



Center for Clinical Standards and Quality/Survey & Certification Group

Admin Info: 13-23-ALL

DATE: May 3, 2013

TO: State Survey Agency Directors

FROM: Director
Survey and Certification Group

SUBJECT: **Final** Fiscal Year (FY) 2013 State Medicare Allocations for Survey & Certification (S&C)

Memorandum Summary

- **National Budget:** The FY 2013 State Allocations are based upon a full year Continuing Resolution (CR).
- **Impact:** The CR has the effect of reducing the FY2013 Medicare S&C budget to a level 5.2 percent below the FY2012 budget level.
- **Review Process:** CMS reviewed each State's budget individually, examining workloads, spending patterns, performance, and particular budgetary needs. Discussions between the Regional Offices and Central office took these factors into account and determined a final FY13 award. Attachment 1, column I contains final FY2013 Medicare allocation figures for each State.

A. Overview - Medicare Survey & Certification Budgets

In this memo we convey the final FY2013 State Allocations for Medicare S&C functions based upon the full year Continuing Resolution (CR) and upon the dialogue process with States that was described in Admin Info Memo 13-22 of April 5, 2013.

The CR has the effect of reducing the overall FY2013 Medicare S&C budget to a level that is 5.2 percent below the FY2012 level. However, we have limited the reduction in State allocations to approximately 3.25% nationally. We took the rest of the reduction from the approximately 8% of the S&C budget that is typically comprised of CMS Central Office (CO) functions, contractual services, and one-time budget items.

In Admin Info Memo 13-22 we assured States that each State would receive at least the lesser of (a) 3 percent above actual FY2012 spending, or (b) 3 percent below the FY2012 final baseline allocation level (i.e., 97 percent of the FY2012 baseline allocation).

This means that most States that have not been using their full Medicare allocation will experience an increase in their budget compared to actual FY2012 spending, but the FY2013 amount could represent a reduction from the projected FY2013 budget that is much larger than

the national average reduction. In short, we have undertaken a substantial re-basing of State allocations to avoid the possibility of having large amounts of unspent funds in States that have not been using their full allocation. Had we not undertaken this re-basing, the budget reduction in other States would have been larger. We regret the need to take these actions. We request that all States maintain regular communication with their CMS Regional Office during the year, and convey information about any special challenges facing the State.

Attachment 1 contains FY2013 final Medicare allocation figures for each State. Columns A-D are provided only for reference purposes. Look to Column I for the FY2013 allocation.

We are also issuing a series of separate memoranda that offer methods to address the fiscal situation or increase efficiency. S&C Memo 13-23, for example, described some of the immediate changes we are implementing. A separate memorandum will explain some adjustments we are making to affected measures of the State Performance Standards System (SPSS) where survey process adjustments or efficiencies may still not enable existing performance expectations to be met on a national basis.

C. Functions Not Affected

States will continue to receive supplemental funds, above the budget amounts listed in Attachment 1, for S&C functions listed below.

- ***Validation Surveys:*** The expected number of validation surveys for each State can be found in Appendix 3 of Admin Info Memo 13-07 (Attachment FY2013 MPD State). We will continue to provide supplemental awards for those validation surveys that are completed and for which the Mission and Priority Document (MPD) indicates supplemental awards are to be made.
- ***Patient Safety Initiative:*** As noted on pages 22 and 23 of the MPD, “All States will continue piloting three revised hospital tools throughout FY2013 (for discharge planning, infection control, and quality assessment & performance improvement (QAPI). FY 2013 pilot surveys involve combined use of all three tools on one survey. Appendix 5 indicates the number of pilot surveys to be performed by each SA...” States will continue to receive supplemental funding for these surveys adequate to cover their costs, based on the Form 670 data submitted electronically along with the Form 2567 for each PSI pilot survey. See the MPD for more details.
- ***Transplant Program Surveys:*** For FY2013 the funding for these surveys was added to the State’s allocation and included in its baseline budget (for those States that have been performing these surveys). Those States will retain the transplant funding for FY2013 for surveys conducted in FY2013. Pursuant to Admin Info Memo 13-20, we will work out mutually acceptable arrangements for transition of transplant center surveys to the national contractor for States that will not be continuing to conduct such surveys in the future.

- **CLIA:** We are accommodating, through CMS CO actions, 100 percent of sequester effects to the Clinical Laboratory Improvement Amendments (CLIA) operations. Therefore, there is no negative impact on State CLIA operations.

D. Other Notable Information

Fourth Quarter Adjustments: The amount each State has received so far through the payment management system, including the 3rd Quarter award (but not including the additional validation, etc., amounts), have been based on the full FY12 CR level. This means that the entire FY reduction in funding will be taken from the 4th Quarter awards. States will need to be prepared for the 4th quarter award to include an adjustment of funds which will end up being less - and in some cases significantly less - than any of the previous full quarter awards. To calculate the difference, States will need to subtract, from the full-year amount shown in Attachment 1 column I, the sum of the first 3 quarterly awards, not including any supplemental awards for validation activities.

E. Explanation of Attachment 1 - FY2013 State S&C Allocation Worksheet

Columns A & B: Column A represents each States FY12 adjusted budget as previously shown in Appendix 2, column C, of AdminInfo13-07. Attachment FY2013 MPD State-FINAL. Column B is the amount that each State has reported on their Cumulative FY12 CMS-435 form on the Automated Budget System. The only caveat to Column B is that if a State does not have a finalized (State Certified and RO approved) Cumulative CMS-435 form for FY12, the best available data was used (i.e. the first four quarters added together or a form which has not been RO approved, etc.).

Columns C & D: Column C and D of Attachment 1 reflect the calculations based on the criteria previously discussed, where Column C shows the budget amount based upon a 3 percent increase over FY12 actual spending and Column D calculates the budget amount based on 97 percent of the FY12 Budget figures.

Column E: Column E in Attachment 1 contains the FY2013 proposed budget based on the lower amount of Columns C or D.

Column F: Column F records the results of discussions with CO and RO deliberations.

Column G&H: Column G provides States with any Non-Delivery Deduction information, while column H represents any benchmarked dollars.

Columns I-L: Column I displays the final FY2013 budget. Columns J-L offer reference information (the calculated changes to the various funding levels of the FY2012 budget).

E. Final Actions (All States)

Please submit by June 3, 2013 the FY2013 budget forms into the S&C online budget system, including the following:

1. CMS-435 Budget Approval Form. *Note: This form should capture all projected FY 2013 expenditures (including MDS, OASIS, and the NHOIP) spread across the appropriate lines of the CMS-435.*
2. 2 mini CMS-435s for MDS and OASIS with projected expenditures spread across the appropriate line items;
3. CMS-434 Planned Workload Report;
4. CMS-1465A Budget List of Positions; and
5. CMS-1466 Schedule for Equipment

/s/

Thomas E. Hamilton

Attachments

cc: Survey and Certification Regional Office Management