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**State/Territory Name:** Washington

**State Plan Amendment (SPA) #:** 14-026

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



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**Financial Management Group**

**DEC 01 2014**

MaryAnne Lindeblad, Medicaid Director  
Health Care Authority  
Post Office Box 42716  
Olympia, Washington 98504-2716

**RE: WA State Plan Amendment (SPA) Transmittal Number #14-026 – Approval**

Dear Ms. Lindeblad:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 14-026. This SPA updates the nursing facility rates for SFY 2015.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 14-026 is approved effective as of July 1, 2014. For your files, we are enclosing the HCFA-179 transmittal form and the amended plan pages.

If you have any questions concerning this state plan amendment, please contact Tom Couch, CMS' NIRT Representative for the Seattle Regional Office at 208-861-9838 or [Thomas.Couch@cms.hhs.gov](mailto:Thomas.Couch@cms.hhs.gov).

Sincerely,

A black rectangular redaction box covering the signature area.

Timothy Hill  
Director

A handwritten signature in black ink, appearing to be 'Timothy Hill', written over the printed name and title.

Enclosures

|                                                                                                                                                                                                                                                                                                                   |  |                                                                                                                                                                                                 |                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>TRANSMITTAL AND NOTICE OF APPROVAL OF<br/>STATE PLAN MATERIAL</b>                                                                                                                                                                                                                                              |  | 1. TRANSMITTAL NUMBER:<br><b>14-0026</b>                                                                                                                                                        | 2. STATE<br>Washington |
| <b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>                                                                                                                                                                                                                                                                  |  | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE<br>SOCIAL SECURITY ACT (MEDICAID)                                                                                                                   |                        |
| TO: REGIONAL ADMINISTRATOR<br>HEALTH CARE FINANCING ADMINISTRATION<br>DEPARTMENT OF HEALTH AND HUMAN SERVICES                                                                                                                                                                                                     |  | 4. PROPOSED EFFECTIVE DATE<br>July 1, 2014                                                                                                                                                      |                        |
| 5. TYPE OF PLAN MATERIAL (Check One):<br><br><input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT<br>COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)                 |  |                                                                                                                                                                                                 |                        |
| 6. FEDERAL STATUTE/REGULATION CITATION:<br>1905a of the Social Security Act; 42 CFR 447 Subpart C                                                                                                                                                                                                                 |  | 7. FEDERAL BUDGET IMPACT:<br>a. FFY 2014 \$6,744,939<br>b. FFY 2015 \$20,308,939                                                                                                                |                        |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:<br><br>4.19-D Part 1 pages 1, 2, 3, 6b (new), 7, 9, 10, 13, 16a                                                                                                                                                                                                 |  | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION<br>OR ATTACHMENT (If Applicable):<br><br>4.19-D Part 1 pages 1, 2, 3, 7, 9, 10, 13, 16a                                                           |                        |
| 10. SUBJECT OF AMENDMENT:<br><br>Nursing Facility Rates                                                                                                                                                                                                                                                           |  |                                                                                                                                                                                                 |                        |
| 11. GOVERNOR'S REVIEW (Check One):<br><input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Exempt<br><input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED<br><input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL |  |                                                                                                                                                                                                 |                        |
| 12. SIGNATURE OF STATE AGENCY OFFICIAL:<br>                                                                                                                                                                                     |  | 16. RETURN TO:<br>Ann Myers<br>Office of Rules and Publications<br>Legal and Administrative Services<br>Health Care Authority<br>626 8 <sup>th</sup> Ave SE MS: 42716<br>Olympia, WA 98504-2716 |                        |
| 13. TYPED NAME:<br>MARYANNE LINDEBLAD                                                                                                                                                                                                                                                                             |  | 17. DATE RECEIVED: 9-10-14                                                                                                                                                                      |                        |
| 14. TITLE:<br>MEDICAID DIRECTOR                                                                                                                                                                                                                                                                                   |  | 18. DATE APPROVED: DEC 01 2014                                                                                                                                                                  |                        |
| 15. DATE SUBMITTED:<br>9-10-14                                                                                                                                                                                                                                                                                    |  | 19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2014                                                                                                                                            |                        |
| 20. SIGNATURE OF REGIONAL OFFICIAL:<br>                                                                                                                                                                                       |  | 21. TYPED NAME: Kristin Fan                                                                                                                                                                     |                        |
| 22. TITLE: Deputy Director, FMG                                                                                                                                                                                                                                                                                   |  | 23. REMARKS:                                                                                                                                                                                    |                        |

