

NOTICE
DEPARTMENT OF PUBLIC WELFARE
OFFICE OF MEDICAL ASSISTANCE PROGRAMS

Payment for County Nursing Facility Services
Notice of Change in Methods and Standards of Setting Payment Rates

Purpose of Notice

The purpose of this notice is to announce that the Department of Public Welfare (Department) is proposing to adopt final-omitted regulations and amend the Commonwealth's Title XIX State Plan provisions to change the methods and standards for payments to county nursing facilities for Medical Assistance (MA) nursing facility services beginning with fiscal year 2006-2007.

Currently the Department determines the MA allowable costs and MA payment rates of county nursing facilities in accordance with conditions and limitations specified in 55 Pa. Code Chapter 1187 (relating to nursing facility services) and the Commonwealth's approved State Plan. The Department receives Federal matching funds to cover a portion of the MA payments made to county nursing facilities. If a county nursing facility incurs costs that exceed its MA payments, the costs are not recognized or reimbursed as allowable costs under the Department's current payment methods and standards. As a result, the costs are not MA Program expenditures that qualify for Federal matching funds.

It is the Department's intent that effective July 1, 2006, county nursing facilities

will no longer be reimbursed based on the rate-setting methodology contained in 55 Pa.Code Chapter 1187. Instead, the Department intends to change its payment methods and standards for county nursing facilities to recognize the costs that are incurred by county nursing facilities to provide nursing facility services to MA eligible residents as MA Program expenditures, so long as the costs are allowable under Department regulations and the costs are reported and certified by the county nursing facilities in a form and manner specified by the Department.

This change in payment methodology will effectively allow the Department to recognize the full allowable MA costs incurred by county nursing facilities as MA Program expenditures and enable the Commonwealth to draw down additional Federal matching funds on county costs that are now considered unallowable solely because of the operation of the Department's rate-setting methodology.

To make this change, the Department intends to establish Chapter 1189 for county nursing facilities, under Title 55 of the Pennsylvania Code. This Chapter will set forth the methods and standards that the Department will use to reimburse county nursing facilities. Under Chapter 1189, each county nursing facility will be paid an interim rate for services rendered during the rate year based on the facility's per diem rate as of April 1, 2006. This rate will be adjusted each rate year based on the budget factor contained in the Final State Budget. After the close of the county nursing facility's cost report period, each county nursing facility will submit a Pennsylvania specific cost report in accordance with cost reporting instructions. The county nursing facility's

Pennsylvania specific cost report will be audited and the facility's audited MA allowable costs will be certified by the Department as MA allowable expenditures to the Federal Centers for Medicare and Medicaid Services (CMS) qualifying for Federal matching funds. The Department will compare each county nursing facility's total audited allowable MA rate year costs with each county nursing facility's total interim MA payments for the rate year and reconcile the costs and payments based on the method agreed upon by the Department and the county nursing facilities.

Implementation of these proposed changes is contingent upon approval by CMS of an amendment to Pennsylvania's State Plan authorizing this payment system for county nursing facilities.

Fiscal Impact

The establishment of a revised payment system for county nursing facilities will result in an estimated savings of \$39 million in State funds for FY 2006-2007. The increase in FFP funding is estimated to be approximately \$10 million.

Public Comment

More detailed information related to the provisions contained in this notice will be presented at public hearings that will be scheduled for late April 2006. The locations for the public hearings will be as follows: Sharon, Wilkes-Barre/Scranton, Philadelphia,

State College, Pittsburgh and Harrisburg.

More information regarding the public hearings may be obtained by contacting the Bureau of Long Term Care Programs at (717) 705-3705. The dates and locations will also be listed on the OMAP Website, when available.

Interested persons are also invited to submit written comments regarding this notice to the Department at the following address: Gail Weidman, Chief, Program Analysis and Review Section, Department of Public Welfare, Division of Long-Term Care Client Services, P.O. Box 2675, Harrisburg, PA 17105. Comments received within 15 days will be reviewed and considered in the publication of the final-omitted rulemaking.

Persons with a disability who require an auxiliary aid or service may submit comments using the AT&T Relay Service at (800) 654-5984 (TDD users) or (800) 654-5988 (voice users).

Estelle B. Richman
Secretary of Public Welfare