Department of Health and Human Services, Division of Medical Assistance
Report to Joint Legislative Commission on Governmental Operations
September 21, 2004

Intermediate Care Facility for Mentally Retarded Assessment Program

Pertaining to: HB 1414, Section 10.8(a) "Medicaid Assessment Program for Intermediate Care Facilities for Mentally Retarded"
Under: 42 CFR Subpart B Section 68
Subject to: GS 12-3.1 – Fees and Charges by Agencies, Government Operations Requirement on Fees

DHHS is directed by HB 1414, Section 10.8(a) to implement a Medicaid assessment program for both state-owned and non state-owned Intermediate Care Facilities for the Mentally Retarded (ICF-MR) facilities on or before October 1, 2004. The assessment fees paid by non state-owned facilities are to be used to fund the full, non-federal share of a rate increase. The fees paid by state-owned facilities are to cover a reduction of $3.0 million in appropriations as directed by the Conference Report which accompanied HB 1414. The budget bill also requires the Joint Legislative Commission on Governmental Operations be consulted on the amount and purpose of the assessment fees prior to implementation.

Non State-Owned ICF-MRs: Non state-owned (private) ICF/MR facilities have not received an inflationary increase in their reimbursement rates for four years. The provider assessment will fund a rate increase to primarily hire and retain adequate staff to provide direct care services to Medicaid clients. The provider assessment will legally supplant the state and local share of Medicaid funding. Financial requirements associated with this rate increase have been determined based on DMA review of cost studies conducted by the NC Developmental Disabilities Association, the NC Association of Residential Resources and the ICF/MR Community Providers Association. The Division has reached a consensus with these provider associations regarding the amount of additional funding required to staff direct care services adequately. SFY 05 assessment collections from private facilities are estimated at $9.1 million dollars while additional federal funding to be drawn down by the Medicaid Program utilizing the assessment funding is estimated at $15.7 million dollars. In all, non state-owned facilities will receive a net increase of approximately 7% based on current funding levels. **NOTE**: The provider assessment does not address future inflationary increases that may be needed by this provider community.

State-Owned ICF-MRs: State-owned facilities are reimbursed their full costs. SFY 05 assessment collections from State facilities are estimated at approximately $5.0 and additional reimbursement will be made to these facilities in like amount. As a result of this assessment, the Division will draw down additional federal Medicaid matching funds of approximately $3.0 million dollars to cover the legislative reduction noted above. State-owned facilities will not be adversely impacted by this assessment fee as they will be given a rate increase; however, their increase will equal the assessment paid.

Type of Facility	**Assessment Fee** (per occupied bed per day)	**Targeted Implementation Date**
State Owned	$10.76	October 1, 2004
Non State Owned	$9.33	July 1, 2004

On a monthly basis, both state and non state-owned providers will remit an occupied bed fee assessment, based on total occupied bed days. The difference in the assessment fee results from varying assumptions regarding estimated annual bed days, the difference in implementation dates and differing amount of incremental federal funds required As directed in HB 1414, 100% of the funds are used for the new reimbursement system. Assessment brackets may be adjusted annually to ensure adequate funding levels.

While the North Carolina General Assembly has directed an on or before October 1, 2004, implementation of the new reimbursement structure and provider assessment program, the federal funds associated are contingent on CMS approval of the state plan change, which is being submitted now, September 2004. Until CMS approval, existing reimbursement rates and procedures remain in place.