

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-13-15  
Baltimore, Maryland 21244-1850



**Center for Medicaid and State Operations, CMSO**

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Dr. Lynn Mitchell  
State Medicaid Director  
Oklahoma Health Care Authority  
4545 North Lincoln Blvd., Suite 124  
Oklahoma City, Oklahoma 73105  
Attention: Cindy Roberts

**FEB - 4 2010**

RE: TN 09-11

Dear Dr. Mitchell:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 09-11. Effective January 1, 2010, the pool amount used for allocation of the direct care and other components of the per diem rate for regular nursing facilities will be \$115,979,147. Also effective January 1, 2010, the rate adjustment made for the effect of Social Security payment changes on the patient spend-down and funds available will be changed to a per day factor. In addition, the state will change the payment thresholds for nine of the ten measures in the Focus on Excellence pay for performance program.

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. As part of the review process the State was asked to provide information regarding funding of the State share of expenditures under Attachment 4.19-D. Based upon the assurances provided, we are pleased to inform you that Medicaid State plan amendment 09-11 is approved effective January 1, 2010. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Sandra Dasheiff, CPA at (214) 767-6490.

Sincerely,

Cindy Mann  
Director

Center for Medicaid and State Operations (CMSO)

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>	1. TRANSMITTAL NUMBER <b>0 9 - 1 1</b>	2. STATE <b>Oklahoma</b>
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
	4. PROPOSED EFFECTIVE DATE <b>January 1, 2010</b>	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		

5. TYPE OF PLAN MATERIAL (Check One)

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS A NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)

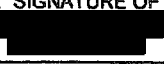
6. FEDERAL STATUTE/REGULATION CITATION <b>42 CFR 447.253</b>	7. FEDERAL BUDGET IMPACT a. FFY <u>2010</u> <b>\$ 0</b> b. FFY <u>2011</u> <b>\$ 0</b>
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  <b>Refer to Attachment</b>	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  <b>Refer to Attachment</b>

10. SUBJECT OF AMENDMENT

**Changes in Nursing Facility and ICF/MR Payment Methodology**

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  
The Governor does not review State Plan material.

12. SIGNATURE OF STATE AGENCY OFFICIAL 	16. RETURN TO <b>Oklahoma Health Care Authority Attn: Cindy Roberts 4545 N. Lincoln Blvd., Suite 124 Oklahoma City, OK 73105</b>
13. TYPED NAME <b>Mike Fogarty</b>	
14. TITLE <b>Chief Executive Officer</b>	
15. DATE SUBMITTED	

17. DATE RECEIVED	18. RECEIVED BY (Name and Title)
19. EFFECTIVE DATE OF APPROVED MATERIAL <b>JAN 1 2010</b>	20. APPROVED BY (Name and Title) <b>William Lasowski, Regional Director</b>
21. TYPE OF REVIEW	22. REVIEWER'S SIGNATURE
23. REVIEWER'S NAME	24. REVIEWER'S TITLE

**ATTACHMENT TO SPA 09-11**  
**Oklahoma Health Care Authority**

**8. PAGE NUMBER OF THE PLAN  
SECTION OR ATTACHMENT**

Attachment 4.19-D, Page 13  
Attachment 4.19-D, Page 13(a)  
Attachment 4.19-D, Page 13(b)  
Attachment 4.19-D, Page 13(d)  
Attachment 4.19-D, Page 13(e)  
Attachment 4.19-D, Page 26  
Attachment 4.19-D, Page 42  
Attachment 4.19-D, Page 55

**9. PAGE NUMBER OF THE SUPERSEDED  
PLAN SECTION OR ATTACHMENT**

Same Page, Revised 07-01-07, TN # 07-10  
Same Page, Revised 07-07-07, TN # 07-10  
Same Page, Revised 11-01-08, TN # 08-15  
Same Page, Revised 07-01-07, TN # 07-10  
Same Page, Revised 07-01-07, TN # 07-10  
Same Page, Revised 07-01-07, TN # 07-10  
Same Page, Revised 01-01-08, TN # 07-17  
Same Page, Revised 01-01-08, TN # 07-17

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
FOR NURSING FACILITIES

7. For facilities demonstrating compliance for two consecutive quarters as of June 30, 2000, the reporting requirement is waived. Facilities not in compliance or not participating at July 1, 2000 may not participate in the program and may not receive the enhanced rate adjustment of \$3.15. New facilities and facilities under new ownership may participate in the wage enhancement program and will be subject to the compliance requirements of the program. As of July 1, 2007 the adjustment for wage enhancement will be applied to 100% of the facilities due to 100% compliance in expenditures levels with the passage of time and other programs as met in 4.19-D-7 under this section.

