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Center for Clinical Standards and Quality/Survey & Certification Group

Admin Info: 15-26-ALL

DATE: **March 27, 2015**

TO: State Survey Agency Directors

FROM: Director
Survey and Certification Group

SUBJECT: **FINAL** Fiscal Year (FY) 2015 State Medicare Allocations for Survey & Certification (S&C)

Memorandum Summary

- **State Allocations:** Attachment 1 contains FY2015 Medicare allocation figures for each State, with details for increases allocated pursuant to the State by State review, and additional columns to track supplementary allocations for targeted surveys, validation surveys, and other factors.
- **Review Process for Amounts:** States were able to request funds as outlined in the FY2015 Draft MPD, AdminInfo14-35-ALL, released on September 19, 2014. The Centers for Medicare & Medicaid Services (CMS) reviewed each State's budget individually, examining workloads, spending patterns, performance, and particular budgetary needs.
- **Hospice Funds:** Congress appropriated additional funds dedicated to increasing the frequency of recertification surveys for hospices. These funds must be tracked and accounted for separately.
- **Non-Delivery Deductions:** A few States have non-delivery deductions, and a few States have a portion of their budgets identified as benchmarked and subject to an improvement plan due to performance issues.
- **One-Time Funds**: Due to the non-delivery deductions we expect there will be some one-time funds available that States may request, with a priority on training resources.

A. Overview - Medicare Survey & Certification Budgets

Congress appropriated funds to increase the FY2015 Medicare Survey & Certification budget compared with FY2014 levels. Via the IMPACT Act of 2014, Congress also appropriated additional targeted funds to enable the frequency of hospice recertification (and related hospice surveys) to increase from a once-every-six-year frequency to an average of once every three years. As a result, CMS is able to fully honor most State requests for FY2015 Medicare funds. These funds will significantly aid States to address continued increases in the number of providers, new S&C responsibilities, and the cost of rebuilding the survey workforce.

Attachment 1 contains FY2015 Medicare allocation figures for each State, pursuant to individual State requests. The attachment also provides details for increases allocated after the CMS State by State review, and additional columns to track supplementary allocations for targeted surveys, validation surveys, and other factors.

Increases in Medicare S&C base allocations for States range from 0 percent to 5.8 percent. A few States requested fewer funds in FY2015 compared with FY2014 (hence negative numbers for a few States). The only States that received fewer funds in the base allocation (as distinct from temporary non-delivery deductions) are States that requested fewer funds.

In addition, supplementary funds are provided for a variety of targeted surveys, including:

- MDS/Staffing Targeted Surveys;
- Dementia Care Targeted Surveys;
- Patient Safety Initiative Surveys; and,
- Validation Surveys

Hospice survey funds, including the Hospice Validation Surveys, are provided in a separate category, as they must be tracked separately.

Additional details regarding each of the funding categories, and instructions regarding any special cost accounting that may be involved, are provided below in the column-by-column descriptions. **Look to Column D1 for the final FY2015 allocation of Non-Hospice funds and column D2 for Hospice funding.**

We appreciate that there are many moving parts and special considerations involved in this year's allocations. If a State sees any significant issues with its allocation, or has questions about the allocations or cost accounting, please communicate those promptly to your CMS Regional Office.

B. Explanation of Attachment 1 - FY2015 State S&C Allocation Worksheet

Column A –FY2014 Budget: Column A represents each States FY2014 adjusted budget as previously shown in Appendix 2, column A, of AdminInfo14-35.01-ALL: FY2015 Draft MPD.

Column B.1 – Training: Column B.1. reflects that portion of the State's allocation that must be used for training-travel.

Column B.2. – Increased Funds: Column B.2. shows the increase in each State's base allocation for FY 2015 compared with the adjusted allocation for FY2014.

Column B.2a – Percentage Increase: Column B.2a. shows the percentage increase in each State's base allocation for FY 2015 compared with the adjusted allocation for FY2014, not including the IMPACT funds for hospice surveys or any supplementary funding.

