



STATE OF TENNESSEE
BUREAU OF TENNCARE
DEPARTMENT OF FINANCE & ADMINISTRATION
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

IMPORTANT MEMO

DATE: July 27, 2011
TO: Administrators of Medicaid Nursing Facilities
FROM: Patti Killingsworth, Chief of Long Term Care
SUBJECT: **UPDATE regarding July 1, 2011 Change in Reimbursement Rates**

On May 27, 2011, we faxed a memo advising you that rates of reimbursement for nursing facility services would be frozen at the rates effective on June 30, 2011, as established by the Office of the Comptroller. This was required in order to accomplish a 4.25% reduction in the rates that had been projected to be effective on July 1, 2011 and to comply with the State's Appropriation Bill and TennCare Rule 1200-13-01-.03(6)(a)(5) and 1200-13-01-.03(7)(a)(5).

You were advised that the only exceptions would be audit adjustments and/or correction of errors in the rates effective on June 30, 2011 in order to ensure that the frozen rate is in fact correct. There are a few additional adjustments that I want to make you aware of, one of which is applicable to all facilities; the others pertain only to certain facilities or to providers below the statewide ceiling.

1. **Only** for facilities whose rates effective on June 30, 2011 included the 5th and final year of a sprinkler per diem pass-through, that add-on will no longer be included in the per diem rate effective on July 1, 2011.
2. Because the payment period of 7/1/11-6/30/12 includes a leap year:
 - a. **All** nursing facility rates will require an adjustment of 2 cents per day in bed tax payments (from \$6.10 to \$6.08).
 - b. The trend factor will also change. Both the "Days in trending period" and the "Trended cost increase factor" have changed, potentially affecting all providers below the statewide ceiling. The changes are only a fraction of a cent in some cases, meaning those providers will have no additional impact other than the bed tax adjustments and sprinkler pass-through payment, as applicable. However, about 40% of all providers will see an additional reduction in their NF1 and NF2 rates of anywhere from \$0.01 to \$0.04 per patient day.

As earlier advised, please note that you remain statutorily and contractually obligated to timely submit cost report information to the Office of the Comptroller, even though rates will not otherwise be adjusted at this time.

We will update you as soon as we have additional information regarding the outcome of the SDW dispute and whether a 4.25% reduction in these rates will be required effective January 1, 2012.

If you have any questions about this memo, please contact your TennCare MCO or the Long-Term Care Division.