5. **SPECIALIZED SERVICES**

Payment will be made for non-routine nursing facility services identified in an individual treatment plan prepared by the State MR Authority. Services are limited to individuals approved for NF and specialized services as the result of a PASSR/MR Level II screen. The per diem add-on is calculated as the difference in the statewide standard private MR base rate described on Attachment 4.19-D page 38 and the statewide NF facility base rate in Section 3 E above. If the Standard private MR Base rate falls below or equals the base rate for regular nursing facilities the payment will not be adjusted for specialized services.

6. **COSTS OF COMPLIANCE WITH OMNIBUS BUDGET RECONCILIATION ACT (OBRA) OF 1987**

All of the costs of compliance appear in provider cost reports used to develop rates. Therefore, no further adjustment or add-on is required.

7. **RATE ADJUSTMENTS BETWEEN REBASING PERIODS**

Beginning July 1, 2005, additional funds made available to the Oklahoma Health Care Authority for Nursing Facilities Serving Adults will be used to adjust the rates of payments in the following method:

Definitions:

Base Rate is defined as that rate in effect on June 30, 2005, for a facility. Any changes will be made through future Plan changes if required.

Direct Care Costs are defined as those costs for salaries (including professional fees and benefits), for registered nurses, licensed practical nurses, nurse aides and certified medication aides.

Other Costs are defined as the total allowable routine and ancillary costs (including capital and administrative costs) of nursing facility care less the Direct Care Costs.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR NURSING  
FACILITIES

7. RATE ADJUSTMENTS BETWEEN REBASING PERIODS (continued)

- (1) As of July 1, 2007, individual rates of payment will be established as the sum of the Base Rate plus add-ons for Direct Care, Other Costs and the add-on earned under the Oklahoma Focus on Excellence Quality of Care Rating System.
- (2) Annually, any funds over and above those to cover the Base Rate plus the Focus on excellence Program payments will be used to create two pools of funds to be used to establish the rate add-ons for each facility (a statewide uniform rate add-on). The estimated total funds will include the estimated savings or loss to the program as a result of the automatic cost of living adjustment on Social Security benefits as published in the federal register and the resulting effect to the spend-down required of the recipients. For Regular Nursing facilities, the effect is \$.32 per day for each one (1) percent change in the SSI determined from the average effect of SSI increases from CY 2004 to CY 2009.
  - (a) The Other Cost pool will be 30% of the available funds. This pool of funds will be divided by the total estimated Medicaid days to determine the add-on for each facility (a statewide uniform rate add-on).
  - (b) The Direct Care cost pool will be 70% of the available funds. This pool of funds will be used to establish facility specific add-ons to the rates. These add-ons will be determined as follows:

Step One: The OHCA will construct an array of the facilities' allowable Direct Care per patient day (as reported on the cost report for the most recent reporting period), with each facility's value in the array being the lesser of actual cost per day or a ceiling set at the 90<sup>th</sup> percentile of the array of all facilities.

Step Two: For each facility in the array, the Direct Care Cost established in step one will be multiplied by their estimated annual Medicaid days and added together to calculate the aggregate estimated Medicaid direct care cost. The estimated annual Medicaid days will be determined by using the latest CY MMIS paid days. In the case of facilities with less than a year's experience, then the OHCA will determine an estimate from any available actual data for that facility or like facilities.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR NURSING  
FACILITIES

7. RATE ADJUSTMENTS BETWEEN REBASING PERIODS (continued)

Step Three: The Direct Care Pool of available funds will be divided by the aggregate estimated Medicaid Cost determined in step two to determine an add-on percent for Direct Care.

Step Four: The Direct Care add-on for each facility will be determined by applying the percent calculated in step three to each facility's per patient day Direct Care Value determined in step one.

Step Five: The sum of the Base Rate and add-ons for Direct Care and Other Costs will be the facility specific rate for the period. The only exceptions to this logic are for homes that do not file a report and for new homes established in the rate year. For homes not filing a cost report, the rate will be the sum of the base rate plus the Other Cost add-on, only. For new facilities beginning operations in the rate year, the rate will be the median of those established rates for the year.

- (c) For the rate period beginning 7/1/05, the total funds available for establishing the pools in (a) and (b) is zero (0).
  - (d) For the rate period beginning 7/1/06, the total available pool amount for establishing rates as described in (a) and (b) is \$71,396,300.
  - (e) For the rate period beginning 07-01-07 the total available pool amount for establishing annual rates as described in (a) and (b) is \$99,275,444.
  - (f) For the rate period beginning 11/01/08, the total available pool amount for establishing the rate components described in (a) and (b) is \$118,007,540.
  - (g) For the rate period beginning 01/01/10, the total available pool amount for establishing the rate components described in (a) and (b) is \$115,979,147.
- (3) As of July 1, 2007 Nursing Facilities Serving Adults and Aids Patients will be able to earn additional reimbursement for "points" earned in the Oklahoma Focus on Excellence Quality Rating Program.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR NURSING FACILITIES

