

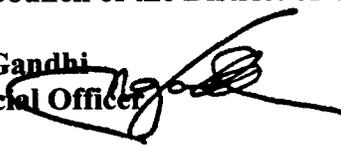
Government of the District of Columbia  
Office of the Chief Financial Officer



Natwar M. Gandhi  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** June 11, 2009

**SUBJECT:** Fiscal Impact Statement: "New Medicaid Reimbursement Methodology for Intermediate Care Facilities for the Intellectually and Developmentally Disabled State Plan Amendment Approval Resolution of 2009"

**REFERENCE:** Draft Resolution to be Introduced—No Bill Number

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**Conclusion**

Funds are sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed resolution.

**Background**

The proposed resolution would amend the District of Columbia State Plan for Medical Assistance<sup>1</sup> to establish a new reimbursement methodology for intermediate care facilities (ICFs) for the intellectually and developmentally disabled.

The current Medicaid reimbursement system for ICFs was implemented beginning in FY 1997 and only adjusted for inflation and one-to-one services for beneficiaries with additional behavioral or medical needs. The cost-based rate setting methodology used is based on provider costs. The proposed methodology would be based on the needs of Medicaid beneficiaries and

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<sup>1</sup> Pursuant to § 1(a) of An Act to enable the District of Columbia to receive federal financial assistance under Title XIX of the Social Security Act for a medical assistance program, and for other purposes, approved December 27, 1967 (81 Stat. 744; D.C. Official Code § 1-307.02).

was developed using a rate model and reimbursing each ICF on a prospective basis.<sup>2</sup> If implemented, this new methodology would ensure that the reimbursement rates to ICFs meet the economic and efficiency standards set by the Medicaid program and are at a level that would maintain and attract new providers.

### Financial Plan Impact

Funds are sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed resolution. The new methodology would yield a higher total cost than the current methodology. The net increase in the *local share*<sup>3</sup> of these costs would be \$105,000 for the remainder of FY 2009 and \$7.5 million over the FY 2009 through FY 2013 period. The Department of Health Care and Finance confirmed that these additional costs could be absorbed within their existing budget.

Net Increase in Local Share of New Medicaid Methodology for ICFs						
Local Share	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Five Year Total
New Methodology	\$4,384,816	\$18,574,763	\$25,692,737	\$28,823,394	\$29,832,213	\$107,307,923
Current Methodology	\$4,278,953	\$17,238,722	\$23,844,717	\$26,750,193	\$27,686,449	\$99,799,034
<b>Net Increase</b>	<b>\$105,863</b>	<b>\$1,336,041</b>	<b>\$1,848,020</b>	<b>\$2,073,201</b>	<b>\$2,145,764</b>	<b>\$7,508,889</b>

#### Assumptions

- New methodology is effective July 1, 2009. If not effective until October 1, 2009, the costs for FY 2009 would be immaterial and the costs for FY 2010 through FY 2013 would remain the same.
- FMAP of 79.29 from July 1, 2009 until December 31, 2010; FMAP of 70 thereafter.
- 3.5 percent yearly increase for inflation.

<sup>2</sup> Under the proposed new methodology price-based acuity-adjusted residential rates would be rebased every three years, and would include direct and indirect health care components based on beneficiaries' needs. The present pass-through system payment system to active treatment providers would be eliminated and the active treatment rate would be combined with the residential rate.

<sup>3</sup> As this involves Medicaid payments, between 70 percent and 79.29 percent of the *total* costs are covered by federal funds (Federal Medical Assistance Percentage or FMAP). The American Recovery and Reinvestment Act of 2009 increased D.C.'s FMAP to 79.29 percent from October 1, 2008 through December 31, 2010. DC's FMAP will return to 70 percent on January 1, 2011.