

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health Care Finance



Office of the Senior Deputy Director/Medicaid Director

Transmittal # 15-17

TO: All Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICFIID) Receiving Medicaid Reimbursements

FROM: Claudia Schlosberg, J.D. 
Senior Deputy Director and State Medicaid Director

DATE: June 5, 2015

SUBJECT: **Changes to the ICFIID Reimbursement Methodology pursuant to Fiscal Year (FY) 2015 Upper Payment Limit (UPL) Demonstration**

The Centers for Medicare & Medicaid Services (CMS) has approved the Department of Health Care Finance's proposal to achieve Upper Payment Limit (UPL) compliance through a \$13 million reduction in overall ICF/IID provider payments for FY 2016. This transmittal is to inform you of DHCF's next steps, and how the reduction will be applied to the ICF/IID reimbursement methodology.

Background

Earlier in March 2015, DHCF completed the annual UPL demonstrations as required by CMS in the State Medicaid Directors Letter (SMDL) #13-003. Per SMDL #13-003, CMS now requires all states, including the District, to annually demonstrate that Medicaid reimbursements for each program are below the statutory UPL. Further, federal regulations require that in situations where aggregate payments/reimbursements exceed the UPL for a category of service, the state must immediately take steps to reduce the payment rates to achieve compliance with the statutory UPL for that provider.

The UPL demonstration completed by our consultant, Public Consulting Group (PCG), showed that payments for FY 2013 exceeded the billed charges by approximately \$13 million. Consequently, DHCF in collaboration with the ICF/IID provider community, represented by key members of the ICFIID Coalition, developed a reduction proposal that was reviewed and approved by CMS. Below is a breakdown of the overall \$13 million reduction contained in the proposal.

Items	Amounts
Provider Rate Reduction	\$ (7,137,205.00)
Volume Adjustments	\$ (5,420,712.00)
Adjustment to Inflation Factor	\$ (442,083.00)
Total Reduction	\$ (13,000,000.00)

Next Steps

To ensure the approved proposal is implemented beginning FY 2016 or effective by October 1, 2015, DHCF will engage ICF/IID providers and other stakeholders on needed changes to the ICF/IID State Plan and DC Rules. These discussions will be limited to factors that are used to derive the provider rate reduction of \$7,137,205 and inflation factor adjustment of \$442,083. Specifically:

- Reduction in the Active Treatment rates
- Reduced Licensed Practicing Nurse (LPN) hours and benefits
- Elimination of the Certified Nursing Assistant (CNA) position
- Adjustments to the inflation factor application

DHCF will account for the remaining \$5,420,712, by recording the amounts as volume adjustments on its financial records. In addition, DHCF will engage the services of a financial accounting firm to assist with the audits of submitted ICF/IID FY 2014 cost reports. Once completed, the FY 2014 audited cost reports will be used to rebase the rates for FY 2017.

Please note the reimbursement methodology and rates will only be adjusted by the \$7,137,205 provider rate reduction and \$442,083 inflation factor adjustment. Furthermore, the changes will be effective for services provided in FY 2016 (i.e., on or after October 1, 2015).

If you have any questions concerning this notice, please contact Bidemi Isiaq, Associate Director ORRFA, at 202-442-9202 or Bidemi.isiaq@dc.gov.