Column B.3 – Hospice IMPACT Funds: The IMPACT Act of 2014 provided separate S&C funding to perform workload on non-deemed Hospice facilities. The purpose of this funding is to bring non-deemed Hospice survey frequencies to once every three (3) years. With minor exceptions, these sums represent the funds requested by each State.

Costs for all hospice surveys must first be assigned to the IMPACT funds. This includes recertification visits, revisits, complaint investigations, and validations surveys of deemed hospices. This additional funding must be accounted for separately from the regular State S&C funding. See instructions communicated in Administrative Information Memorandum 15-09.01 - HOSPICE, issued on December 12, 2014 (with the additional clarifications provided below). In short, all survey and certification work in FY 2015 regarding both non-deemed and deemed hospices is to be funded first by IMPACT funds (after first subtracting that portion of costs properly assigned to the State's usual licensure share of the costs).

States that performed survey work for one or more deemed or non-deemed hospices in any quarter in FY 2015 must complete an IMPACT Act expenditure report for that quarter. If a State did hospice work in the first and/or second quarters of FY 2015 but did not complete a separate expenditure report showing the IMPACT funds supporting that work, the State must complete such a report now. It is believed that in virtually all such cases, States included the cost of the hospice work in the main S&C expenditure report. Therefore, the main S&C expenditure report must be revised to remove the costs that are being transferred to the IMPACT Act report. Contact your Regional Office (RO) to have an inaccurate main CMS-435 report uncertified, make the corrections, recertify the report, and let your RO know. We are adopting these procedures to simplify State accounting as much as possible, and to reflect the desire to ensure timely action on the hospice surveys.

If, as the year progresses, the allocation to the State that is reflected in Column B.3 appears to be insufficient to cover all costs for all hospice survey work in FY2015, please contact your CMS RO. We will either arrange for an increase to those funds, or provide instructions for how the costs can be covered from the State's regular S&C funds.

Column B.3a – Overall Percentage Increase: Column B.3a reflects the percentage increase represented by the combination of increased Medicare S&C funds, plus IMPACT hospice funds, compared with the FY2014 adjusted base allocations.

Column B.4 – Non-Benchmarked Funds: Column B.4 is the portion of funds in the State's Medicare S&C allocation that is not subject to any State-specific performance benchmarks.

Column B.5 – Benchmarked Funds: Column B.5 is the portion of funds in the State's Medicare S&C allocation that is subject to State-specific performance benchmarks. Your CMS RO will be in communication with you regarding the benchmarks and the actions that are advisable to address performance issues. Once these conversations have taken place and the RO has accepted the plan or the State Agency (SA) has completed the requirements outlined in the benchmark, the benchmark funds will be released to the SA.

Column B.6 – Subtotal Medicare S&C Funds: Column B.6 is the total of benchmarked and non-benchmarked Medicare S&C funds, not including hospice funds or supplementary funds.

Column C.1 - Special Projects: Column C.1 includes funding for a few States whose staff assists in the training of people who will survey end stage renal dialysis (ESRD) facilities. C.1 also includes one-time funds for one-time purchases that called for special attention as a result of the RO/CO budget discussions. We have a small amount of funds available for one-time funding requests (see the discussion on page 6). States may request such funds through their CMS RO *after May 1, 2015*, with a copy to the Central Office (Bary.Slovikosky@cms.hhs.gov).

Column C2. Non-Delivery Deductions: We are limiting non-delivery deductions in FY2015, applied in response to FY2014 performance lapses, due to a number of special considerations:

- As a result of the federal government shutdown, we have refrained from taking non-delivery deductions for any home health surveys or Tier II targeted surveys (e.g., ESRD) that were not conducted. Further, we have taken non-delivery deductions with respect to nursing home surveys only if the percent of surveys not conducted was less than 96 percent (i.e., there is a 4 percent allowance). The shutdown ran between October 1, 2014 and October 17, 2014, or about 4 percent of the year.

- We previously communicated that we would not take any deductions for nursing home surveys in a State that was within the first three years of implementing the nursing home Quality Indicator Survey (QIS). We are maintaining that allowance.

- Finally, for States that had very significant non-delivery deductions, we have allowed some of the funds from the deductions to be used for one-time purchases, and benchmarked a significant portion of the State's base allocation.

