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

Financial Management Group

DEC 11 2015

Roderick L. Bremby, Commissioner
Department of Social Services
55 Farmington Avenue, 9th Floor
Hartford, CT 06105-3730

RE: Connecticut 15-0032

Dear Mr. Bremby:

We have reviewed the proposed amendment to Attachment 4.19-D, of your Medicaid State Plan submitted under transmittal number (TN) 15-0032. This amendment revises the reimbursement for nursing facility services. Specifically it, removes inflationary rate increases and allow for nursing facility fair rent increases related to non-moveable equipment additions placed in service for cost reporting periods ending September 30, 2014 and September 30, 2015. In addition, this SPA implements a nursing facility wage and benefit enhancement program with a pool amount of $35.6M shared over 3 components.

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. We are pleased to inform you that Medicaid State plan amendment 15-0032 is approved effective July 1, 2015. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Novena James-Hailey at (617) 565-1291.

Sincerely,

Kristin Fan
Director

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 15-032

2. STATE: CT

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

TO: REGIONAL ADMINISTRATOR,CENTERS FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2015

5. TYPE OF STATE PLAN MATERIAL (Check One):

___ NEW STATE PLAN ___AMENDMENT TO BE CONSIDERED AS NEW PLAN _X_ AMENDMENT

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

6. FEDERAL STATUTE/REGULATION CITATION:
Section 1905(a)(4)(A); 42 CFR 440.40(a) and 447.253(a) and (b)

7. FEDERAL BUDGET IMPACT:
a. FFY 2015 $4.45 million
b. FFY 2016 $17.8 million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-D pages 59 and 59a
Attachment 4.19-D pages 59b, 59c and 59d

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If applicable)
Attachment 4.19-D pages 59 and 59a
(New)

10. SUBJECT OF AMENDMENT: Effective July 1, 2015, SPA 15-032 amends Attachment 4.19-D of the Connecticut Medicaid State Plan to remove inflationary rate increases and allow for nursing facility fair rent increases related to non-moveable equipment additions placed in service for cost reporting periods ending September 30, 2014 and September 30, 2015. In addition, this SPA implements a nursing facility wage and benefit enhancement program effective July 1, 2015. Nursing facility rate increases are also added for eligible employee wage enhancements, as well as increases to current employee benefit programs and reimbursement for newly established employee benefit programs.

11. GOVERNOR'S REVIEW (Check One):
X GOVERNOR'S OFFICE REPORTED NO COMMENT
__ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
__ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
__OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

TYPED NAME: Roderick L. Bremby

14. TITLE: Commissioner

15. DATE SUBMITTED:
September 29, 2015

16. RETURN TO:
State of Connecticut
Department of Social Services
55 Farmington Avenue, 9th Floor
Hartford, CT 06105
Attention: Ginny Mahoney, Medical Policy

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: DEC 11 2015

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JUL 01 2015

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Kristen FAN

22. TITLE:
Director, FMG

23. REMARKS:

FORM HCFA-179 (07-92)