For the period beginning 07-01-2008, and thereafter the reimbursement is set at the following levels:

1 to two points earned level:

The add-on is set at 1% of the sum of the Base Rate plus the Other Component (as described in 7, above);

3 to 4 points earned level:

The add-on is set at 2% of the sum of the Base Rate plus the Other Component (as described in 7, above);

5 to 6 points earned level:

The add-on is set at 3% of the sum of the Base Rate plus the Other Component (as described in 7, above);

7 to 8 points earned level:

The add-on is set at 4% of the sum of the Base Rate plus the Other Component (as described in 7, above);

9 to 10 points earned level:

The add-on is set at 5% of the sum of the Base Rate plus the Other Component (as described in 7, above);

Points will be awarded for homes that meet or exceed the established threshold on a range of 10 quality measures. The Quality Metrics are:

1. Quality of Life: based on Annual Family & Resident Satisfaction Surveys,
2. Resident/Family Satisfaction: based on Annual Family & Resident Satisfaction Surveys,
3. Employee Satisfaction: based on Annual Survey of Employees of the Facility,
4. CNA/Nurse Assistant Turnover & Retention: based on monthly data collected from the providers,
5. Nurse Turnover & Retention: based on monthly data collected from the providers,
6. State Survey Compliance: based on the Standard Survey Results, including subsequent activity that results in F tag citations,
7. System-Wide Culture Change: based on Annual Employee Survey questions,
8. Clinical Measures: based on monthly reported measures of: (a) residents without falls, (b) residents without acquired catheters, (c) residents without acquired physical restraints, (d) residents without unplanned weight loss/gain and (e) residents without acquired pressure ulcers.
9. SoonerCare (Medicaid) Occupancy and Medicare Utilization: based on relative Medicaid and Medicare service days reported monthly.
10. Nursing Staffing per Patient Day: based on monthly reported direct care hours per patient day.

For the period beginning 07-01-2007 and until changed by amendment the established threshold for each metric above is the median score.

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Supersedes  
TN# 07-10

Approval Date FEB - 4 2010 Effective Date 1-1-10

State: OKLAHOMA

Attachment 4.19-D  
Page 13(e)

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR NURSING  
FACILITIES**

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For the period beginning 01-01-2010 and until changed by amendment the  
established thresholds for each measure are as follows:

- |  |                             |
|--|-----------------------------|
| 1. Quality of Life:                            | A score of 75.0, or better  |
| 2. Resident/Family Satisfaction:               | A Score of 72.0, or better  |
| 3. Employee Satisfaction:                      | A score of 65.0, or better  |
| 4. CNA/Nurse Assistant Turnover and Retention  | A Score of 58.0, or better  |
| 5. Nurse Turnover & Retention                  | A score of 60.0, or better  |
| 6. System-wide Culture Change                  | A score of 72.0, or better  |
| 7. Clinical Measures                           | A score of 58.0, or better  |
| 8. SoonerCare Occupancy & Medicare Utilization | The Median Score, or better |
| 9. Nursing Staffing per patient Day            | A score of 3.50, or better  |
| 10. State Survey Compliance                    |                             |

A point will be awarded when:

1. No citations were made as a result of the annual survey, and
2. any subsequent care-related scope/severity citations are "D" or less and
3. any subsequent non-care scope/severity citations are "E" or less.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
FOR NURSING FACILITIES4. Enhancements (continued)

A settlement will be made based on the variance in the amount of enhanced payments and the amount expended for wages and benefits paid for the specified staff. The settlement will be capped at \$3.15 per day.

Facility-specific target rates were determined for each provider. Fiscal year 1995 costs were used to set the rates. The target rates were calculated as follows:

1. The reported salaries and wages for the specified staff were summed for each facility (specified staff salaries).
2. An employee benefits ratio was determined by dividing total facility benefits by total facility salaries and wages.
3. Total specified staff salaries were multiplied by the employee benefits ratio calculated in 2 above, to determine allowable employee benefits.
4. Specified staff salaries and allowable employee benefits were summed and divided by total facility patient days to arrive at the base year allowable cost per diem.
5. The base year allowable cost per diem for each facility was trended forward by factors of 2.9 percent and 3.1 percent.
6. An adjustment of \$3.15 per day was added to the trended base year costs to arrive at the target rate for each facility.
7. For facilities demonstrating compliance for two consecutive quarters as of June 30, 2000, the reporting requirement is waived. Facilities not in compliance or not participating at July 1, 2000, may not participate in the program and receive the enhanced rate adjustment of \$3.15. New facilities and facilities under new ownership may participate in the wage enhancement program and will be subject to the compliance requirements of the program. As of July 1, 2007 the adjustment for wage enhancement will be applied to 100% of the facilities due to 100% compliance in expenditures levels with the passage of time and other programs as met in 4.19-D-7 under this section.
8. As of July 1, 2007 Nursing Facilities Serving Aids Patients will be eligible for additional reimbursement for participation in and Points earned in the Oklahoma Focus on Excellence Quality Rating Program. The points earned and additional reimbursements available are the same as those detailed in 4.19-D-7 in the section covering reimbursement for STANDARD NURSING FACILITIES SERVING ADULTS.

