I - Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/ID) Services Narrative Instructions

I. The Basis of the UPL Formula

States generally demonstrate, and CMS has accepted, the UPL based on a comparison of Medicaid payments to equivalent Medicare payment or Medicaid cost using Medicare principles. For ICF/ID services, options for demonstrating the UPL are limited because Medicare does not pay for services within these facilities. As a result, states typically use cost demonstrations that rely on Medicare cost finding principles as the basis of the UPL for these facilities.

- Check boxes are provided for states to indicate if the demonstration is a cost based demonstration using state developed and CMS approved cost reports.
- States that choose to deviate from a cost methodology should detail the alternative methodology in the "other" text box. Any alternative methodology must present a reasonable estimate of Medicare payment and must be accepted by CMS.
- States should also indicate the time period of the base and rate year data in the space provided and confirm that this data is the most recently available to the state.

II. Medicare Cost Comparison

Source of the UPL Medicare Equivalent Data

- States may use a state developed cost report that uses Medicare cost identification principles or a modified version of the Medicare Skilled Nursing Facility cost report (CMS 2540) as the source Medicare equivalent ICF/ID cost data. Use the check boxes to indicate which cost report was used in the state's UPL demonstration.

Cost Report Development

Unlike other facility types, there are no standardized national Medicare cost reports for ICF/IDs. To calculate a reasonable Medicare estimate using a Medicaid cost report or a modified version of the SNF cost report template, the state must develop a cost identification process for ICF/ID service providers that follows the Medicare reimbursement principles found in PRM-15-1 and OMB Circular A-87 in recognizing allowable and non-allowable costs.

- A check-box is included to indicate that the costs are identified in accordance with PRM 15-1 and OMB Circular A-87.
- Use the check boxes provided to indicate that CMS has performed a review of the reports and that the providers' cost reports are submitted annually to the state. If the reports are submitted to the state Medicaid agency more frequently than annually, please indicate the submission period in the space provided.
- State agencies may perform audits or contract with an independent auditor to review the cost reports. Complete the check-offs to indicate whether audits are conducted and the frequency of the audits.

- For states that use the Medicare SNF report as the basis for the ICF/ID report, please verify that the same types of allowable costs are reported. If applicable, please describe and explain any cost category discrepancies and modifications that the state has made to the Medicare SNF report.

Cost Finding Methodology

State cost reports are typically structured to directly find Medicaid service costs by allocating all costs associated with Medicaid covered services to Medicaid through appropriate cost finding and allocation methods. Alternatively some states may use all-payer cost-to-charge ratios applied to Medicaid charges associated with paid claims from the cost report period to determine Medicaid's cost. Detailed information is requested for either cost report structure that is used to calculate the UPL.

- A text box is provided for states to provide an overview of the cost identification and allocation process used in the cost report. States should also submit to CMS the actual cost report and instructions that are providers receive to complete the report.
- A series of specific questions that address the treatment of direct and indirect costs, routine and ancillary services, and "central office or related entity costs" intend to further clarify and guide the state on describing the cost report structure. Importantly, the cost report must identify Medicaid's allocable portion of service costs that are payable under the Medicaid program.

Cost-to-charge calculation.

- States are asked to confirm that the ICF/ID cost report using cost-to-charge ratios for facility cost centers to which Medicaid allowed costs are allocated. If costs-to-charge ratios are not utilized, states are ask to explain the cost finding methodology.
- Additional clarifying questions are provided to ensure that the cost report charge ratio methodology will accurately reflect Medicaid's portion of the facility cost for the cost report period.

Per diem cost calculation.

- Many states use the cost report data to determine a per diem cost amount and compare the amount to the actual payments made through the Medicaid program for ICF/ID services. For states that use this approach, a series of questions are provided to clarify the calculation of the per diem amounts.

III. State UPL Data Demonstration Structure

Though the UPL is an aggregate demonstration for state government owned or operated, non-state government owned or operated and private facilities, the data is presented for each ICF/ID provider that receives Medicaid payments. This section describes the structure of the UPL data.