Column C.3 – Supplemental Validation Funding: The expected number of validation surveys for each State can be found in Appendix 3 of AdminInfo14-35-ALL: FY2015 Draft MPD. 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.

Note that the amounts listed in Column C.3 of Attachment 1 are the projected supplemental funds to be awarded upon completion of the validation work outlined in the FY2015 Draft MPD.

Our practice in recent years has been to reimburse a State that completes a validation survey and all its required reporting at a national flat rate, using regular Medicare S&C funds. In a case in which the national rate provided more than the cost of the survey, the State was free to blend the overage into its S&C budget to cover other work. If the national rate did not cover the survey's cost, the State was to use regular S&C budget dollars to make up the difference. Medicare reimbursement for validation surveys of any provider type will continue in this manner in FY 2015, including for HHAs that

participate in Medicare only. The flat rate is provided, however, only for completed surveys.

The amount of funds for home health validation surveys that is included in Column C.3 represents the Medicare share of HHA validation expenses. For home health agencies that participate in both Medicare and Medicaid, States must ensure that federal survey costs related to such dually-participating HHAs are properly assigned to both Medicare and Medicaid. States should report their actual validation survey costs, both Medicare and Medicaid, as part of their regular quarterly expenditure reports, both on the main CMS-435 and on the mini HHA CMS-435 (which is a subset of the main CMS-435). Medicaid reimbursement will be provided via the usual Medicaid process, based on the approved expenditure report.

Medicare funds that are provided via a flat rate for completed validation surveys that exceed the actual cost of such surveys at a dually-participating HHA are available for other S&C work by the State. If the Medicare portion of the flat rate does not cover the Medicare part of the cost of the validation survey, the State must make up the difference from its general S&C budget funds, but may contact CMS to see if Medicare additional funds are available.

Supplementary funds for validation surveys of deemed hospice providers will be assigned to the IMPACT hospice funds category and accounted for by States in the same manner as all other IMPACT hospice funds. **The funds for such hospice validation surveys is NOT included in Column C.3., but is subsumed in Column D.2 (which is why D.2. may be higher than Column B.3).**

Column C.4 – Targeted Survey Supplements: Column C.4 provides for the projected costs of the targeted surveys that are assigned to each State, plus any additional surveys for which the State volunteered.

Supplementary funds are provided for a variety of targeted surveys, including:

- MDS/Staffing Targeted Surveys: These surveys are described in more detail in S&C Memorandum 15-25-NH issued on February 13, 2015, and Administrative Memorandum **15-24-NH** issued on March 27, 2015. These are surveys of record for which standard CMS deficiency identification and enforcement procedures apply.

  These focused surveys may not be combined with a standard recertification survey. However, the MDS/staffing targeted surveys may be done immediately before or after a complaint survey while the surveyors are onsite. In these cases, each survey must be completed and documented separately, and surveyors will still need to follow the focused survey process as instructed through the training.

  The funding shown in Attachment 2 for MDS surveys (and included in Column C.4 of Attachment 1), represents the Medicare share of costs. Insofar as Medicaid also benefits from these surveys, we expect that the total federal costs for these surveys will be split in the usual 50/50 manner. Unless State law or regulation

has comparable requirements to the federal resident assessment and MDS requirements, it is permissible for there not to be a State-only license cost for these stand-alone targeted MDS surveys.

States are not required to complete a separate CMS Form 435 for MDS targeted surveys; all costs related to such surveys should be included on the main CMS Form 435 report. **SAs must notify CMS CO via the dedicated mailbox**

MDSStaffingSurvey@cms.hhs.gov of the name(s) of the nursing home surveyed, city, state, CMS certification number (CCN) and survey dates.

- Dementia Care Targeted Surveys: These surveys are described in more detail in S&C Memorandum **S&C: 15-31-NH** issued on March 27, 2015.

  The funding shown in Attachment 2 for Dementia Care surveys (and included in Column C.4 of Attachment 1) represents the Medicare share of costs. Insofar as Medicaid also benefits from these surveys, we expect that the total federal costs for these surveys will be split in the usual 50/50 manner. However, while the stand-alone Dementia Care surveys are not yet nationally applied and remain subject to expansion and revision, unless State law or regulation requires a separate survey for Dementia Care, it is permissible for there not to be a State-only license cost for these stand-alone targeted Dementia Care surveys. The full cost of these surveys will be borne by the federal programs in FY 2015.

