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State/Territory Name: PA

State Plan Amendment (SPA) #: 25-0019

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 & HUMAN SERVICES

Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

November 13, 2025

Valerie A. Arkoosh, MD, MPH
Secretary of Human Services
Office of Long-Term Living/Forum Place 6th Fl
ATTN: Bureau of Policy Development and Communications Management
PO Box 8025
Harrisburg, Pennsylvania 17105-8025

RE: TN 25-0019

Dear Secretary of Human Services Arkoosh:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Pennsylvania state plan amendment (SPA) to Attachment 4.19-D PA 25-0019, which was submitted to CMS on August 25, 2025. This plan amendment is to amend a data element in the Department's case-mix payment system for nursing facilities and county nursing facilities to utilize the Patient Driven Payment Model (PDPM) in place of the Resource Utilization Groups, Version III.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2) of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of August 2, 2025. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Kristina Mack at 617-565-1225 or via email at Kristina.Mack-Webb@cms.hhs.gov.

Sincerely,



Rory Howe
Director
Financial Management Group

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2. STATE

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL
SECURITY ACT

XIX

XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

5. FEDERAL STATUTE/REGULATION CITATION

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY _____ \$ _____

b. FFY _____ \$ _____

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)

9. SUBJECT OF AMENDMENT

10. 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:

11. SIGNATURE OF STATE AGENCY OFFICIAL

15. RETURN TO

12. TYPED NAME

13. TITLE

14. DATE SUBMITTED

FOR CMS USE ONLY

16. DATE RECEIVED

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

August 2, 2025

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

Methods and Standards Governing Payment
for
Nursing Facility Services

CASE-MIX PAYMENT SYSTEM

Pennsylvania has established its Medical Assistance Long-Term Care Program based on resident characteristics and the specialized service needs of the residents. Nursing facility care is part of the long-term care continuum, providing care to recipients whose medical needs do not require intensive hospital care, but need a higher level of care than that provided in a non-nursing facility setting. Effective January 1, 1996, the Department reimburses MA nursing facility providers under a prospective case-mix payment system.

Effective July 1, 2006, the Department will reimburse county MA nursing facility providers in accordance with the approved Pennsylvania State Plan under Attachment 4.19D, Part 1A.

The case-mix payment system has two major components: a system of resident classification and a system of price and rate setting. The case-mix payment system uses a comprehensive automated database, known as the Nursing Information System (NIS) to classify nursing facility residents and to determine nursing facility payment rates.

A. Resident Classification System

The first component of the case-mix payment system is the resident classification system. The case mix payment system uses the Patient Driven Payment Model (PDPM) nursing component CMI scores to classify nursing facility residents. Nursing facilities submit resident assessment data necessary for the CMI report to the Department as specified in the *Resident Data Reporting Manual*. Taking this data, the Department classifies each resident into the first PDPM nursing component case-mix group for which the resident meets the criteria (each resident will qualify for only one case-mix group) and calculates a quarterly MA case-mix index and an annual total facility case-mix index for each nursing facility. The Department uses these indices to determine annual peer group prices for each price setting period and to make quarterly rate adjustments for each rate setting period.

Nursing facilities shall maintain hard copy records for a minimum of four years following submission of the resident data. All nursing facility resident records are subject to periodic verification and audit by the Department.

annual basis. After it sets the peer group prices, the Department uses the prices to calculate rates for the three net operating cost centers for each nursing facility.

a. Resident Care

- (1) To calculate the resident care cost medians and prices, the total resident care cost for each cost report is divided by the total facility CMI from the available February 1 picture date closest to the midpoint of the cost report period to obtain case-mix neutral total resident care cost for the cost report year. The Department divides the case-mix neutral audited allowable resident care costs for each cost report for each nursing facility by the nursing facility's total audited actual resident days for each cost report year to obtain each nursing facility's case-mix neutral resident care cost per diem for each cost report year.

For year two of implementation, the Department calculates the two-year arithmetic mean of the case-mix neutral resident care cost per diem for each nursing facility to obtain the average case-mix neutral resident care cost per diem of each nursing facility.

For all subsequent years, the Department calculates the three-year arithmetic mean of the case-mix neutral resident care cost per diem for each nursing facility to obtain the average case-mix neutral resident care cost per diem of each nursing facility.

- (2) The Department arrays the average resident care cost per diem for each nursing facility within the respective peer groups and determines a median for each peer group. The Department multiplies each median by a factor of 1.17 to determine the price for the peer group. The Department assigns that price to each nursing facility in the peer group.
- (3) The Department calculates each nursing facility's resident care rate by determining the lower of the nursing facility's resident care peer group price or 103% of the nursing facility's case-mix neutralized resident care cost per diem plus 30% of the difference between the 103% calculation and the nursing facility peer group price. The Department then adjusts the rate each quarter by multiplying the rate by the nursing facility's MA case-mix index (CMI) to set the facility specific rate for resident care.

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- (4) Except for a new nursing facility, the resident care rate used to establish the nursing facility case-mix per diem rate will be a blended rate for the following rate quarters:
- (i) Rate quarter April 1, 2026, through June 30, 2026.
 - (ii) Rate quarter July 1, 2026, through September 30, 2026.
 - (iii) Rate quarter October 1, 2026, through December 31, 2026.
- (5) The blended rates under paragraph (4) shall be determined as follows:
- (i) For rate quarter April 1, 2026, through June 30, 2026, the nursing facility's blended rate will equal 75% of the nursing facility's RUG-III resident care rate plus 25% of the nursing facility's PDPM resident care rate.
 - (ii) For rate quarter July 1, 2026, through September 30, 2026, the nursing facility's blended rate will equal 50% of the nursing facility's RUG-III resident care rate plus 50% of the nursing facility's PDPM resident care rate.
 - (iii) For rate quarter October 1, 2026, through December 31, 2026, the nursing facility's blended rate will equal 25% of the nursing facility's RUG-III resident care rate plus 75% of the nursing facility's PDPM resident care rate.
 - (iv) For the purposes of this paragraph, the following applies:
 - (A) The RUG-III resident care rate is the average of the October 1, 2025, through December 31, 2025, quarter rate and the January 1, 2026, through March 31, 2026, quarter rate.
 - (B) The Department will calculate a nursing facility's PDPM resident care rate under this paragraph in accordance with paragraphs (1) – (3). The CMI values the Department will use to determine each nursing facility's total facility CMI and facility MA CMI, computed in accordance with Attachment 4.19D, Part I, Supplement I, will be the PDPM nursing component case-mix group values set forth in Attachment 4.19D, Part I, Supplement I. The resident assessment that will be used for each resident will be the most recent comprehensive resident assessment.
- (6) Beginning with rate quarter January 1, 2027, through March 31, 2027, and thereafter, the Department will calculate each nursing facility's resident care rate in accordance with the PDPM. The CMI values used to determine each nursing facility's total facility CMI and facility MA CMI, computed in accordance with Attachment 4.19D, Part I, Supplement I, will be the PDPM nursing component case-mix group values set forth in Attachment 4.19D, Part I, Supplement I. The resident assessment that will be used for each resident will be the most recent classifiable resident assessment of any type.

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The Department will conduct audits to ensure that a nursing facility receiving payment authorized by an exceptional DME grant adjusts its reported costs on the cost report to account for the exceptional payments. Payment(s) received by a nursing facility pursuant to an exceptional DME grant is payment in full for nursing facility services involving exceptional DME related services and items.