

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



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**Center for Medicaid and State Operations**

Robin Arnold-Williams, Secretary  
Department of Social and Health Services  
PO Box 45010  
Olympia, Washington 98504-5010

OCT 18 2006

RECEIVED

**RE: State Plan Amendment 05-007**

OCT 30 2006

Dear Secretary Arnold-Williams:

**Rules and Publications**

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State Plan submitted under transmittal number (TN) 05-007. This amendment implements a supplemental reimbursement methodology (ProShare) for nursing facilities that are operated by public hospital districts for the time period July 1, 2005 through July 1, 2007. Specifically, this ProShare payment is limited to the difference between the eligible facilities Medicaid costs for providing Medicaid services and the Medicaid payments received for those services. Facilities receiving this payment have been determined by Washington to be eligible to certify public expenditures. I am pleased to inform you that Washington state plan amendment TN 05-007 is approved for services furnished on or after July 1, 2005.

To carry out Federal oversight responsibilities, please be advised that the Seattle regional office will conduct a financial management review of the payments authorized under this portion of the State Medicaid plan and funded through certified public expenditures. The purpose of this review would be to ensure that claimed expenditures are accurate and that claims for Federal funding are matched by adequate non-Federal funding. If you have any questions, please call Joe Fico of the National Institutional Reimbursement Team at (206) 615-2380.

Sincerely,

  
Dennis G. Smith  
Director

SECRETARY'S OFFICE  
RECEIVED

OCT 24 2006

DEPARTMENT OF SOCIAL  
AND HEALTH SERVICES

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

1. TRANSMITTAL NUMBER:  
**05-007**

2. STATE  
Washington

3. HEALTH CARE FINANCING ADMINISTRATION

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

4. REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
TYPE OF PLAN MATERIAL (Check One):

4. PROPOSED EFFECTIVE DATE  
~~July 1, 2003~~  
July 1, 2005

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:

7. FEDERAL BUDGET IMPACT:

a. July 1, 2003 - Sept. 30, 2003 = 0 FFY 2005: \$0  
b. Oct. 1, 2003 - Sept. 30, 2004 = 0 FFY 2006: \$2.7 mill.  
c. Oct. 1, 2004 - Sept. 30, 2005 = \$750,000  
d. Oct. 1, 2005 - Sept. 30, 2006 = \$3,000,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 4.19-D, pages 18 & 19  
Supplement A to Att. 4.19D, Part 1, pages 1-3

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

Att. 4.19-D, pages 18 & 19  
Supplement A to Att. 4.19D, Part 1, pgs 1-3

10. SUBJECT OF AMENDMENT:

Nursing Facility Pro Share Payments

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: Exempt

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*Robin Arnold-Williams*

13. TYPED NAME:

ROBIN ARNOLD-WILLIAMS

14. TITLE:

Secretary

15. DATE SUBMITTED:

July 25, 2005

16. RETURN TO:

Ann Myers

Department of Social and Health Services

Medical Assistance Administration

925 Plum St SE MS: 45533

Olympia, WA 98504-5533

17. DATE RECEIVED:

JUL 26 2005

FOR REGIONAL OFFICE USE ONLY

18. DATE APPROVED:

10-18-06

19. EFFECTIVE DATE OF APPROVED MATERIAL:

PLAN APPROVED - ONE COPY ATTACHED

20. SIGNATURE OF REGIONAL OFFICIAL:

*Bill Rowan for D.S.*

21. TYPED NAME:

William Lasowski

22. TITLE:

Deputy Director, CMSO

23. REMARKS:

6/26/06 - P&I changes to Blocks 4 & 7 per email  
request from Ann Meyers dated 6/26/06 (AK)

6/13/06 - P&I change to Blocks 8 & 9 to add Supplement A, Att. 4.19D p. 1-3  
per email request from Ann Meyers dated 10/15/06 (AK)

11/16/06 - P&I change to replace p. 19 w/ revisions per Ann Meyers email of 10/16/06 (AK)

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

NURSING FACILITIES AND SWING BED HOSPITALS (cont.)

Section XVI. 1997 Balanced Budget Act. Section 4711 -- Public Process for Changes to Nursing Facility Medicaid Payment Rates (cont.)