facility that would have been issued a lower rate effective July 1, 2007, than for the rate period ending June 30, 2007, due to interim rate status or agreement with the department, shall be issued such lower rate effective July 1, 2007. For the fiscal year ending June 30, 2009, rates in effect for the period ending June 30, 2008 shall remain in effect until June 30, 2009, except for any facility that would have been issued a lower rate effective July 1, 2008, than for the rate period ending June 30, 2008, due to interim rate status or agreement with the department, shall be issued such lower rate effective July 1, 2008. For the fiscal years ending June 30, 2010, June 30, 2011, June 30, 2012 and June 30, 2013, rates in effect for the period ending June 30, 3009, shall remain in effect until June 30, 2013, except any facility that would have been issued a lower rate, due to interim rate status or agreement with the department, shall be issued such lower rate. Notwithstanding the provisions of this section, for the fiscal year ending June 30, 2012, the Commissioner of Social Services shall provide each facility a rate increase three and seven tenths per cent greater than the rate in effect for the period ending June 30, 2011. Notwithstanding the provisions of this section, for the fiscal year ending June 30, 2013, the Commissioner of Social Services shall provide each facility a rate increase thirty-three hundredths of a per cent greater than the rate in effect for the period ending June 30, 2012. Increases in allowable fair rent based upon annual cost filings shall be added to any other rate increases for a facility which has undergone a material change in circumstances related to fair rent, except for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012, such fair rent increases shall only be provided to facilities with an approved certificate of need for capital project expenditures. Effective January 1, 2013, the Commissioner of Social Services shall provide pro rata fair rent increases for 39.95% of fair rent additions placed in service in cost report periods ending September 30, 2008 to September 30, 2011, inclusive, and not otherwise included in rates issued. For the fiscal year ending June 30, 2014, rates shall be based upon 2011 cost report filings in accordance with part (8) of this section. For the fiscal year ending June 30, 2014, rates shall not exceed the rate in effect as of June 30, 2013 and shall not decrease more than 1 per cent than the rate in effect as of June 30, 2013, except for any facility that would have been issued a lower rate due to interim rate status or agreement with the department. Notwithstanding the provisions of this section, the Commissioner of Social Services shall implement a 0.273 per cent rate decrease for the period from September 1, 2013 through June 30, 2014, and a 0 per cent decrease for the period from July 1, 2014 through June 30, 2015.

For the fiscal years ending June 30, 2016, and June 30, 2017, rates shall not exceed those in effect for the period ending June 30, 2015 except the rate paid to a facility may be higher than the rate paid to the facility for the period ending June 30, 2015 to reflect fair rent increases for facilities which have undergone a material change in circumstances related to fair rent additions placed in service in cost report years ending September 30, 2014 and September 30,2015, and not otherwise included in rates issued.

Notwithstanding the provisions of this section, the Department will implement a nursing facility wage and benefit enhancement program comprised of three separate rate add-ons effective on or after July 1, 2015. For facilities that request funding under the nursing facility wage and benefit enhancement program, the commissioner shall provide, corresponding to the funding levels identified in parts 1, 2 and 3 below, a pro-rata Medicaid rate increase to support salary and wage increases for eligible employees. Rate increases will be effective on the day of the implementation of the specific wage enhancements. All wage enhancements under this program must be implemented within the fiscal year ending June 30, 2016.

The part 1 per diem Medicaid rate add-on shall be determined as follows:

A. For each participating nursing home, eligible direct and indirect care employee salaries shall be totaled from the following line-items from the facility's 2014 cost report. Additionally, these salaries shall be adjusted to reflect adjustments that occurred between October 1, 2014 and June 30, 2015.

5. Dietary Service
    - b. Food Service Supervisor
    - c. Dietary Workers
6. Housekeeping Service
    - a. Head Housekeeper
    - b. Other Housekeeping Workers
8. Laundry Service
    - a. Supervisor
    - b. Other Laundry Workers
12. Professional Care of Residents
    - a. Directors and Assistant Director of Nurses
    - b. RN
        - 1. Direct Care
        - 2. Administrative
    - c. LPN
        - 1. Direct Care
        - 2. Administrative
    - d. Aides and Attendants
    - h. Recreation Workers
    - m. Social Workers

B. For the wage categories listed in Part 1 item A, Each nursing facility shall submit to the commissioner a schedule of annualized costs that will be incurred for wage increases implemented within the fiscal year ending June 30, 2016. Additionally, each participating nursing home shall submit the effective date of such adjustments.

C. For each nursing facility, allowable costs for eligible direct and indirect care employee salaries shall be determined by comparing the annualized costs identified in Part 1 items A and B.

D. The Medicaid utilization rate shall be calculated by dividing the nursing facility's Medicaid days by total days as reported on the facility's 2014 cost report.

E. For each nursing facility, the total allowable costs identified in item C shall be multiplied by Part 1 item D to calculate the total allowable Medicaid costs.

