

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop 52-26-12  
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations (CMSO)

Dr. Jerry Dubberly, PharmD.  
Chief, Medicaid Division  
Georgia Department of Community Health  
2 Peachtree Street, NW  
Atlanta, GA 30303-3159

MAR 15 2010

RE: State Plan Amendment 09-012

Dear Dr. Dubberly:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number 09-012. Effective January 1, 2010 this amendment modifies the State's reimbursement methodology for setting payment rates for Psychiatric Residential Treatment Facilities. Specifically, the State proposes to update provider rates based on the most recent available cost reports not to exceed a ceiling of \$370 per day, establish the midpoint of the rate year as January 1, revise the minimum occupancy requirements from 80% to 90% and clarify that a new provider's first year payments will be settle to the lower of actual cost or a ceiling of \$370 per day.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed changes in payment methodology comply with applicable requirements and therefore have approved them with an effective date of January 1, 2010. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Stanley Fields at (502) 223-5332 or Venesa Day at 410-786-8281.

Sincerely

//s//

Cindy Mann  
Director, CMSO

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
HEALTH CARE FINANCING ADMINISTRATION

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

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

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

1. TRANSMITTAL NUMBER:  
09-012

2. STATE  
GEORGIA

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

4. PROPOSED EFFECTIVE DATE  
January 1, 2010

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 2010 0  
FFY 2011 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19-A, pp. 25-27

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

10. SUBJECT OF AMENDMENT:  
REIMBURSEMENT FOR PSYCHIATRIC RESIDENTIAL TREATMENT FACILITIES (PRTF)

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:

12. SIGNATURE OF STATE AGENCY OFFICIAL:  
//s//

13. TYPED NAME: Jerry Dubberly

14. TITLE: Chief, Division of Medicaid

15. DATE SUBMITTED: 12-23-09

16. RETURN TO:  
Department of Community Health  
Division of Medicaid  
2 Peachtree Street, NW, 36<sup>th</sup> Floor  
Atlanta, Georgia 30303-3159

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: 12-23-09

18. DATE APPROVED: 03-15-10

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL: 01/01/10

20. SIGNATURE OF REGIONAL OFFICIAL:  
//s//

21. TYPED NAME:  
Cindy Mann

22. TITLE: Director, CMSO

23. REMARKS:

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR  
OTHER TYPES OF CARE OR SERVICE

W. Inpatient Psychiatric Facility Services (Psychiatric Residential Treatment Facility Services)

Effective July 1, 2008, Psychiatric Residential Treatment Facilities (PRTFs) will be reimbursed at provider specific prospective rates based on 2006, or more recently available, cost reports, subject to maximum capped amount of \$370 per day (the cap). PRTFs will be reimbursed at a provider-specific, prospective per diem rate based on allowable costs as reported on the provider's Fiscal Year 2006, or more recent, cost reports filed with the Department of Community Health.

Annual reporting of audited allowable costs and utilization data adjusted to 90% of licensed capacity is used to find the program specific per-diem costs. DCH will apply the utilization standard of 90% of operational capacity for those PRTFs demonstrating appropriate staff to child ratios as described in Section 600.5.B. of the provider manual (Part II: Policies and Procedures for Psychiatric Residential Treatment Facilities – April 1, 2010). The PRTF Provider Manual can be found at:

<https://www.ghp.georgia.gov/wps/portal>.

Reimbursement is set at the lesser of cost or approved rate cap. These rates will be trended for inflation to the mid-point of each rate year (State fiscal year), based on the CMS Hospital Market Basket (Global Insight's Health Care Cost Service, Fourth Quarter Forecast for each rate year)

Rates for PRTFs that do not have 2006, or more recent, cost reports reflective of the provision of PRTF services will be based on the median rate of other PRTF providers then in effect and subject to the cap. These initial rates will be subject to cost settlement and will be established as the lesser of the cost-settled rate or the cap. New PRTF providers are encouraged to submit per diem rate proposals based on budgeted estimates so long as these estimates are no greater than the median of rates then in effect. Upon notice of the provider specific rate, providers will have 30 days to appeal their new rates, based on the submission of an amended cost report.

PRTFs shall submit a cost report annually using a uniform cost report form prescribed by the Department of Community Health and supported by the facilities most recent certified financial audit. Cost reports are used as the basis for rate setting as well as establishing documentary support for federal reimbursement.

