY 2015 and forward will be calculated by facility using the prior fiscal year reimbursable costs, as calculated using the methodology outlined in section 3 of this subsection. The costs of the salaries and fringe benefits for the direct care staff and supervisors, case management (staff and supervisors) for ICF individuals, public day program (staff and supervisors), clinical (staff and supervisors), room and board costs, medical purchases costs, and workers compensation costs are the direct reimbursable costs. These costs will be projected forward, using the percentage change in inpatient days as recorded in the MMIS system from the prior FY to the interim rate FY. The calculated direct reimbursable costs will have CPI for All Urban Consumers inflation added, plus the application of the indirect cost rate, private program costs (with the percentage change in inpatient days as recorded in the MMIS system from the prior FY to the interim rate FY applied), and the user fee for the total reimbursable costs. The Space-Related room and board costs, after the application of the percentage change in inpatient days as recorded in the MMIS system from the prior FY to the interim rate FY, will be divided by the maximum total certified available bed days. The total reimbursable costs less the Space-Related room and board costs will be divided by the inpatient days as recorded in the MMIS system for the Non-Space Related per diem rate. The interim rate will be the

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Space-Related per diem rate plus the Non-Space Related per diem rate, rounded to the nearest \$10.

2. Cost Reports

Final reimbursement for ICF/IID services provided by DDS is based on the certified cost reports submitted by the DDS. Cost reports will include detailed cost data including direct costs, operating expenses related to direct services, and indirect costs in support of ICF/IID services for each facility with an NPI number.

The ICF/IID facility specific per diem rate shall be based on the facility's Medicare cost report and the CMS approved In Lieu of Schedule H spreadsheet. The expenses and costs included in the facility specific per diem rate calculation adhere to the Medicare cost guidelines used to complete Form CMS-287.05 cost report and the CMS approved In Lieu of Schedule H spreadsheet.

The DDS will annually complete and certify the CMS-287.05 Cost Report and the CMS approved In Lieu of Schedule H spreadsheet for public ICF/IID services for the period from July 1 through June 30. Cost reports are due to the Department of Social Services no later than 7 months following the close of the state fiscal year during which the costs included in the CMS-287.05 Cost Report were incurred. The annual cost report shall include the certification of funds. Cost reports are subject to desk review by the Department of Social Services or its designee. Desk review will be completed within 8 months following the receipt of the CMS-287.05 Cost Report and the CMS approved In Lieu of Schedule H spreadsheet.

3. Cost Reimbursement Methodology

In determining Medicaid allowable costs for providing services at ICF/IIDs, the following elements are included and calculations made:

A. Direct costs of providing ICF/IID services include the following categories:

- i. Direct care staff. The direct care staff costs (salaries and fringe benefits) coded to the specific ICF/IID facility. CMS 287.05, Schedule E-1, Salaries Column 12, Lines 1-17 (STS Lines 1-25 as applicable); Fringe Column 14, Lines 1-17 (STS Lines 1-25 as applicable);

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- ii. Clinical staff. The Clinical staff salaries and fringe benefits will be determined by the CoreCT recorded costs, and allocated to the ICF facilities using the population penetration data for the fiscal year being reported. The Clinical supervisor staff salaries and fringe benefits will be determined by the CoreCT recorded activity efforts and allocated to the ICF facilities using the population penetration data for the fiscal year being reported. CMS 287.05, Schedule F-1, Columns 35.07-35.50, Lines 1-17 (STS Lines 1-25 as applicable);
- iii. Public day programs. The Public day program costs, staff salaries and fringe benefits and allowable purchases necessary to operate day program, are recorded in CORE-CT. The allowable purchases shall include drugs and pharmaceuticals, medical supplies, personal hygiene supplies, and recreational supplies. The allocation to the ICF/IID facility is completed using the total number of days for all participants in the entire public day program, and the per participant cost is allocated to the ICF/IID facility for those consumers who attend the public day program from such ICF/IID facility using their actual day program utilization. CMS 287.05, Schedule F-1, Columns 33-33.05. Lines 1-17 (STS Lines 1-25 as applicable);
- iv. Private day programs. The private day program costs are directly allocated to ICF/IID facility based on day program payments to providers by individuals and actual utilization by individuals. Payments to providers are recorded in the DDS Payment System and include any and all adjustments to payments for add-ons, change in individual needs, etc. The FI day program costs are directly allocated based on the day program expenditures recorded from the FI. CMS 287.05, Schedule F-1, Column 34, and 34.01, Lines 1-17 (STS Lines 1-25 as applicable);

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4. Settlement

The DDS claims will be compared to the total Medicaid reimbursable cost based on the CMS-287.05 Cost Report and the In Lieu of Schedule H spreadsheet identified in section 3.G. The Department of Developmental Services' interim rate claims for public ICF/IID services will, on the basis of this comparison, then be adjusted in aggregate. This process results in cost reconciliation. Reconciliation will occur within 24 months of the end of the reporting period contained in the submitted cost report. Connecticut will not modify the CMS-approved scope of costs or the annual cost report methodology without CMS approval.