F. The results of Part 1 item E shall be increased by 7.65% to reflect the additional costs of FICA payroll taxes.

G. For each nursing facility, the results of Part 1 item G shall be divided by the aggregate sum of Part 1 item F for all nursing facilities.

H. For each nursing facility, the results of Part 1 item F shall be multiplied by the available wage enhancement funding which totals $26,000,000. This will result in a nursing home specific pro-rated share of the available funding.

State of Connecticut

Methods and Standards for Establishing Payment Rates for Nursing Facilities

I. The results of Part 1item H shall be divided by the facility's Medicaid days as reported on the facility's 2014 cost report. This will result in the Medicaid wage enhancement per diem rate increase. The rate increase related to wage enhancements effective will be effective on the first day the fiscal year 2016 wage enhancement was implemented by the nursing facility.

J. During the desk review and/or field audit of the nursing facility's 2015, 2016 and 2017 cost reports, which are conducted immediately following the February 15th annual submission deadline, if expenditure increases within the wage categories listed in Part 1 item A are less than the additional costs identified in Part 1 item B, accounting for implementation date and pro-ration, the Medicaid per diem rate increase shall be adjusted downward, as necessary, to reflect the Medicaid pro-rata portion of the actual cost of wage increases implemented in fiscal year ending June 30, 2016.

The part 2 per diem Medicaid rate add-on shall be determined as follows:

A. Each participating nursing home shall submit to the commissioner a schedule of additional costs in the wage and benefit categories listed below and the effective date of such wage and/or benefit increases. These costs shall reflect new annualized costs incurred on or after July 1, 2015 for the following:

1. Increase in Existing Pension Plan Benefits
2. Health Care Insurance
3. Increases for Health Care Services Contract Workers
4. Wage Increases for Maintenance Workers
5. Training Activities

B. The Medicaid utilization rate shall be calculated by dividing the nursing facility's Medicaid days by total days as reported on the facility's 2014 cost report.

C. For each nursing facility, the costs identified for each item identified in Part 2 items A shall be multiplied by Part 2 item B to calculate the total allowable Medicaid costs. The results of Part 2 item A.4. shall be increased by 7.65% to reflect the additional costs of FICA payroll taxes.

D. For each nursing facility, each wage and/or benefit component identified in Part 2 item C shall be divided by the aggregate sum of all Part 2 item C components for all nursing facilities.

E. For each nursing facility, the results of component of Part 2 item D shall be multiplied by the available wage and benefit enhancement funding which totals $6,650,000 plus any remaining funding available under Part 3.

F. The results of Part 2 item E shall be divided by the facility's Medicaid days as reported on the facility's 2014 cost report. This will result in the Medicaid wage and benefit enhancement per diem rate increase. The rate increase related to wage and/or benefit increases will be effective on the first day that the fiscal year 2016 wage and/or benefit enhancement was implemented by the nursing facility.

G. During the desk review and/or field audit of the nursing facility's 2015, 2016 and 2017 cost reports, , which are conducted immediately following the February 15th annual submission deadline, if expenditure increases within the wage and/or benefit categories listed in Part 2 item A

are less than the additional costs identified in Part 2 item A, accounting for implementation date and pro-ration, the Medicaid per diem rate increase shall be adjusted downward, as necessary, to reflect the Medicaid pro-rata portion of the actual cost of wage increases implemented in fiscal year ending June 30, 2016.

