



**Center for Clinical Standards and Quality/Survey & Certification Group**

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**Admin Info: 14-15-ALL  
Updated**

**DATE:** February 21, 2014, **Updated April 4, 2014**

**TO:** State Survey Agency Directors

**FROM:** Director  
Survey and Certification Group

**SUBJECT:** **FINAL** Fiscal Year (FY) 2014 State Medicare Allocations for Survey & Certification (S&C)

**Memorandum Summary**

- **State Allocations:** Each State **has been allocated** at least a 2.0% increase over the final FY2013 post-sequestration amounts, **unless the State requested a lesser amount. Each State was also eligible** for additional funds **above the 2.0 % increase**, pursuant to the review process described in this Memorandum. Attachment 1 contains FY2014 Medicare allocation figures for each State (with **all increases** noted), **together with columns for additional amounts allocated** pursuant to the State by State review.
- **Review Process for Amounts Above a 2% Increase:** **Pursuant to the February 21<sup>st</sup> initial version of this memorandum**, States **were able to** request funds above the 2% increase. The Centers for Medicare & Medicaid Services (CMS) **reviewed** each State's budget individually, examining workloads, spending patterns, performance, and particular budgetary needs.
- **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. This includes States implementing the Quality Indicator Survey that will have their non-delivery deduction returned to them if they meet certain benchmarks.

**A. Overview - Medicare Survey & Certification Budgets**

For FY2014 Congress enacted a budget at the same level as the final FY2013 budget. However, Congress also permitted CMS to make certain adjustments within the overall budget limit for high priority areas. The CMS Administrator exercised that discretion to provide resources to enable States to receive an increase in FY2014 Medicare funds compared to the adjusted base FY2013 amounts. This will help States address continued increases in the number of providers, new S&C responsibilities, and the cost of rebuilding the survey workforce. We **have implemented** the final budget in a two-step process:

1. **A 2.0% Increase for All States:** In the preliminary FY2014 Mission and Priority Document (MPD) we advised States to budget on the basis of a probably 2.0% increase. Each State may count on those funds, although a few States are subject to performance benchmarks.

2. ***Additional Increases by Request and Review:*** States **were able to** request additional funds **(above the 2% increase)** by submitting information to their CMS Regional Office (RO).

**Attachment 1 contains the final FY2014 Medicare allocation figures for each State**, including any non-delivery deductions, one-time funds or benchmarked funds. Look to Column J for the final FY2014 allocation. Please be aware that the balance of all additional funds outlined in Column J will be reflected on the FY14 4<sup>th</sup> quarter award to the State Agency (SA).

### **C. Non-Delivery Deductions and Benchmarked Funds**

With the FY2013 elimination of the Tier II targeted surveys for home health surveys, non-delivery deductions now apply to nursing home surveys, home health 3-year surveys, and ESRD Tier II targeted surveys.

Most non-delivery deductions apply to nursing home surveys, all of which occur in States implementing the Quality Indicator Survey (QIS). We previously stated that we would not take non-delivery deductions while a State is implementing QIS. However, all effected States are now beyond the original 3-year QIS phase-in expectation, and for some States the missing surveys far exceed the number one would reasonably expect simply due to the challenges of implementing a new survey method. Therefore, we are taking the non-delivery deduction but applying the funds to the benchmarked category (Column F of Attachment 1) to be available to the State upon completion of the 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 SA has completed the requirement outlined in the benchmark, the benchmark funds will be released to the SA.

### **D. Other Functions**

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 AdminInfo13-35-ALL: FY2014 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.
- ***Patient Safety Initiative:*** As noted on pages 23 and 24 of the draft MPD (AdminInfo13-35-ALL: FY2014 Draft MPD):

*“All States will continue piloting three revised hospital tools throughout FY2014 (for discharge planning, infection control, and quality assessment & performance improvement (QAPI). FY 2014 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 draft MPD for more details (the numbers of these surveys will not change in the final MPD, which will be released soon).

#### **D. Explanation of Attachment 1 - FY2014 State S&C Allocation Worksheet**

**Columns A & B:** Column A represents each State's FY2013 adjusted budget as previously shown in Appendix 2, column A, of AdminInfo13-35-ALL: FY2014 Draft MPD. Column B reflects the amount of each State's 2% increase for FY2014 over the FY2013 adjusted base budget.

**Columns C - E:** Column C of Attachment 1 shows the budget amount based upon the 2 percent increase over FY2013. Column D – F provides varying amounts of increases and decreases in allocation based on special project funding, non-delivery deductions and benchmark funds.

**Column F:** Column F in Attachment 1 contains the FY2014 proposed budget based on the summation of columns C - E.

**Column G:** Column G shows additional funds that are allocated to certain States that are tied to certain performance improvement benchmarks, pursuant to the CMS State by State review. *The terms of the benchmarking will be communicated separately with each affected State by the Regional Office.*

**Column H:** Column H incorporates (a) any additions to the State's budget from Column G that are benchmarked, as well as (b) any further additions that the State requested and that CMS approved without any special benchmarks. *Note that there is no separate column shown in the table for those additional funds that are not benchmarked. Therefore, the amount in Column H may be larger than the sum of Columns F and G.*

**Column I:** Column I shows any one-time funds allocated to the State for particular purposes.

**Columns J – L:** These columns represent the final FY2014 budget and for reference, the calculated changes to the various funding levels of the FY2013 budget. *Note that these amounts would be reduced if a State is unable to fulfill the terms of any benchmarked funds.*

#### **E. One-Time Funds**

We may have a small amount of funds available for one-time funding requests. States may request such funds through their CMS Regional Office *after May 1, 2014*, with a copy to the Central Office ([Bary.Slovikosky@cms.hhs.gov](mailto:Bary.Slovikosky@cms.hhs.gov)).

**F. Volunteer Opportunities for States**

We also expect to issue invitations to States to pilot test a number of special project surveys intended either to (a) test survey methods that may increase efficiency or effectiveness or (b) conduct special project surveys designed to delve more deeply into certain areas of focus. An example of the latter is the opportunity described in Administrative Memo 14-13-NH (issued February 21, 2014) to conduct a limited number of specialized surveys focused on nursing home compliance with minimum data set (MDS) responsibilities. Similarly, we may test survey methods that delve more deeply into dementia care and the use of anti-psychotic medications.

Supplemental funds will be available to cover any added expense for these surveys in States that volunteer. Separate memoranda will describe those opportunities.

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

Once States have received notification of their Final State Allocations for FY 2014, please submit the FY2014 budget forms into the S&C online budget system, including the following, no later than May 16, 2014:

1. CMS-435 Budget Approval Form. *Note: This form should capture all projected FY 2014 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
6. **Ensure that budgeting for home health surveys includes the appropriate Medicaid fair share for the cost of those surveys (i.e., 50/50 split between Medicare and Medicaid Survey and Certification costs for the federal share of expenses). See S&C Memo 13-31, dated May 17, 2013, for more details.**

/s/

Thomas E. Hamilton

Attachment

cc: Survey and Certification Regional Office Management