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DIVISION: Office of Medicaid Management

PAGE 1

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TO: Local District Commissioners, Medicaid Directors, Third Party Workers,
Long Term Care Staff

FROM: Ann Clemency Kohler, Deputy Commissioner

SUBJECT: Medicare Maximization Policy for Nursing Facility Residents

EFFECTIVE DATE: July 1, 1998

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New York State has been an active participant in the Multistate Skilled Nursing Facility (SNF) Case Mix Payment Demonstration since July 1, 1995. This demonstration, developed by the Health Care Financing Administration, established a Medicare prospective payment system for nursing facility services which more closely aligned reimbursement to the resources needed to care for the resident. The Medicare prospective payment system utilized RUGS III as a patient assessment model which classified nursing facility residents within one of seven specific categories: Rehabilitation (special); Extensive Service; Special Care; Clinically Complex, Impaired Cognition; Behavior Problems; and Physical Functions (reduced). Under the demonstration, nursing facility residents falling into any one of the first four categories received automatic Medicare coverage.

The implementation of this project resulted in a revision of Medicare Maximization requirements for Medicaid recipients residing in nursing facilities. When initially implemented, Department Medicare Maximization policy required nursing facility staff to obtain Medicare reimbursement for patients identified as having a reasonable likelihood of coverage. Application for Medicare coverage and requests for redetermination of denials were made for these patients prior to receipt of Medicaid payment. With the implementation of the Case Mix Payment Demonstration, nursing facilities participating in the demonstration were exempted from both Department and local Department of Social Services (LDSS) Medicare Maximization procedures. Nursing facilities participating in the demonstration were to have resumed mandated Department and LDSS Medicare Maximization requirements at the demonstration's end date. This action has been delayed due to provisions in the Balanced Budget Act of 1997.

The Balanced Budget Act of 1997 has established a nationwide Medicare Prospective Payment System (PPS) Skilled Nursing Services utilizing the RUGS

III categorical system. This prospective payment under the RUGS III system becomes effective for all SNFs for cost reporting periods beginning on or after July 1, 1998 which is the date that New York City Health and Hospital Corporation facilities will implement the PPS. The effective date for most other nursing facilities in New York State is January 1, 1999.

As the Balanced Budget Act requires continuation of both the prospective payment and the RUGS III categorical assessment components of the demonstration, the Department is evaluating what maximization procedures will best achieve optimal Medicare reimbursement for Medicaid recipients residing in nursing facilities.

Nursing facilities currently enrolled in the demonstration should continue to maximize Medicare through the RUGS III assessment process as explained in Administrative Directive, "Medicare Maximization for Nursing Facility Care", 96 ADM-6. These facilities continue to be exempt from Department and LDSS Medicare Maximization procedures. Non-participating nursing facilities must continue to maximize Medicare according to standard Department policy. The maximization effort for nursing facilities not participating in the demonstration project includes any enhanced procedures required by the social service district fiscally responsible for the nursing facility resident.

Once an evaluation of the impact of these changes is complete, the Department will issue definitive policy establishing revised Medicare Maximization procedures for all Medicaid recipients residing in nursing facilities. This revised policy will take into consideration the establishment of the PPS for all skilled nursing facility services and the continuation of RUGS III as detailed in the Balanced Budget Act of 1997.