- The state is asked to assure that the UPL data demonstrates UPL compliance in the aggregate for state government-owned or operated facilities, non-state government owned or operated facilities, and privately owned or operated facilities. The state must demonstrate compliance distinctly for each category of ICF/ID services. The designation of providers as state government-owned or operated facilities, non-state government owned or operated facilities, and privately owned or operated facilities must be consistent between UPL demonstrations.
- All ICF/ID service providers that receive Medicaid payments under the applicable UPL service category must be included within the UPL calculations. We ask that states confirm the inclusion of all providers in the UPL demonstration or that the demonstration includes only in-state providers. Note, if the state includes out-of-state providers in the demonstration, those providers must appear in the "private" facility bucket.

IV. Source of Medicaid Payment Data

The Medicare estimate for equivalent Medicaid services is compared to the Medicaid payment data from the demonstration rate year. If the Medicaid payment data is at or below the Medicare estimate, the state's ICF/ID reimbursement methodology complies with the UPL regulations. The source, adjustments and exclusions applicable to the Medicaid payment data are described in this section.

- The Medicaid payment data should be from adjudicated Medicaid service claims from the MMIS. A check-box is provided to confirm that the source of the payment data is the MMIS. If the state uses a source other than the MMIS for the payment data, please explain the other source in the text box.
- The Medicaid payment data should be from the same date of service time period as the Medicaid charge and the Medicare cost report data. If the state uses a different Medicaid payment time period, we have asked the state to provide an explanation.
- States sometimes make base payments for ICF/ID services and additional supplemental payments that are lump-sum adjustments or add-ons to the base payments. The UPL must include total ICF/ID payments made to ICF/ID providers (base and supplemental). State must identify the base and supplemental payments separately within the demonstration. If any payments are made outside of the MMIS, we ask the state to explain those payments in the text box that is provided.
- We recommend that states exclude claims associated with services delivered to beneficiaries eligible for Medicare and Medicaid (crossover claims), from the Medicaid payment (and charge) data. There is a check box for state to confirm that cross-over claims are excluded.
- Any adjustments to the Medicaid payment data should be noted in the methodology. These adjustments should also be made to the Medicaid charge data.
- As part of the calculation, states should make adjustments for changes in ICF/ID payments that occurred between the demonstration period and the current rate year. For instance, if a state has implemented or intends to implement a new supplement payment, the amounts associated with the supplemental payment should be reflected in the Medicaid payment data.
- The amounts reported on the CMS-64 expenditure system for ICF/ID payments should match or closely align with the amounts reflected in the base period for the UPL demonstration. We ask the state to verify the consistency with the reported expenditures and the UPL payment data and explain any inconsistencies.

V. Trends and adjustments to the UPL Data

Because UPL calculations rely on data from prior periods, states often trend the data to the current rate year using inflationary and volume adjustments. In addition, states may use completion factors for charge and payment data to compensate for claiming lags. All trend sources and trending applications to the UPL data are described in this section.

- States should verify that trends are used for inflation and describe the inflationary trend source and application. The state should exclude capital costs from the trending and is asked to confirm the exclusion. The trend data should be applied as a "mid-point to mid-point" application in order to accurately project the trended historic data into the current rate year.
- Volume adjustments may be made to reflect changes in the Medicaid program that have occurred between the base and current rate year periods. The volume adjustment source should be based on data that reflects real program experience and the adjustment must be equally applied to the Medicaid payment and Medicare equivalent data. Within the narrative, states should verify that adjustments are used to account for increases (or decreases) in volume and describe the volume adjustment source and application.
- If the state adjusts UPL data using additional or alternative factors, we have requested an explanation and the basis for those adjustments in the text box provided.
- States occasionally apply completion factors to the Medicaid charge and payment data to account for lags in claims adjudication. The narrative requests that states indicate when claims completion factors are used for charge and payment data, the application of the factors and an assurance that the factors are applied consistently for the charge and payment data.

VI. ICF/ID UPL demonstration requirements

States are required to demonstrate that, for each category of ICF/ID providers (state government-owned or operated facilities, non state government-owned or operated facilities and privately-owned and operated facilities) payments do not, in the aggregate for each category, exceed the reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare payment principles. Verify that the state meets the ICF/ID UPL demonstration requirements by selecting the appropriate check box. Note – state must provide supporting data by provider in a spreadsheet along with the description of the UPL methodology.

PRA Disclosure Statement