



Center for Clinical Standards and Quality/Survey & Certification Group

Admin Info: 13-22-ALL

DATE: April 5, 2013

TO: State Survey Agency Directors

FROM: Director
Survey and Certification Group

SUBJECT: Fiscal Year (FY) 2013 State Medicare Allocations for Survey & Certification (S&C)

Memorandum Summary

- **National Budget:** The FY 2013 State Allocations are based upon a full year Continuing Resolution (CR).
- **Impact:** The CR has the effect of reducing the FY2013 Medicare S&C budget to a level 5.2 percent below the FY2012 budget level.
- **Review Process:** CMS will review each State's budget individually, examining workloads, spending patterns, performance, and particular budgetary needs. Pending completion of the review process, CMS is pegging each State's FY2013 allocation to the lesser of (a) 3 percent above actual FY2012 spending, or 3 percent below the FY2012 baseline allocation level. Attachment 1 contains FY2013 Proposed Medicare allocation figures for each State.

A. Overview - Medicare Survey & Certification Budgets

We are beginning a dialogue process among the State Agencies, Regional Offices and Central Office (CO) to discuss the FY 2013 State Allocations based upon the full year Continuing Resolution (CR).

The CR has the effect of reducing the FY2013 Medicare S&C budget to a level that is 5.2 percent below the FY2012 level.

States receive about 92 percent of the overall Medicare S&C budget each year. However, of the total 5.2 percent overall reduction, we expect that State allocations will only be reduced by 2.5 - 3.0 percent from the FY2012 budget level on a national basis. The remaining reduction will be taken from the 8% of the budget that is typically comprised of CMS CO functions, contractual services, and one-time budget items. In addition, we plan to accommodate through CMS CO actions 100 percent of sequester effects to the Clinical Laboratory Improvement Amendments (CLIA) operations, resulting in no negative impact on State CLIA operations.

CMS will review each State's budget individually, examining workloads, spending patterns, performance, and particular budgetary needs. Pending completion of the review process, CMS is pegging each State's FY2013 allocation to the lesser of:

- (a) 3 percent above actual FY2012 spending, or
- (b) 3 percent below the FY2012 final baseline allocation level (i.e., 97 percent of the FY2012 baseline allocation).

Attachment 1 contains FY2013 proposed Medicare allocation figures for each State. Columns A-D are provided only for reference purposes. Look to Column E for the proposed FY2013 allocation. Final State allocations will be determined pursuant to conversations between the States, Regions and Central Office.

While we do not wish States to make any binding decisions until all amounts are finalized, we do need States to understand that everyone will need to make some accommodations to handle a reduced level of funding from FY 2012.

We are also issuing a series of separate memoranda that offer methods to address the fiscal situation or increase efficiency, as well as making adjustments to certain aspects of the State Performance Standards System (SPSS) where survey process adjustments or efficiencies may still not enable existing performance expectations to be met on a national basis.

B. Appeals

Each CMS Regional Division has been allotted a small amount of funds to allow State Agencies to have the opportunity to appeal their proposed funding level to their Regional offices by close of business (COB) Tuesday, April 16, 2013. This is a chance for the States to propose a different funding amount, higher or lower, than the proposed amount in Column E of Attachment 1, together with the rationale explaining why the change would respond to an unusual and important situation. Please be specific, and recognize that only a small amount of funding is available to the Regions to respond to these requests.

The time frame for the appeals process is as follows:

April 5-16th COB – States submit, with justification, requested changes to their proposed FY13 budget amount listed in Attachment 1 to the Regional Office.

April 16-22th COB – Regional Offices review the States appeal submissions and offer recommendations, by State, to the Central Office (Bary.Slovikosky@cms.hhs.gov).

April 23-26 – Central Office staff will hold conference calls with the Regional offices to discuss and make final decisions regarding the FY13 Allocations.

April 30 – Final allocations are determined.

C. Functions Not Affected

States will continue to receive supplemental funds, above the budget amounts listed in Attachment 1, for S&C functions listed below.

- ***Validation Surveys:*** The expected number of validation surveys for each State can be found in Appendix 3 of AdminInfo13-07-02. Attachment FY2013 MPD State-FINAL. We will continue to provide supplemental awards for those validation surveys that are completed and for which the Mission and Priority Document (MPD) indicates supplemental awards are to be made.

- ***Patient Safety Initiative:*** As noted on pages 22 and 23 of the MPD, “All States will continue piloting three revised hospital tools throughout FY2013 (for discharge planning, infection control, and quality assessment & performance improvement (QAPI). FY 2013 pilot surveys involve combined use of all three tools on one survey. Appendix 5 indicates the number of pilot surveys to be performed by each SA...” States will continue to receive supplemental funding for these surveys adequate to cover their costs, based on the Form 670 data submitted electronically along with the Form 2567 for each PSI pilot survey. See the MPD for more details.
- ***Transplant Program Surveys:*** For FY2013 the funding for these surveys was added to the State’s allocation and included in its baseline budget (for those States that have been performing these surveys). Those States will retain the transplant funding for FY2013 for surveys conducted in FY2013. Pursuant to AdminInfo 13-20, we will work out mutually acceptable arrangements for transition of transplant center surveys to the national contractor for States that will not be continuing to conduct such surveys in the future.

D. Explanation of Attachment 1 - FY2013 State S&C Allocation Worksheet

Columns A & B: Column A represents each States FY12 adjusted budget as previously shown in Appendix 2, column C, of AdminInfo13-07-02. Attachment FY2013 MPD State-FINAL. Column B is the amount that each State has reported on their Cumulative FY12 CMS-435 form on the Automated Budget System. The only caveat to Column B is that if a State does not have a finalized (State Certified and RO approved) Cumulative CMS-435 form for FY12, the best available data was used (i.e. the first four quarters added together or a form which has not been RO approved, etc.).

Columns C & D: Column C and D of Attachment 1 reflect the calculations based on the criteria previously discussed, where Column C shows the budget amount based upon a 3 percent increase over FY12 actual spending and Column D calculates the budget amount based on 97 percent of the FY12 Budget figures.

Column E: Column E in Attachment 1 contains the FY2013 proposed budget based on the lower amount of Columns C or D.

Columns F & G: Columns F & G are for CMS use to record the results of discussions with States and RO deliberations.

Columns H – K: These columns represent the final FY2013 budget and for reference, the calculated changes to the various funding levels of the FY2012 budget.

E. Actions Once Final Allocations are Made (All States)

Once States have received notification of their Final State Allocations for FY 2013, please submit the FY2013 budget forms into the S&C online budget system, including the following:

1. CMS-435 Budget Approval Form. *Note: This form should capture all projected FY 2013 expenditures (including MDS, OASIS, and the NHOIP) spread across the appropriate lines of the CMS-435.*
2. 2 mini CMS-435s for MDS and OASIS with projected expenditures spread across the appropriate line items;
3. CMS-434 Planned Workload Report;
4. CMS-1465A Budget List of Positions; and
5. CMS-1466 Schedule for Equipment

/s/

Thomas E. Hamilton

Attachment

cc: Survey and Certification Regional Office Management