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TN No. 09-012  
Supersedes  
TN No. 08-005

Approval Date MAR 15 2010

Effective Date JAN - 1 2010

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR  
OTHER TYPES OF CARE OR SERVICE

The definitions for allowable and unallowable costs and expenditures for federal claiming are based on federal criteria. For governmental entities these are identified in the Office of Management and Budget Circulars A-122, A-133 and A-87, "Cost Principles for Nonprofit Organizations", "Audit Principles for Non Profit Organizations" and "Cost Principles for State and Local Governments." Cost principles defining allowability for non-governmental entities follow Medicare reimbursement principles in the CMS Provider Reimbursement Manual (PRM 15-I). Allocation of reasonable costs to the program shall be supported by approved methodology and documentation retained by the reporting agency.

Cost reports are subject to federal and state audit. An example of an Audit Reconciliation analysis for a fictitious Psychiatric Residential Treatment Facility is shown in the table below.

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TN No. 09-012  
Supersedes  
TN No. 08-005

Approval Date MAR 15 2010

Effective Date JAN - 1 2010

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR  
OTHER TYES OF CARE OR SERVICE

<b>Program Name:</b>	XYZ - Residential Care Facility
<b>Program Vendor Number</b>	XXXXXX
<b>Program Cost Totals</b>	<b>Cost Report</b>
Personnel - Salaries (pg 2)	\$7,909,494
Personnel - Fringe (pg 2)	\$2,035,789
Personnel - Contract (pg 3)	\$423,660
Indirect (pg 3)	\$5,703,999
Consumables (pg 4)	\$972,609
Occupancy (pg 5)	\$716,116
Travel (pg 5)	\$10,226
Equipment (pg 5)	\$166,899
<b>Total Program Cost per Cost Report</b>	<b>\$17,938,792</b>
Less revenue offsets	\$17,761,462
Per diem Cost	\$284
Program Cost per Audit -ENTER	\$20,366,242
Variance	\$2,427,449
Corp Unallowed (Alloc Depr Added)	\$19,248
Education Costs	\$2,207,540
Personal Client Needs/R&B Costs	\$32,310
Bad Debt	\$119,109
Public Relations	\$23,693
Off Set Admin Income	\$25,549
Total Expense Variance:	\$2,427,449
<b>Program Revenue Totals</b>	<b>Cost Report</b>
USDA	\$177,330
Other Federal	\$0
DFCS	\$14,302,150
DFCS OTHER	\$0
DJJ	\$2,671,657
Mental Health	\$0
MAAC	\$0
Other Public	\$3,488,489
Private	\$0
<b>Total Program Revenue per Cost Report</b>	<b>\$20,639,626</b>
Program Revenues per Audit - ENTER	\$20,665,175
Variance	\$25,549
Admin Income Offset	\$9,187
Admin. Income Offset	\$16,362
Total Revenue Variance:	\$25,549

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Annual reporting of audited allowable costs and utilization data adjusted to 90% of licensed capacity is used to find the program specific per-diem costs. DCH will apply the utilization standard of 90% of operational capacity for those PRTFs demonstrating appropriate staff to child ratios as described in Section 600.5.B. of the provider manual (Part II: Policies and Procedures for Psychiatric Residential Treatment Facilities). Reimbursement is set at the lesser of cost or approved rate cap. These rates will be trended for inflation to the mid-point of each rate year (State fiscal year), based on the CMS Hospital Market Basket (Global Insight's Health Care Cost Service, Fourth Quarter Forecast for each rate year)

Rates for PRTFs that do not have 2006, or more recent, cost reports reflective of the provision of PRTF services will be based on the median rate of other PRTF providers then in effect and shall not exceed the \$370 per day. These initial rates will be subject to cost settlement and will be established as the lesser of the cost-settled rate or the cap. New PRTF providers may submit per diem rate proposals based on budgeted estimates so long as these estimates are no greater than the median of rates then in effect and shall not exceed the cap. Upon notice of the provider specific rate, providers will have 30 days to appeal their new rates based on the submission of an amended cost report.

PRTFs shall submit a cost report annually using a uniform cost report form prescribed by the Department of Community Health and supported by the facilities most recent certified financial audit. Cost reports are used as the basis for rate setting as well as establishing documentary support for federal reimbursement.

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