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

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NURSING FACILITIES AND SWING BED HOSPITALS

Effective July 1, 2014

Section I. Introduction:

This State Plan Amendment (SPA) to Attachment 4.19-D, Part I, describes the overall payment methodology for nursing facility services provided to Medicaid recipients: (1) by privately-operated nursing facilities, both non-profit and for-profit; (2) by nursing facilities serving veterans of military service operated by the State of Washington Department of Veterans Affairs; and (3) by nursing facilities operated by public hospital districts in the state. Both privately operated and veterans' nursing facilities share the same methodology. Facilities operated by public hospital districts share the methodology described below also, except for proportionate share payments described in Section XVII below, which apply only to them.

Excluded here is the payment rate methodology for nursing facilities operated by the State's Division of Developmental Disabilities, which is described in Attachment 4.19-D, Part II.

Chapter 388-96 of the Washington Administrative Code (WAC), chapter 74.46, chapter 34.05, and chapter 70.38 of the Revised Code of Washington (RCW), and any other state or federal laws or regulations, codified or uncoded, as they exist as of July 1, 2014, as may be applicable, are incorporated by reference in Attachment 4.19-D, Part I, as if fully set forth.

The methods and standards used to set payment rates are specified in Part I in a comprehensive manner only. For a more detailed account of the methodology for setting nursing facility payment rates for the three indicated classes of facilities, consult chapter 388-96 WAC and 74.46 RCW.

The methods and standards employed by the State to set rates comply with 42 CFR 447, Subpart C, as superseded by federal legislative changes in the Balanced Budget Act of 1997.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

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Section II. General Provisions:

Medicaid rates for nursing facility care in Washington continue to be facility specific. Prior to rate setting, nursing facilities' costs and other reported data, such as resident days, are examined, to ensure accuracy and to determine costs allowable for rate setting. Washington continues to be a state utilizing facility-specific cost data, subject to applicable limits, combined with facility-specific and regularly updated resident case mix data, to set rates.

A facility's Medicaid rate continues to represent a total of six component rates: 1) direct care (DC), 2) therapy care (TC), 3) support services (SS), 4) operations (O), 5) property (P), and 6) financing allowance (FA).

Medicaid rates are subject to a "budget dial", under which the State is required to reduce rates for all participating nursing facilities statewide by a uniform percentage, after notice and on a prospective basis only, if the statewide average facility total rate, weighted by Medicaid resident days, approaches an overall limit for a particular state fiscal year. Under RCW 74.46.421, the statewide average payment rate for any state fiscal year (SFY) weighted by patient days shall not exceed the statewide weighted average nursing facility payment rate identified for that SFY in the biennial appropriations act (budgeted rate). After the State determines all nursing facility payment rates in accordance with chapter 74.46 RCW and chapter 388-96 WAC, it determines whether the weighted average nursing facility payment rate is equal to or likely to exceed the budgeted rate for the applicable SFY. If the weighted average nursing facility payment rate is equal to or likely to exceed the budgeted rate, then the State adjusts all nursing facility payment rates proportional to the amount by which the weighted average rate allocations would exceed the budgeted rate. Adjustments for the current SFY are made prospectively, not retrospectively and applied proportionately to each nursing facility's component rate allocation. The application of RCW 74.46.421 is termed applying the "budget dial". The budget dial supersedes all rate setting principles in chapters 74.46 RCW and 388-96 WAC.

For SFY 2014 (July 1, 2013 through June 30, 2014), the budget dial rate is \$171.35. For SFY 2015 (July 1, 2014 through June 30, 2015), the budget dial rate is \$178.82.

If any final order or final judgment, including a final order or final judgment resulting from an adjudicative proceeding or judicial review permitted by chapter 34.05 RCW would result in an increase to a nursing facility's payment rate for a prior fiscal year or years, the State shall consider whether the increased rate for that facility would result in the statewide weighted average payment rate for all facilities for such fiscal year or years to be exceeded. If the increased rate would result in the statewide average payment rate for such year or years being exceeded, the State shall increase that nursing facility's payment rate to meet the final order or judgment only to the extent that it does not result in an increase to the statewide average payment rate for all facilities.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

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NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section II. General Provisions (cont):

For the direct care, operations, support services, and therapy care components, adjusted cost report data for calendar year 2007 will be used for rate setting for July 1, 2009 through June 30, 2015.

In contrast, property and financing allowance components continue to be rebased annually, utilizing each facility's cost report data for the calendar year ending six months prior to the commencement of the July 1 component rates.

