

DEPARTMENT OF HEALTH CARE FINANCE

NOTICE OF EMERGENCY AND PROPOSED RULEMAKING

The Director of the Department of Health Care Finance (DHCF), pursuant to the authority set forth in An Act to enable the District of Columbia (District) to receive federal financial assistance under Title XIX of the Social Security Act for a medical assistance program, and for other purposes approved December 27, 1967 (81 Stat.744; D.C. Official Code § 1-307.02 (2012 Repl. & 2016 Supp.)) and Section 6(6) of the Department of Health Care Finance Establishment Act of 2007, effective February 27, 2008 (D.C. Law 17-109; D.C. Official Code § 7-771.05(6) (2012 Repl.)), hereby gives notice of the adoption, on an emergency basis, of an amendment to Chapter 65 of Title 29 (Public Welfare) of the District of Columbia Municipal Regulations (DCMR), entitled “Medicaid Reimbursement to Nursing Facilities.”

These rules reflect changes to the reimbursement methodology used for nursing facilities providing care to District Medicaid beneficiaries.

These rules remove the annual inflation adjustment component of the nursing facility reimbursement methodology for Fiscal Year 2017 and all years thereafter in line with the District’s long term budget priorities. Because the DHCF budget is included in the District’s overall budget, emergency action is necessary in order to preserve the District’s ability to provide uninterrupted services to the public consistent with the District’s overall budget. The aggregate impact of the elimination of the inflation adjustment is a reduction of approximately \$4,569,346 in each year from FY17 through FY21.

The corresponding State Plan Amendment (SPA) to the District of Columbia State Plan for Medical Assistance (State Plan) must be approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) and the Council of the District of Columbia (Council). The Council approved the corresponding SPA through the Fiscal Year 2017 Budget Support Emergency Act of 2016, effective July 20, 2016 (D.C. Act 21-463; 63 DCR 009843 (July 29, 2016)). This rule is contingent upon approval of the corresponding SPA by CMS. If the corresponding SPA is approved, DHCF will publish a notice setting forth the effective date.

The emergency rules were adopted on September 21, 2016 and shall remain in effect for not longer than one hundred and twenty (120) days from the adoption date or until January 19, 2017, unless superseded by publication of a Notice of Final Rulemaking in the *D.C. Register*.

The Director also gives notice of the intent to take final rulemaking action to adopt these rules not less than thirty (30) days from the date of publication of this notice in the *D.C. Register*.

Chapter 65, MEDICAID REIMBURSEMENT TO NURSING FACILITIES, of Title 29 DCMR, PUBLIC WELFARE, is amended as follows:

Section 6508, FINAL PER DIEM RATE CALCULATION, is amended to read as follows:

6508 FINAL PER DIEM RATE CALCULATION

6508.1 Each nursing facility's per diem rate effective January 1, 2006 shall be the sum of Subparagraphs (a), (b), and (c) as set forth below:

- (a) The nursing and resident care base year cost per diem, which shall be calculated as follows:
- (1) Effective January 1, 2006, through September 30, 2007, the nursing and resident care base year cost per diem established pursuant to Section 6505, adjusted for inflation to March 30, 2003, using the CMS Prospective Payment System Skilled Nursing Facility Input Price Index (CMS Index).
 - (2) Effective October 1, 2007, through September 30, 2008, the nursing and resident care base year cost per diem calculated pursuant to Subsection 6508.1(a)(1), adjusted for inflation using the CMS Index for District Fiscal Years 2006, 2007, and 2008.
 - (3) Effective October 1, 2008, through September 30, 2009, the nursing and resident care base year cost per diem calculated pursuant to Subsection 6508.1(a)(2), adjusted for inflation using the CMS Index.
 - (4) Effective October 1, 2009 through December 31, 2010, the nursing and resident care base year cost per diem calculated pursuant to Subsection 6508.1(a)(3), adjusted for inflation using the CMS Index.
 - (5) Effective January 1, 2011 through September 30, 2013, the annual inflation adjustment shall be eliminated.
 - (6) Effective October 1, 2013, the nursing and resident care base year cost per diem calculated pursuant to Subsection 6508.1(a)(4), shall be annually adjusted for inflation using the CMS Index. This inflation adjustment shall not apply or be calculated for the period in which the inflation adjustment was eliminated in Subsection 6508.1(a)(5).
 - (7) Effective October 1, 2016, the annual inflation adjustment shall be eliminated.
- (b) The routine and support base year cost per diem, which shall be calculated as follows:

- (1) Effective January 1, 2006, through September 30, 2007, the routine and support base year cost per diem established pursuant to Section 6506, adjusted for inflation to March 30, 2003, using the CMS Prospective Payment System Skilled Nursing Facility Input Price Index (CMS Index).
 - (2) Effective October 1, 2007, through September 30, 2008, the routine and support base year cost per diem calculated pursuant to Subsection 6508.1(b)(1), indexed for inflation using the CMS Index.
 - (3) Effective October 1, 2008, through September 30, 2009, the routine and support base year cost per diem calculated pursuant to Subsection 6508.1(b)(2), adjusted for inflation using the CMS Index.
 - (4) Effective October 1, 2009 through December 31, 2010, the routine and support base year cost per diem calculated according to Subsection 6508.1(b)(3), adjusted for inflation using the CMS Index.
 - (5) Effective January 2011 through September 30, 2013, the annual inflation adjustment is eliminated.
 - (6) Effective October 1, 2013, the routine and support base year cost per diem calculated pursuant to Subsection 6508.1(b)(4), shall be annually adjusted for inflation using the CMS Index. This inflation adjustment shall not apply or be calculated for the period in which the inflation adjustment was eliminated in Subsection 6508.1(b)(5).
 - (7) Effective October 1, 2016, the annual inflation adjustment shall be eliminated.
- (c) The capital-related base year cost per diem, which shall be calculated as follows:
- (1) Effective January 1, 2006, through September 30, 2007, the capital-related base year cost per diem established pursuant to Section 6507 adjusted for inflation to March 30, 2003, using the CMS Prospective Payment System Skilled Nursing Facility Input Price Index (CMS Index). The inflation adjustment in this subparagraph shall not be applied to depreciation, amortization, and interest on capital related expenditures.

- (2) Effective October 1, 2007, through September 30, 2008, the capital-related base year cost per diem calculated pursuant to Subsection 6508.1(c)(1) adjusted for inflation using the CMS Index for District Fiscal Years 2006, 2007, and 2008. The inflation adjustment in this subparagraph shall not be applied to depreciation, amortization and interest on capital-related expenditures.
- (3) Effective October 1, 2008, through September 30, 2009, the capital-related base year cost per diem calculated pursuant to Subsection 6508.1(c)(2) adjusted for inflation using the CMS Index. The inflation adjustment in this subsection shall not be applied to depreciation, amortization and interest on capital-related expenditures.
- (4) Effective October 1, 2009 through December 31, 2010, the capital-related base year cost per diem calculated pursuant to Subsection 6508.1(c)(3) adjusted for inflation using the CMS Index. The inflation adjustment in this subsection shall not be applied to depreciation, amortization and interest on capital-related expenditures.
- (5) Effective January 1, 2011 through September 30, 2013, the annual inflation adjustment is eliminated.
- (6) Effective October 1, 2013, the capital-related base year cost per diem calculated pursuant to Subsection 6508.1(c)(4), shall be annually adjusted for inflation using the CMS Index. This inflation adjustment shall not apply or be calculated for the period in which the inflation adjustment was eliminated in Subsection 6508.1(c)(5). The inflation adjustment in this subsection shall not be applied to depreciation, amortization and interest on capital-related expenditures.
- (7) Effective October 1, 2016, the annual inflation adjustment shall be eliminated.

6508.2 Effective April 1, 2006 and every six (6) months thereafter, the nursing and resident care costs per diem shall be re-calculated in accordance with Section 6505. The per diem rates established for routine and support costs and capital-related costs established pursuant to Subsection 6508.1 shall be carried forward until costs are rebased.

6508.3 When necessary, each facility's per diem rate shall be reduced by the same percentage to maintain compliance with the Medicare upper payment limit requirement.

- 6508.4 DHCF may approve an adjustment to the facility's per diem rate if the facility demonstrates that it incurred higher costs due to extraordinary circumstances beyond its control including but not limited to strikes, fire flood, earthquake, or similar unusual occurrences with substantial cost effects.
- 6508.5 Each adjustment pursuant to Subsection 6508.4 shall be made only to the extent the costs are reasonable, attributable to the circumstances specified, separately identified by the facility, and verified by DHCF.

Comments on the proposed rule shall be submitted, in writing, to Claudia Schlosberg, J.D. Senior Deputy/Medicaid Director, Department of Health Care Finance, 441 4th Street, N.W., Suite 900S, Washington, D.C. 20001, via telephone on (202) 442-8742, via email at DHCFPubliccomments@dc.gov, or online at www.dcregs.dc.gov, within thirty (30) days after the date of publication of this notice in the *D.C. Register*. Copies of the proposed rule may be obtained from the above address.