5. COSTS OF COMPLIANCE WITH OMNIBUS BUDGET RECONCILIATION ACT (OBRA) OF 1987

All of the costs of compliance appear in provider cost reports used to develop rates. Therefore, no further adjustment or add-on is required.

6. RATE ADJUSTMENTS BETWEEN REBASING PERIODS

Beginning January 1, 2010 the rates will be adjusted annually on January 1, in an amount equal to the estimated savings or loss to the program as a result of the automatic cost of living adjustment on Social Security benefits as published in the Federal Register and the resulting effect to the spend-down required of the recipients. For Regular Nursing facilities the effect is \$.32 per day for each one (1) percent change in the SSI determined from the average effect of SSI increases from CY 2004 to CY 2009. For Nursing Facilities and facilities serving Aids patients, the effect is \$.32 per day for each one (1) percent change in the SSI determined from the average effect of SSI increases from CY 2004 to CY 2009.

7. For the rate period beginning July 1, 2006, the statewide rate will be increased 4.12%.

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED****4. Enhancements (continued)**

3. Total specified staff salaries were multiplied by the employee benefits ratio calculated in 2 above, to determine allowable employee benefits.
4. Specified staff salaries and allowable employee benefits were summed and divided by total facility patient days to arrive at the base year allowable cost per diem.
5. The base year allowable cost per diem for each facility was trended forward by factors of 2.9 percent and 3.1 percent.
6. An adjustment of \$4.20 per day was added to the trended base year costs to arrive at the target rate for each facility.
7. For facilities demonstrating compliance for two consecutive quarters as of June 30, 2000, the reporting requirement is waived. Facilities not in compliance or not participating at July 1, 2000, may not participate in the program and receive the enhanced rate adjustment of \$4.20. New facilities and facilities under new ownership may participate in the wage enhancement program and will be subject to the compliance requirements of the program. As of July 1, 2007 the adjustment for wage enhancement will be applied to 100% of the facilities due to 100% compliance in expenditure levels and due to the adjustments in 6 below.

**5. RATE ADJUSTMENTS BETWEEN REBASING PERIODS**

Beginning January 1, 2010, the rates will be adjusted annually on January 1, in an amount equal to the estimated savings or loss to the program as a result of the automatic cost of living adjustment on Social Security benefits as published in the Federal Register and the resulting effect to the spend-down required of the recipients. The estimated total funds will include the estimated savings or loss to the program as a result of the automatic cost of living adjustment on Social Security benefits as published in the federal register and the resulting effect to the spend-down required of the recipients. For Standard Private Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) the effect is \$.22 per day for each one (1) percent change in the SSI determined from the average effect of SSI increases from CY 2004 to CY 2009.

6. For the rate period beginning July 1, 2006, the statewide rate will be increased by 10.32%.
7. For the rate period beginning July 1, 2008, the statewide rate will be increased by 4.57%.

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED**

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**5. RATE ADJUSTMENTS BETWEEN REBASING PERIODS**

Beginning January 1, 2010, the rates will be adjusted annually on January 1, in an amount equal to the estimated savings or loss to the program as a result of the automatic cost of living adjustment on Social Security benefits as published in the Federal Register and the resulting effect to the spend-down required of the recipients. The estimated total funds will include the estimated savings or loss to the program as a result of the automatic cost of living adjustment on Social Security benefits as published in the federal register and the resulting effect to the spend-down required of the recipients. For Specialized Private Intermediate Care Facilities for the Mentally Retarded 16 Bed or Less, the effect is \$.20 per day for each one (1) percent change in the SSI determined from the average effect of SSI increases from CY 2004 to CY 2009.

6. For the rate period beginning July 1, 2006, the statewide rate will be increased by 10.90%.
7. For the rate period beginning July 1, 2008, the statewide rate will be increased by 3.90%

**The state has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.**

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TN# 07-17

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Approval Date \_\_\_\_\_ Effective Date 1-1-10

**Marks, Marsha L. (CMS/SC)**

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**From:** Cooley, Mark S. (CMS/CMSO)  
**Sent:** Friday, February 05, 2010 9:10 AM  
**To:** Dasheiff, Sandra (CMS/CMCHO)  
**Cc:** Marks, Marsha L. (CMS/SC); GOLDSTEIN, STUART S. (CMS/CMSO)  
**Subject:** Approval Package OK 09-11  
**Attachments:** OK 09-011.pdf

Approval Package / Official File for Oklahoma 09-011