March 15, 2013

To: OACBDD, OPRA, OHCA, VFA

From: DODD

Re: Response to proposal

DODD spent significant time evaluating your proposal and reflecting upon your input from the meeting of March 1, 2013. We appreciate the tone and substance of your approach and have developed a response that we feel recognizes your concerns. This is a package deal

1. We will eliminate the RAC 4 flat rate proposal. Please note the department was counting on this to help with the roll back.
2. We will waive the large facility (could you please define or clarify large facility?) (this refers to the large peer group which is 9 or more beds) efficiency incentive changes for FY15, for any facility submitting a plan to downsize over the next five years. We will work with the associations on what the downsizing plan expectations might be and to identify any potential barriers.
3. For FY 14 rates, we propose to use a blend (1/3, 1/3, 1/3) of the providers December 2012, the providers March 2013, and the Departments March score to set rates. The associations will have to take responsibility for notifying members of the need to submit March scores. The department will assist. This change is contingent upon coming to agreement on the exception review rule.
4. No new non-extensive renovations for large facilities (could you please define large facilities and clarify the term “nonextensive renovations’) (large refers to the large peer group which is 9 or more beds; non-extensive renovations are those that would qualify under section D of 5111.251 (new proposed 5124.17)) will be permitted after July 1, 2013. Those already approved with be grandfathered and may continue to report the associated costs separately and be reimbursed under the separate ceiling. In addition, these renovations could be considered if they are tied directly to a downsizing plan. (Interesting thought; we’ll entertain more discussions, potentially with a smaller group).
5. To set FY 15 rates and beyond, a simple average of all 4 quarters will be used (March, June, September and December). Unless the industry recommends holding back some money for rate adjustments, we do not have money to do mid- year adjustments. We do not recommend holding back any money.
6. We accept the language on the downsizing and conversion submitted, with the exception of having both conversions and downsizing read 500-600 beds. Stakeholders will work collaboratively with DODD on a plan and will identify any potential barriers.
7. The 90 day cost report and rate adjustment stay as proposed. The department has set aside $2.5 million to pay for this. Can you please clarify when and under what circumstances this actually can occur? For Conversion: When a large facility (9 or more beds) converts the greater of 5 beds or 10% of the total beds in the facility, the facility may submit a 90 day cost report and have their rate adjusted retrospectively to the date the conversion occurred. However, if the facility is proposing a smaller conversion as the first step of a longer term plan to convert more than 10% or 5 beds, the facility may submit a 90 day cost report for the initial conversion. When a small facility converts any of the beds in the facility, the facility may submit a 90 day cost report and have their rate adjusted retrospectively to the date the conversion occurred.

For Downsizing: If a large facility (9 or more beds) downsizes by the greater of 5 beds or 10% of the facilities beds, both the newly created facility and the remaining facility may submit a 90 day cost report to have their rates adjusted retrospectively to the date the downsizing occurred. However, if the facility is proposing a smaller downsizing as the first step of a longer term plan to downsize more than 10% or 5 beds, the facility may submit a 90 day cost report for the initial downsizing effort.

1. Just as you came to us with a single proposal for this, you will need to come to us with a single proposal for rate setting (ceilings etc.) for the biennium that addresses the rollback- after we have IAF/cost report information ready. No complaining, one proposal, everyone in agreement.
2. These changes will jeopardize the two million included in the budget for waiver rate increases. We expect the number to be closer to one million than two. We will wait until late in FY 14 to make this decision when we have clarity on the budget. While we understand DODD’s position on this, we would respectfully request this section be removed from this proposal as we do not feel it belongs in an ICF agreement. The department will agree to remove #9 from this proposal. However, the concept remains. Funds for the waiver rate increase were tied to the proposed changes in the ICF program. Changes to those initiatives, reduce the availability of the funds for the waiver rate increase. If asked about the status of these funds, we will report that there are fewer dollars available as a result of this agreement.

We look forward to your response by the close of business on Tuesday, March 19, 2013.

We are prepared to draft an amendment to HB 59 to accomplish the changes reflected in this document. We intend to have it to you by the end of this week. We’d appreciate your draft language.

Thank you for your thoughts. This is acceptable arrangement; we look forward to working with you moving forward.