Beginning July 1, 2015, the direct care, operations, support services, and therapy care component rate allocations shall be rebased biennially during every odd-numbered year thereafter using adjusted cost report data from two years prior to the rebase period, so adjusted cost report data for calendar year 2013 will be used for July 1, 2015 through June 30, 2017, and so forth.

For rates effective July 1, 2014, the State will do a comparative analysis of the facility-based payment rates calculated using the payment methodology defined in chapter 74.46 RCW as it exists on that date, and comparing it to the facility-based payment rates in effect on June 30, 2010. If the former is smaller than the latter, the difference will be provided to the individual nursing facility as an add-on payment per Medicaid resident day. When calculating the rates paid under chapter 74.46 RCW in performing this comparative analysis, the State will not include the original low wage worker add-on; the supplemental low wage worker add-on, the direct care add-on, the support services add-on, and the therapy care add-on for SFY 2015; the comparative add-on itself; the acuity add-on described in the next paragraph below; or the safety net assessment reimbursement.

During the comparative analysis described in the preceding paragraph, if it is found that the direct care rate for any facility calculated on July 1, 2014, is greater than the direct care rate in effect on June 30, 2010, the facility will receive a 10% add-on to the direct care rate to compensate the facility for taking on more acute residents than they have in the past. When calculating the rates paid under chapter 74.46 RCW in performing this comparison of direct care rates, the State will not include the original low wage worker add-on; the supplemental low wage worker add-on, the direct care add-on, the support services add-on, and the therapy care add-on for SFY 2015; the comparative add-on described in the next paragraph above, the acuity add-on itself, or the safety net assessment reimbursement. With the exception of the comparative analysis, any add-ons described in this paragraph are subject to settlement.

Section III. Minimum Occupancy for Rate Setting and Fluctuations in Licensed Beds:

All component rates calculated and assigned to a facility require, directly or indirectly, use of the examined number of resident days at that facility for the applicable report period. Essentially, days are divided into allowable costs for that period, to obtain facility costs expressed as per resident day amounts.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

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NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section VI. Direct Care Component Rate (cont)

For SFY 2015 only, the Legislature has also provided a second, supplemental low wage worker add-on. This add-on is in addition to the existing add-on of \$1.57 described in the preceding paragraph. This supplemental add-on may be used only to increase wages, benefits, and/or staffing levels for certified nurse aides; or to increase wages and/or benefits (but not staffing levels) for dietary aides, housekeepers, and laundry aides, and any other category of workers whose statewide average dollars-per-hour wage was less than \$17 in calendar year 2012, according to cost report data. This supplemental low wage worker add-on will add \$2.44 to the industry weighted average Medicaid daily rate."

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

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NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section VI. Direct Care Component Rate (cont)

Each facility's allowable direct care cost per resident day is divided by the facility's average case mix index to derive the facility's allowable direct care cost per case mix unit.

Effective July 1, 2001, in setting direct care component rates, the State is required to array direct care costs per case mix unit separately for three groups of nursing facilities, also known as peer groups: (1) those located in high labor-cost counties; (2) those located in urban counties, which are not high labor cost counties; and (3) those located in nonurban counties.

A "high labor cost county" is "an urban county in which the median allowable facility cost per case mix unit is more than ten percent higher than the median allowable facility cost per case mix unit among all other urban counties, excluding that county." An "urban county" is "a county which is located in a metropolitan statistical area as determined and defined by the United States office of management and budget or other appropriate agency or office of the federal government." A "nonurban county" is "a county which is not located in a metropolitan statistical area as determined and defined by the United States office of management and budget or other appropriate agency or office of the federal government."

Currently, the only high labor cost county in the state is King County, which means for July 1, 2013, through June 30, 2015 direct care component rates, direct care cost per case mix unit medians are calculated for: (1) Medicaid nursing facilities in King County; (2) Medicaid nursing facilities in all urban counties, excluding king County; and (3) Medicaid nursing facilities in all nonurban counties.

Effective July 1, 2006, the 90% floor in the cost per case mix unit was eliminated and the ceiling was increased to 112%. Effective July 1, 2011, the ceiling was reduced to 110%.

The State shall determine and update semiannually for each nursing facility serving Medicaid residents a facility-specific per-resident day direct care component rate allocation to be effective on the first day of each six-month period.

For SFY 2015, the Legislature has provided a direct care rate add-on of \$3.63 per Medicaid resident day to each facility.