If it has been determined that an overpayment has been made, the Department of Social Services will return the federal share of the overpayment pursuant to 42 CFR 433 Subpart F. If the actual, certified Medicaid reimbursable costs of public ICF/IIDs exceed the interim Medicaid rates, the Department of Social Services will submit claims to CMS for the underpayment. Cost settlement will occur within the timelines set forth in 42 CFR 433 Subpart F.

If any provider's occupancy level drops below 50% of occupancy levels established as of the effective date of this plan amendments, the State will review the costs of those providers and will take steps to identify inefficiencies in the program to ensure that payments for services continue to be consistent with economy and efficiency as described at Section 1902(a)(30)(A) of the Social Security Act.

5. Audit

All supporting accounting records, statistical data and all other records related to the provision of public ICF/IID 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.

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- v. Case management. The case management salaries and fringe benefits for case managers and case management supervisors are allocated to ICF/IID facility based on the quarterly review of case manager caseloads. Any case manager with a split caseload that is not entirely ICF/IID will be excluded from the ICF/IID case management allocation. The salaries and benefits of the case managers are allocated to the ICF/IID facility based upon documented case notes in the DDS Electronic Case Note System. CMS 287.05, Schedule F-1, Columns 32-32.04, Lines 1-17 (STS Lines 1-25 as applicable);.
- B. Other direct costs (purchases through accounting system for room and board items and medical items) are determined using PRM 15-1 guidelines and OMB Circular A-87 to identify allowable costs included in Form CMS-287.05. These costs are directly attributable to activities performed by personnel who are approved to deliver ICF/IID services and costs necessary to support the delivery of ICF/IID services. Room and board accounts are detailed in the ICF-IID Cost Report Instruction Manual and Medical items are items necessary to maintain the medical record. Medical items CMS 287.05, Schedule E-1, Column 35, Lines 1-17 (STS Lines 1-25 as applicable), Space-Related Room and Board In Lieu of Schedule H Spreadsheet, Column 16, Lines 1-17 (STS Lines 1-25 as applicable); Non-Space Related Room and Board CMS 287.05, Schedule E-1, Column 31.06. Lines 1-17 (STS Lines 1-25 as applicable) less Space-Related Room and Board In Lieu of Schedule H Report, Column 16, Lines 1-17 (STS Lines 1-25 as applicable);
- C. Total direct costs include the sum of items (3.A.i. through 3.A.v.) and (3.B.) above. Total direct costs are reduced by any federal payments for those costs, resulting in adjusted direct costs for public ICF/IID services.
- D. Indirect costs will be recorded in accordance with PRM 15-1 principles and OMB Circular A-87 and recorded on Form CMS-287.05 and the CMS approved In Lieu of Schedule H Spreadsheet to include the following:

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- d. Workers Compensation, CMS 287.05, Schedule E-1, Column 31.07, Lines 1-17 (STS Lines 1-25 as applicable)
 - e. User Fee, CMS 287.05, Schedule E-1, Column 31.08, Lines 1-17 (STS Lines 1-25 as applicable)
 - f. Clinical Purchases, CMS 287.05, Schedule E-1, Column 35, Lines 1-17 (STS Lines 1-25 as applicable)
 - g. Case Manager Costs, CMS 287.05, Schedule F-1, Columns 32-32.04, Lines 1-17 (STS Lines 1-25 as applicable)
 - h. Public Day Costs, CMS 287.05, Schedule F-1, Columns 33-33.05, Lines 1-17 (STS Lines 1-25 as applicable)
 - i. Private Day Costs, CMS 287.05, Schedule F-1, Column 34, Lines 1-17 (STS Lines 1-25 as applicable)
 - j. Private Day FI Costs, CMS 287.05, Schedule F-1, Column 34.01, Lines 1-17 (STS Lines 1-25 as applicable)
 - k. Clinical Costs, CMS 287.05, Schedule F-1, Columns 35.07-35.50, Lines 1-17 (STS Lines 1-25 as applicable)
 - l. Indirect Cost Rate, In Lieu of Schedule H Report, Column 9, Lines 1-17 (STS Lines 1-25 as applicable)
 - ii. Total Days – In Lieu of Schedule H Report, Column 14, Lines 1-17 (STS Lines 1-25 as applicable)
 - iii. Per Diem Rate – (a)/(b)
 - iv. Medicaid Days – In Lieu of Schedule H Report, Column 14, Lines 1-17 (STS Lines 1-25 as applicable)
 - v. Medicaid Allowable Non-Space Related ICF/IID Costs – (c)*(d)
- G. Total Allowable Medicaid Costs
3.E.v. Space Based ICF-IID Inpatient Costs + 3.F.v. Non-Space Related ICF-IID Inpatient Costs