The part 3 per diem Medicaid rate add-on shall be determined as follows:

A. Each participating nursing home shall submit to the commissioner a schedule of additional costs in the wage and benefit categories listed below and the effective date of such wage and/or benefit increases. These costs shall reflect new annualized costs incurred on or after July 1, 2015 for the following:

   1. Implementation of New Pension Plan

B. The Medicaid utilization rate shall be calculated by dividing the nursing facility's Medicaid days by total days as reported on the facility's 2014 cost report.
C. For each nursing facility, the costs identified for each item identified in Part 3 items A shall be multiplied by Part 3 item B to calculate the total allowable Medicaid costs.
D. For each nursing facility, the wage and benefit component identified in Part 3 item C shall be divided by the aggregate sum of all Part 3 item C components for all nursing facilities.
E. For each nursing facility, the results of component of Part 3 item D shall be multiplied by the available wage and benefit enhancement funding which totals $2,960,000. Any remaining funding from Part 3 shall be applied to the available funding under Part 2.
F. The results of Part3 item E shall be divided by the facility's Medicaid days as reported on the facility's 2014 cost report. This will result in the Medicaid wage and benefit enhancement per diem rate increase. The rate increase related to wage and/or benefit increases will be effective on the first day that the fiscal year 2016 wage and/or benefit enhancement was implemented by the nursing facility.
G. During the desk review and/or field audit of the nursing facility's 2015, 2016 and 2017 cost reports, , which are conducted immediately following the February 15th annual submission deadline, if expenditure increases within the wage and benefit categories listed in Part 3 item A are less than the additional costs identified in Part 3 item A, accounting for implementation date and pro-ration, the Medicaid per diem rate increase shall be adjusted downward, as necessary, to reflect the Medicaid pro-rata portion of the actual cost of wage increases implemented in fiscal year ending June 30, 2016.

For the purpose of determining allowable fair rent, a facility with allowable fair rent less than the twenty-fifth percentile of the state-wide allowable fair rent shall be reimbursed as having allowable fair rent equal to the twenty-fifth percentile of the state-wide allowable fair rent, provided for the rate years ending June 30, 1996 and June 30, 1997, the reimbursement may not exceed the twenty-fifth percentile of the state-wide allowable fair rent for the rate year ending June 30, 1995. Beginning with the rate year ending June 30, 1996, any facility with a rate of return on real property other than land in excess of eleven per cent shall have such allowance revised to eleven per cent. Any facility or its related realty affiliate which finances or refinances debt through bonds issued by the State of Connecticut Health and Education Facilities Authority shall after reporting the terms and conditions of such financing or refinancing have the

fair rent component of its rate adjusted to account for a share of, on a case-by-case basis the financial benefit the facility or its related realty affiliate received as a result of such financing or refinancing, including but not limited to, reductions in the amount of debt service payments or period of debt repayment. For good cause actual allowable debt service costs for bonds issued by the State of Connecticut Health and Educational Facilities Authority shall be allowed if such costs do not exceed allowable reimbursement component of the rate for a not-for-profit facility shall be as follows; first, fair rent as defined in the State Plan shall be calculated and second, to reflect the requirements of the State Plan which limit a not-for-profit facility's aggregate total allowable property costs. For facilities which first open on or after October 1, 1992, allowable fair rent shall be determined for real property other than land based on the rate of return for the cost year in which such bonds were issued. The methodology used to determine the property costs, the Department in its rate computation shall include the lower of fair rent or the Facility's actual allowable property costs comprised of allowable depreciation and interest plus those costs not allowed in the cost component categories of administrative and general, indirect and direct as a result of per day costs in excess of established cost component maximums plus amounts disallowed for salaries (including managerial), fees and dues in excess of reimbursement guidelines, and interest expenses related to movable equipment.

(6) A facility shall receive cost efficiency adjustments for indirect costs and for administrative and general costs if such costs are below the state-wide median costs. The cost efficiency adjustments shall equal twenty-five percent of the difference between allowable reported costs and the applicable median allowable cost.

(7) For the rate year ending June 30, 1992, allowable operating costs, excluding fair rent, shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (all urban) - All Items minus one and one-half per cent. For the rate year ending June 30, 1993, allowable operating costs, excluding fair rent, shall be inflated using the Regional Data Resources Incorporated McGraw-Hill Health Care Costs: Consumer Price Index (all urban) - All Items minus one and three quarters percent. For the rate year ending June 30, 1994, and June 30, 1995,