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NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section VII. Therapy Care Component Rate (cont.)

The facility's allowable Medicaid resident day one-on-one cost and its allowable resident day consulting cost are each multiplied by the facility's total adjusted resident days to calculate its total allowable one-on-one therapy expense and total allowable consulting therapy expense. These products are totaled for each type to derive each facility's total allowable cost for each therapy type.

The total allowable cost for each therapy type for each participating nursing facility is then combined and this total is divided by the facility's total adjusted resident days, or days increased, if needed, to the applicable minimum occupancy for rate setting from Attachment 4.19-D, Part 1 Section III. *Minimum Occupancy for Rate Setting and Fluctuations in Licensed Beds*, to derive its therapy care component rate.

For SFY 2015, the Legislature has provided a therapy care rate add-on of \$.05 per Medicaid resident day to each facility.

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NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section VIII. Support Services Component Rate:

This component rate corresponds to one resident day of food, food preparation, other dietary services, housekeeping and laundry services.

A nursing facility's support services component rate is based on the applicable cost report data, subject to the budget dial and applicable adjustments for economic trends and conditions.

To set the component rate, the State takes from the facility's cost report total allowable support services cost, and divides by the greater of adjusted days from the same cost report or days imputed at the applicable minimum occupancy from Attachment 4.19-D, Part 1 Section III. *Minimum Occupancy for Rate Setting and Fluctuations in Licensed Beds*, whichever is greater.

The State arrays allowable support services costs separately for urban and non-urban facilities, and determines the median per resident day cost for each peer group. A limit is set at 110% of the median cost of each group and the rate is set at the lower of actual allowable facility per resident day cost or the limit for its peer group. Effective July 1, 2011, the limit was reduced to 108% of the median cost of each group and the rate was set at the lower of actual allowable facility per resident day cost or the limit for its peer group.

For SFY 2015, the Legislature has provided a support services rate add-on of \$1.12 per Medicaid resident day to each facility.

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NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section XI. Property Component Rate:

This component corresponds to an allowance for depreciation of real property improvements, equipment and personal property associated with the provision of resident care at a participating nursing facility.

The department rebases the property component rate annually using cost report depreciation data from the calendar year ending six months prior to the commencement of each July 1 rate. For example, the 2012 cost report is used for July 1, 2013, rate setting, and the 2013 cost report is used for July 1, 2014, rate setting, etc. Allowable depreciation is divided by the actual, adjusted resident days from the applicable cost report period, increased, if needed, to imputed resident days at the applicable minimum occupancy for rate setting from Attachment 4.19-D, Part 1 Section III. *Minimum Occupancy for Rate Setting and Fluctuations in Licensed Beds*.

The property rate is subject to prospective revision to reflect the cost of capitalized additions and replacements. Effective July 1, 2001, to have additional assets included for rate setting the contractor must obtain from the department a certificate of capital authorization for future capitalized additions and replacements, which are available on a first-come, first-served basis. However, the department is authorized to consider untimely requests if the improvement project is in response to an emergency situation.

For assets that were acquired after January 1, 1980, the depreciation base of the assets used for rate setting cannot exceed the net book value which did exist or would have existed had the previous contract with the department continued, unless the assets were acquired after January 1, 1980, for the first time since that date, and before July 18, 1984.

The depreciation base that will be used for first-time sales after January 1, 1980, but occurring pursuant to a written and enforceable purchase and sale agreement in existence prior to July 18, 1984, and documented and submitted to the department prior to January 1, 1988, will be that of the first owner subsequent to January 1, 1980.

Subsequent sales during the period defined above and any subsequent sale of any asset, whether depreciable or not depreciable, on or after July 18, 1984, are ignored for payment purposes.

The Department will issue no certificates of capital authorization for State Fiscal Year (SFY) 2014 or SFY 2015.

For SFYs 2014 and 2015, the Department will not grant any rate add-ons to payment rates for capital improvements not requiring a certificate of need and a certificate of capital authorization.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

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NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section XV. Rates for Swing Bed Hospitals (cont)

The average for July 2008 was \$158.10 per resident day, which comprises the swing bed rate for the July 1, 2008 to June 30, 2009 rate period. The same methodology is followed annually to reset the swing bed rate, effective July 1 of each year. Effective July 1 of each year, the State follows the same methodology to reset the swing bed rate. The swing bed rate is subject to the operation of RCW 74.46.421.

The swing bed rate for SFY 2015 (July 1, 2014 through June 30, 2015) is \$175.37.