



Center for Medicaid and State Operations/Survey and Certification Group

**Admin Info: 07-16**

**DATE:** June 22, 2007

**TO:** State Survey Agency Directors

**FROM:** Director  
Survey and Certification Group

**SUBJECT:** FY 2006 End of Year Closeout Award Process + Award of FY 2006 Supplementals

**Memorandum Summary**

- States requested an aggregate of over \$12 million in supplemental funds to defray documented FY 2006 survey & certification expenses.
- Available FY 2006 funds unspent by other States totaled about \$3 million, considerably less than the total requested.
- In the allocation of funds we gave priority to States that are less well funded compared to other States, according to the Budget Allocation Tool (BAT).
- In the interests of transparent budgeting, we explain the methodology in this general memo.

We have finalized the FY 2006 Survey & Certification (S&C) closeout process. CMS Regional Offices (RO) will communicate the final award for those States that made a request.

This year there were requests for supplemental awards totaling over 12 million dollars while only approximately 3 million dollars were returned nationally. Thus, we had to make some difficult determinations as to the best methodology to fairly distribute the remaining funds. In the allocation of funds we gave priority to States that are less well funded compared to other States, according to the Budget Allocation Tool (BAT). The BAT tool measures funding against workload, and is updated each year to account for changes in the number of providers in each State that are subject to Medicare survey & certification.

The allocation process first awarded every State that requested supplemental funding a base of \$15,000 (or the State's request if the State requested less than \$15,000). The next step was to look at which BAT quintile applies to each State. Thresholds were established as to a maximum award value by quintile and a percentage of funding provided with the remaining supplemental request value. The chart below details the thresholds levels used.

Pay all \$15K	
Quintile 1	80% of request up to max of \$450K
Quintile 2	60% of request up to max of \$225K
Quintile 3	40% of request up to max of \$145K
Quintile 4	15% of request up to max of \$60K
Quintile 5	\$15K

Here are two examples detailing the process:

- 1) A State requested supplemental funding in the amount of \$100,000 and was in quintile 2

$$\begin{aligned} \$100,000 - \$15,000 &= \$85,000 \times 60\% = \$51,000 \\ \$51,000 + \$15,000 &= \$66,000 \text{ final award} \end{aligned}$$

- 2) A State requested supplemental funding in the amount of \$500,000 and was in quintile 3

$$\begin{aligned} \$500,000 - \$15,000 &= \$485,000 \times 40\% = \$194,000 \\ \$194,000 + \$15,000 &= \$209,000 \text{ (exceeds threshold listed in chart above) thus,} \\ & \$145,000 \text{ final award} \end{aligned}$$

We felt this methodology was the most effective in giving priority to those States which fell into lower quintiles, by use of the BAT tool, and are considered relatively not as well funded. It should also be noted that we felt that it would be inappropriate to adjust awards according to State performance data due to the fact that funding levels impact performance. In other words, if a State that was less well funded compared to other States was trying to compensate for that fact by advancing State-only funds, we felt it would be unfair to deny that State access to supplemental funds only because the additional State funds were not sufficient to achieve the full higher performance they desired.

In addition, we refrained from reducing a State's award if we found that the State had conducted Tier 4 initial surveys even though the State had not completed all Tier 2 and Tier 3 work. Although such a spending pattern was inconsistent with CMS priorities clearly articulated in the Mission and Priority Document (MPD), we did not make any deductions for such expenses because we had not provided advance notice to States of such probable deductions. We will make such deductions in the future, and are providing advance notice now.

We very much appreciate the budget initiative that States undertake in devoting State-only funds to the quality assurance functions represented by survey and certification, as well as the actions that all State survey agencies take to accommodate the uncertainties inherent in the federal budget system and the fact that final Medicare budget allocation amounts to States are generally not finalized until a few months after the fiscal year has begun.

/s/

Thomas E. Hamilton

cc: Survey and Certification Regional Office Management