

**2012 -- S 2720 SUBSTITUTE A**

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LC01288/SUB A/2  
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**STATE OF RHODE ISLAND**

**IN GENERAL ASSEMBLY**

**JANUARY SESSION, A.D. 2012**

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A N A C T

RELATING TO HUMAN SERVICES - MEDICAL ASSISTANCE - NURSING FACILITIES  
RATE REFORM

Introduced By: Senators Goodwin, Pichardo, and Ruggerio

Date Introduced: March 06, 2012

Referred To: Senate Health & Human Services

It is enacted by the General Assembly as follows:

1           SECTION 1. Section 40-8-19 of the General Laws in Chapter 40-8 entitled "Medical  
2 Assistance" is hereby amended to read as follows:

3           **40-8-19. Rates of payment to nursing facilities.** -- (a) Rate reform.

4           (1) The rates to be paid by the state to nursing facilities licensed pursuant to chapter 17  
5 of title 23, and certified to participate in the Title XIX Medicaid program for services rendered to  
6 Medicaid-eligible residents, shall be reasonable and adequate to meet the costs which must be  
7 incurred by efficiently and economically operated facilities in accordance with 42 U.S.C. section  
8 1396a(a)(13). The ~~department of~~ executive office of health and human services shall promulgate  
9 or modify the principles of reimbursement for nursing facilities in effect as of July 1, 2011 to be  
10 consistent with the provisions of this section and Title XIX, 42 U.S.C. section 1396 et seq., of the  
11 Social Security Act.

12           (2) The ~~department of~~ executive office of health and human services ("Executive  
13 Office") shall review the current methodology for providing Medicaid payments to nursing  
14 facilities, including other long-term care services providers, and is authorized to modify the  
15 principles of reimbursement to replace the current cost based methodology rates with rates based  
16 on a price based methodology to be paid to all facilities with recognition of the acuity of patients  
17 and the relative Medicaid occupancy, and to include the following elements to be developed by  
18 the executive office:

- 1           (i) A direct care rate adjusted for resident acuity;  
2           (ii) An indirect care rate comprised of a base per diem for all facilities;  
3           (iii) A rerearray of costs for all facilities every three (3) years beginning October, 2015,  
4 which may or may not result in automatic per diem revisions;  
5           (iv) Application of a fair rental value system;  
6           (v) Application of a pass-through system; and  
7           (vi) Adjustment of rates by the change in a recognized national nursing home inflation  
8 index to be applied on October 1<sup>st</sup> of each year, beginning October 1, 2012. Said inflation index  
9 shall be applied without regard for the transition factor in subsection (b)(2) below.

10           (b) Transition to full implementation of rate reform. For no less than four (4) years after  
11 the initial application of the price-based methodology described in subdivision (a)(2) to payment  
12 rates, the department shall implement a transition plan to moderate the impact of the rate reform  
13 on individual nursing facilities. Said transition shall include the following components:

14           (1) No nursing facility shall receive reimbursement for direct care costs that is less than  
15 the rate of reimbursement for direct care costs received under the methodology in effect at the  
16 time of passage of this act; and

17           (2) No facility shall lose or gain more than five dollars (\$5.00) in its total per diem rate  
18 the first year of the transition. The adjustment to the per diem loss or gain may be phased out by  
19 twenty-five percent (25%) each year; and

20           (3) The transition plan and/or period may be modified upon full implementation of  
21 facility per diem rate increases for quality of care related measures. Said modifications shall be  
22 submitted in a report to the general assembly at least six (6) months prior to implementation.

23           ~~(3) By no later than January 1, 2012, under the direction of the Secretary of Health and~~  
24 ~~Human Services, the Department of Human Services shall modify the principles of~~  
25 ~~reimbursement to include the acuity needs of patients and the relative Medicaid occupancy as a~~  
26 ~~factor in determining the reimbursement rates to nursing facilities.~~

27           ~~(b) Phase I Implementation. The department shall file a state plan amendment with the~~  
28 ~~U.S. Department of Health and Human Services on or before November 1, 2011 to modify the~~  
29 ~~principles of reimbursement for nursing facilities, to be effective on January 1, 2012, or as soon~~  
30 ~~thereafter as is authorized by an approved state plan amendment, to establish price-based payment~~  
31 ~~rates for nursing facilities, recognizing patient acuity and Medicaid occupancy.~~

32           SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO HUMAN SERVICES - MEDICAL ASSISTANCE - NURSING FACILITIES  
RATE REFORM

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- 1           This act would make various changes to the methodology of computing nursing facility
- 2 reimbursement rates.
- 3           This act would take effect upon passage.

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