(4) After receiving and considering all comments, if the department decides to move ahead with a change or changes to its nursing facility payment rate methodologies, it shall adopt needed further changes in response to comments, if any, and shall publish the final estimated rates, final rate determination methodologies and justifications. Publication shall be: (a) in the Washington State Register; or (b) in The Seattle Times and The Spokesman Review newspapers. Unless an earlier effective date is required by state or federal law, implementation of final changes in methodologies and commencement of the new rates shall not occur until final publication in the Register has occurred or publication in both designated newspapers has occurred. The department shall not be authorized to delay implementation of changes, or to alter, ignore or violate requirements of state or federal laws in response to public process comments.

Section XVII. Proportionate Share Payments for Nursing Facilities Operated by Public Hospital Districts:

The following is effective for the period from July 1, 2005 to June 30, 2007:

An aggregate Upper Payment Limit is calculated each state fiscal year for supplemental payments to eligible providers of Medicaid nursing facility services. Eligible providers are public hospital districts that operate nursing facilities.

The public hospital districts are responsible for certifying costs eligible for the supplemental payments, which shall not exceed the maximum allowable under federal rules. The state will ensure that the public hospital districts certify these expenditures in accordance with 42 CFR 433.51.

The payments to public hospital districts shall be supplemental to, and shall not in any way offset or reduce, the normal Medicaid nursing facility payments calculated and provided in accordance with part E of Ch. 74.46 RCW. Costs to improve access to health care at nursing facilities operated by public hospital districts that are otherwise allowable for rate-setting and for settlement against payments made under Ch. 74.46 RCW shall not be disallowed solely because such costs have been paid by revenues retained by the nursing facility from these supplemental payments.

The supplemental payments are limited to the difference between Medicaid routine costs incurred by the public hospital district-operated nursing facilities and the total Medicaid routine payments received by the facility during the rate year in which the supplemental payments will be claimed. The process for identifying such eligible incurred Medicaid cost is defined in Supplement A to Attachment 4.19-D, Part 1. The Medicare upper payment limit analysis shall be performed prior to making the supplemental payments.

Section XVIII. Supplemental Exceptional Care Payments:

Effective July 1, 2001, the department continues to make available two types of exceptional care payments to augment normally generated payment rates for Medicaid residents.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

Section XVIII. Supplemental Exceptional Care Payments (cont.):

One type takes the form of increases in the direct care component rate for residents with unmet exceptional care needs, as determined by the department criteria. Direct care payment increases made for these residents shall be offset against a facility's allowable direct care costs for purposes of normal rate setting and settlement.

The other payment shall be a replacement resident-specific therapy care payment rate for qualifying individuals in qualifying nursing facilities. These payments shall be made in place of a facility's normal therapy care component rate for identified residents.

To qualify for an individual therapy care component rate, nursing facility residents must be under age sixty-five, not eligible for Medicare, and be likely to achieve significant progress in their functional status if provided with intensive therapy care services.

All qualifying residents must have a department-approved rehabilitative plan of care and their progress must be monitored periodically by the department. As noted, the therapy care component rate assigned to the facility shall be suspended for residents receiving exceptional therapy care rate payments.

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TN# 05-007  
Supersedes  
TN# 03-020

Approval Date

OCT 18 2006

Effective Date 7/1/05

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

PROPORTIONATE SHARE PAYMENTS FOR NURSING FACILITIES OPERATED BY PUBLIC  
HOSPITAL DISTRICTS IN WASHINGTON STATE

Summary of Medicare 2552-96 Cost Report and Step-Down Process for Hospital-Based Nursing  
Facilities

*Worksheet A*

The hospital's trial balance of total expenditures, by cost center. The primary groupings of cost centers are:

- (i) Overhead;
- (ii) Routine;
- (iii) Ancillary;
- (iv) Outpatient;
- (v) Other reimbursable; and
- (vi) Non-reimbursable.

Worksheet A also includes A-6 reclassifications (moving cost from one cost center to another) and A-8 adjustments (which can be increasing or decreasing adjustments to cost centers). Reclassifications and adjustments are made in accordance with Medicare reimbursement principles.

Hospital-Based Nursing Facility Costs for Upper Payment Limit Payments Based on Certified  
Public Expenditures

*Worksheet B*

Allocates overhead (originally identified as General Service Cost Centers, lines 1 – 24 of Worksheet A) to all other cost centers, including the non-reimbursable costs identified in lines 96 through 100.

*Nursing Facility Costs*

The NF costs are taken from Schedule B, Part I, lines 34 and/or 35, column 27. These are the NF costs after the step-down allocation of overhead to all cost centers.

