

# NEWS FLASH

Continuum Health Care Service, L.C.

December, 2006

## Reimbursement Update

As you know, the Iowa Legislature approved funds for a fourth quarter rate adjustment. It appears that the dialog with CMS has been resolved and that DHS anticipates releasing the October and January rates on December 20<sup>th</sup>. You will note on this release that the October rate will include the 6% inflation factor that we worked to carry over from the State 05-06 fiscal budget. You will find that the posted January rate will immediately withdraw the increase as the adjustment was only for the one quarter period.

As we approach the new legislative period with many new representatives and a new leadership, we feel positive about health cares position in the next few years. The areas that we will be focusing on for the upcoming legislative session are:

- Increase in Medicaid Funding from \$177,701,064 (06) to 184,405,466 (07). An increase in funding of \$6,704,403.
- Establish a Nursing Home Capital Improvement Fund (See the following article).
- Property Tax Relief: This affects only proprietary facilities and is an attempt to move from a Commercial Property Tax Base to Residential Property Tax Base.
- 85% Rules: Modify the 85% rule from the current arbitrary number to “the previously published state wide average. Currently this affects 62% of facilities state wide.

## Capital Improvement Fund

Iowa’s Nursing Homes are among the oldest in the nation. Less than 3% of Iowa’s free-standing nursing beds have added or been replaced since 2000. The Current reimbursement system favors repairing existing facilities vs. replacement. With the demographic trends and a rise of new consumer based services many of the facilities in Iowa will require major renovations or replacement in future years.

A proposal will be present which will make it favorable for facilities to consider substantial renovations by allowing for the capture and immediate reimbursement of major capital improvements within

the completed project cost report period rather than the current delay for the next rebase period. This proposal will be for the State to annually set aside 5 million in additional funds for facilities to implement major renovation or replacement projects over 10 years. This would allow facilities to immediately capture costs and improved reimbursement related to renovation or replacement projects.

## Medicare Tracking

We are finding that DHS and CMS are continuing to narrow down and reduce state and federal cost by excluding various costs currently allowed in the State Cost report. It will be important that facilities continue to expand your financial data to isolate your Medicare revenue and related cost. An example of this would be to track your specific therapy costs, as well as supplies and pharmacy cost. More information will be forthcoming as we get a better idea as to what CMS and DHS will be looking for.

## Leadership

We are finding many positive changes with the change in leadership at the capital and the various departments. It would appear (again unsubstantiated) that Steve Young will continue to play a key role within DIA. We have heard rumors that he may be the new Chief.

On a positive note, it also appears (again an unsubstantiated rumor) that the current head of the DHS may be on his way out. It appears that there has been an outpouring of individuals (both health care and other) who have indicated their unhappiness and dissatisfaction with the current department head and his leadership. Regardless of this fact, we have been assured in recent meetings with the incoming leadership’s representatives that we can anticipate that policy setting and initiatives will be made and directed by the Governor’s Office and not DHS.

## Medicare Exception Policy

The Medicare Exception policy for Part B was passed over the weekend and is awaiting the Presidents signature. We have been assured that this will occur in the very near future. It is our understanding that this extension is for the next year.