

There has been a lot of news lately about the cuts to the Medi-Cal rates and how the State is going to handle them. While the State's budget is not "final", yet, it is critical to understand how the budget language will affect you. The California Association of Health Facilities (CAHF) has been and will continue to work very hard to get providers the best possible outcome in an extremely challenging time. Based on the CAHF conference call and our own interpretation we have developed a description of what the budget language will do.

The mathematical facts as we understand them:

- First, SNF providers get a 10% cut in payments June 1st 2011
- In other words, whatever daily rate you are getting right now, on June 1st that amount goes down by 10% for June & July of 2011.
- Example, if you are currently getting \$200 PPD on June 1st your payment would drop to \$180 PPD

PLEASE NOTE – Under the budget language, there will **NOT** be any AB-1629 recalculations completed for the 2011-2012 rate year. In other words, all calculations for 2011-2012 will start with the rate you currently have (**minus**) **10%**. This is why we say the Payments, not the "rate", will be reduced.

- Next , starting August 1st 2011 we may, but are not guaranteed to get an increase from the "10% Reduced Payment" level
- The MAXIMUM possible increase is 2.4%, which would be a net (decrease) of (7.6%) from the 2010-2100 rates. BUT . . .
- The 2.4% is NOT guaranteed.

The amount SNF providers will actually get is dependent on the amount of additional revenue the State believes they will generate. The additional revenue we are referring to is additional Quality Assurance Fee revenue from increased QA Fees.

Please Note – Your QA Fees will go up.

Please Note – The budget language calls for a change in the Payment Level, not, the calculated rate.

2011-2012 Payment Example (June 1st 2011 through July 31st 2012)

Let's assume the state does their calculations and gives us 2% of the possible 2.4%. The rates would be as follows:

- Payment you are getting NOW (the 10-11 Rate) \$200.00 PPD
- 10% <REDUCED> Payment you will receive after 6-1-11 \$180.00 PPD
- New Payment after 8-1-11 (still 8% lower than 10-11 levels) \$183.60 PPD

CASH FLOW – Take Back Will Be Delayed (but not eliminated):

- The difference between your current rate and the reduced payments will not be taken away until CMS approves the State Plan Amendment (SPA)
- However, the money will be taken away retroactive back to 6-1-2011 once CMS approval is obtained
- **Please prepare to pay the State the difference between your current rate and the reduced payments once CMS approves the State Plan Amendment (SPA)**

POSSIBILITY OF RECOVERY OF REDUCED PAYMENTS:

Currently the language indicates that the reduced rates, the amounts that will be taken away from you, will be repaid by the end of 2012 (see actual language below). Although this language is positive, we caution you to plan for the possibility that the State will not be able to accomplish this payback. We are going through an extremely challenging economic time and there is no guarantee that an economic recovery, will occur in time to enable the State to pay this money back. In addition, the State has a history of situations where planned paybacks or funding for programs did not happen.

Nursing Facilities should not budget their expenditures based on promises or funding sources that may not materialize. Our advice to nursing facilities is to be very cautious and take a conservative approach to spending in these uncertain times.

Please read the following language carefully for a full understanding of this issue.

(9) (A) For the 2012-13 rate year, all of the following shall apply:

(i) The department shall determine the amounts of reduced payments for each skilled nursing facility, as defined in subdivision (c) of Section 1250 of the Health and Safety Code, resulting from the 10 percent reduction imposed pursuant to clause (i) of subparagraph (A) of paragraph (6) for the period beginning on June 1, 2011, through July 31, 2012.

(ii) Each skilled nursing facility, that provides services as defined in subdivision (c) of Section 1250 of the Health and Safety Code and is reimbursed under the Medi-Cal fee-for-service program, shall receive the total payments calculated in clause (i) by the department not later than December 31, 2012 for claims adjudicated through October 1, 2012.

A link to a full copy of the budget language has been included. Please read it and ask us any questions you may come up with.