*Nursing Facility Patient Days*

The NF days are found on Worksheet S-3 Part I, column 6, lines 15 and/or 16.

*Nursing Costs Per Patient Day*

The cost per patient day is calculated by dividing the total NF costs by the total NF patient days described above. This amount is based on worksheet D-1, Part III, line 67, for the NF/SNF.

*Upper Payment Limit Amount*

The supplemental payments are subject to the federal Medicare upper payment limit for nursing facility payments. The Medicare upper payment analysis shall be performed prior to making the supplemental payments. The aggregate Upper Payment Limit is the maximum amount that can be paid out to the nursing facilities.

The cost per patient day less the Medicaid payment rate per patient day is the maximum UPL payment per Medicaid day that the nursing facility may receive. For example, if the UPL limit aggregate is \$54 per Medicaid day, but the maximum payment gap between the routine costs

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

PROPORTIONATE SHARE PAYMENTS FOR NURSING FACILITIES OPERATED BY PUBLIC HOSPITAL DISTRICTS IN WASHINGTON STATE (cont)

Incurred by the NF and Medicaid payment received by the NF is \$18 per day, the nursing facility will receive \$18 per day. The aggregate amount is redistributed evenly to the facilities up to their specific cost limits.

The payments for state fiscal year 2006 will be based on the cost information from the 2004 as filed Medicare 2552-96 cost report. The NF routine cost per patient day amount from worksheet D-1 will be multiplied by the 2004 Medicaid days from the State's MMIS payment system to compute Medicaid costs. The 2004 Medicaid base NF routine payments will be subtracted from the computed Medicaid costs to determine the NF's maximum supplemental payment amount. An interim reconciliation will be performed with the 2006 as filed 2552-96 cost report and a final reconciliation will be performed with the 2006 Intermediary audited 2552-96 cost report.

The payments for state fiscal year 2007 will be based on the cost information from the 2005 as filed Medicare 2552-96 cost report. The NF routine cost per patient day amount from worksheet D-1 will be multiplied by the 2005 Medicaid days from the State's MMIS payment system to compute the Medicaid costs. The 2005 Medicaid base NF routine payments will be subtracted from the computed Medicaid costs to determine the NF's maximum supplemental payment amount. An interim reconciliation will be performed with the 2007 as filed 2552-96 cost report and a final reconciliation will be performed with the 2007 Intermediary audited 2552-96 cost report.

With both the interim and final reconciliations, there may be a recoupment if an NF's Medicaid costs are less than what it was paid. If a hospital's Medicaid costs are higher than what it was paid, then it could receive more money as long as the aggregate UPL is not exceeded. The Medicaid costs will be determined by multiplying the per diem costs by the Medicaid days. The Medicaid days will be reconciled to Washington State DSHS payment records for the cost reporting period.

Medicare 2540-96 Cost Report for Skilled Nursing Facilities Operated by Public Hospital Districts in Washington State

The process is essentially the same as for the Medicare 2552-96 cost report, although the line number references on the cost report schedules are not the same. Washington currently has one SNF in the Nursing Home Proportionate Share Payment program that uses the Medicare 2540-96. The participating NF is McKay Healthcare and Rehabilitation Center.

The schedule references where the nursing home costs and total days are found on the 2540-96 cost reports are as follows:

Skilled Nursing Facility costs are found on Schedule B Part I, line 16, column 18.

Skilled Nursing total days are found on Schedule S-3 Part I, line 1, column 7.

Routine cost per patient day is found on Schedule D-1 Part I, line 16.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

PROPORTIONATE SHARE PAYMENTS FOR NURSING FACILITIES OPERATED BY PUBLIC HOSPITAL DISTRICTS IN WASHINGTON STATE (cont)

The 2006 NH UPL payment is based on the 2004 cost information from the 2540-96 as filed. There will be an interim reconciliation with the 2006 as filed cost report 2540-96 and a final reconciliation with the Intermediary audited 2006 cost report 2540-96. The UPL payment will be adjusted using the same method as used with the 2552-96 cost report.

The 2007 NH UPL payment is based on the 2005 cost information from the 2540-96 as filed. There will be an interim reconciliation with the 2007 as filed cost report 2540-96 and a final reconciliation with the Intermediary audited 2007 cost report 2540-96. The UPL payment will be adjusted using the same method as used with the 2552-96 cost report.

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