

EXHIBIT E

DEPARTMENT OF HUMAN SERVICES, MEDICAL SERVICES

SUBJECT: State Plan Amendment #2010-006; Rate Increase for Under 16 Bed ICF/MR Facilities

DESCRIPTION: The base per diem rate for Under 16 Bed ICF/MR facilities will increase 2.1% for dates of service beginning July 1, 2010.

PUBLIC COMMENT: No public hearing was held. The public comment period expired on July 13, 2010. No public comments were submitted to the agency. The proposed effective date is September 20, 2010.

CONTROVERSY: This is not expected to be controversial.

FINANCIAL IMPACT: The total estimated cost by fiscal year to the agency to implement the rule is \$441,534 for the current fiscal year (\$104,776 state and \$336,758 federal) and \$441,534 for the next fiscal year (\$128,531 state and \$313,003 federal).

Economic Impact Statement

1. The type or types of small businesses that will be directly affected by the proposed rule, bear the cost of the proposed rule, or directly benefit from the proposed rule.

Under 16 Bed ICF/MR facilities.

2. A description of how small businesses will be adversely affected. **There are 31, Under 16 Bed ICF/MR providers.**

3. A reasonable determination of the dollar amounts the proposed rule will cost small businesses in terms of fees, administrative penalties, reporting, recordkeeping, equipment, construction labor, professional services, revenue loss, or other costs associated with compliance. **No cost associated with compliance. Providers are receiving a rate increase.**

4. A reasonable determination of the dollar amounts of the costs to the agency of implementing the proposed rule, as well as the financial benefit to the agency of implementing the rule. **The department will pay out an additional \$441,534 to Under 16 Bed ICF/MR providers.**

5. State whether and to what extent alternative means exist for accomplishing the objectives of the proposed rule that might be less burdensome to small businesses and why such alternatives are not being proposed. **Not applicable.**

6. A comparison of the proposed rule with federal and state counterparts. **Not applicable.**

LEGAL AUTHORIZATION: Arkansas Code Annotated § 20-76-201 authorizes the Department of Human Services to administer programs for the indigent and to "make rules and regulations" pertaining to the administration of those programs. Arkansas Code

Annotated § 20-77-107 specifically authorizes the department to "establish and maintain an indigent medical care program."

B. Intermediate Care Facilities for the Mentally Retarded – Continued

3. Under 16 Beds:

- a. Small ICF/MR facilities certified as having 15 beds or fewer will be reimbursed on a prospective uniform class rate system. An inflationary adjustment, determined by the Division to be reasonable and adequate, will be applied to the existing rates and will be implemented by State Plan amendment as warranted by analysis of cost report data. Cost reports will be submitted annually for the preceding calendar year (January 1 – December 31) and will be reviewed prior to establishing new rates. The Division has established the per diem rate of \$186.01 for dates of service beginning July 1, 2010. This 2.1% increase in per diem rate is based on the most currently available Skilled Nursing Facility Total Market Basket inflation data applied as an inflation adjustment to the previous rate.

b. Provider Fee

Act 433 of 2009 established the levy of a provider fee on Intermediate Care Facilities for Individuals with Developmental Disabilities. The reimbursement rate paid Under 16 Beds facilities will include a Provider Fee component. The Provider Fee component will be reimbursed at the amount established as the multiplier for the date of service billed.

The Provider Fee component is paid in addition to the rate identified in paragraph a. above.

c. Enhanced Care Add-On

The Department recognizes that the current class rate structure limits the providers' ability to invest additional monies for the purpose of improving the quality of care. Additionally the recent increase in the minimum wage (an unfunded federal mandate) will make it difficult for providers to maintain current standards much less improve the quality of care. Therefore the Department will implement an enhanced care add-on in the amount of \$7.02 per day. This enhanced payment will provide additional funds for wage adjustments in the base salaries for new hires and incumbent salaries to address the increase of the federal minimum wage in July 2009. This will also directly increase benefits related to these salary increases such as FICA, LTD, Life insurance, retirement, etc. This add-on will also provide funding for additional initiative

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