  States are not required to complete a separate CMS Form 435 for Dementia Care targeted surveys – all costs related to such surveys should be included on the main CMS Form 435 report. **SAs must notify CMS CO via the dedicated mailbox Dnh_behavioralhealth@cms.hhs.gov** (please be aware of an underscore between Dnh and behavior of the email address) **of the name(s) of the nursing home surveyed, city, state, CMS certification number (CCN) and survey dates.**

- Patient Safety Initiative (PSI) Hospital Surveys: As noted in the draft MPD and explained in Administrative Memorandum 15-05 (issued in revised form on October 31, 2014), States are to use the updated worksheets for:
  1. All complaint investigations for which the PSI worksheets are relevant (infection control, discharge planning, and QAPI), and
  2. A limited number of targeted surveys, as indicated in Appendix 5 of the MPD.

  SAs must notify CMS CO via the dedicated mailbox pfp.scg@cms.hhs.gov of the name(s) of the hospital surveyed, city, state, CMS certification number (CCN) and survey dates. This survey information, along with the completed Forms CMS 2567 and 670, is required for tracking and performance purposes. However, unlike in past years, States are not required to complete a separate CMS Form 435 for PSI surveys – all costs related to the PSI surveys should now be included on the main CMS Form 435 report as Medicare NLTC costs, with no licensure component. If any separate PSI expenditure reports have been submitted for FY 2015, please contact your RO budget contact to have the form deleted from the

system and add the PSI expenses into the main CMS 435 form. Additional information on PSI protocols may be found in Administrative Memorandum **15-25- Hospitals** issued on March 27, 2015.

Column C.4 in Attachment 1 displays the rolled-up, total funds for each State for the cost of all of the above targeted surveys. Attachment 2 displays a breakout of the awards.

Finally, we do not anticipate any States pilot-testing an Adverse Event Targeted Survey for nursing homes in FY2015. We do hope to finish designing such a survey, but will plan on working with the CMS National Contractor for any pilot-testing that we are able to accomplish in FY2015.

C. One-Time Funds

We have a small amount of one-time funds available, principally from non-delivery deductions. Priority for FY2015 is for requests for equipment that will improve the ability of State surveyors to participate effectively in distance learning (e.g., dedicated audio-visual or computer equipment). States may request such funds through their CMS RO *after May 1, 2015*, with a copy to the Central Office (Bary.Slovikosky@cms.hhs.gov).

D. Actions Once Final Allocations are Made *(All States)*

Once States have received notification of their Final State Allocations for FY 2015, please submit the FY2015 budget forms into the S&C online budget system, including the following, no later than April 30, 2015:

1. CMS-435 Budget Request Form. *Note: This form should capture all projected FY 2015 expenditures (including MDS and HHA with OASIS, but not including IMPACT Act Hospice Costs) spread across the appropriate lines of the CMS-435.*
2. 3 mini CMS-435s for MDS and HHA (subset reports of the main CMS-435) and IMPACT Act – Hospice (separate report), 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 purchases
6. Ensure that budgeting for home health surveys includes the appropriate Medicaid fair share for the cost of those surveys (i.e., for the federal share of expenses, a 50/50 split between Medicare and Medicaid Survey and Certification costs for dually-participating agencies only. Medicare-only or Medicaid-only agencies are charged to the appropriate program only). See S&C Memo 13-31, dated May 17, 2013, more for details.
7. Counts of the non-deemed HHAs to be surveyed during FY2015 by program participation as follows: Medicare-only, Medicaid-only, or dually participating. (Per page 71 of the MPD; needed to check on the cost shares described in item 6 above.)

/s/
Thomas E. Hamilton

Attachment(s): Attachment 1: FY2015 Allocations
Attachment 2: FY2015 Targeted Survey and Hospice Allocations
Attachment 3: FY2014 Non-Delivery Data

cc: Survey and Certification Regional Office Management