

Center for Medicaid and State Operations/Survey & Certification Group

Ref: S&C-08-13

DATE: March 7, 2008

TO: State Survey Agency Directors

FROM: Director
Survey and Certification Group

SUBJECT: Initial Surveys of Rural Health Clinics (RHCs) and Skilled Nursing Facilities (SNFs) -
Raised to Tier 3 Priority - And Continued Encouragement for Dialysis Facility Priority
Within Tier 3

Memorandum Summary

- **Raising RHC+SNF Initial Surveys to Tier 3 Priority:** Congress's appropriation of part of the increase in Medicare Survey & Certification funds requested in the President's proposed FY 2008 budget permits us to raise initial surveys of RHCs and SNFs to Tier 3 priority from Tier 4.
- **Prioritizing within Tier 3:** For initial surveys assigned Tier 3 priority status, States may prioritize the initial surveys within Tier 3. We encourage States to offer a high Tier 3 status for initial surveys of dialysis facilities given the unique reliance on Medicare on the part of end stage renal disease patients.

This memorandum amends Survey and Certification (S&C) memorandum S&C-08-03 issued on November 5, 2007.

Congressional approval of part of the increase for Medicare S&C functions requested in the President's FY 2008 budget, combined with the Centers for Medicare & Medicaid Services (CMS) Administrator's effort to remedy the remaining shortfall, enable us to make some adjustments in the priority status for RHCs and for SNFs. In addition, a re-analysis of the data indicates that the rate of growth of RHCs is less than previously indicated (a more manageable 13.5% increase from 2002 to 2007 – see attached graph). We are therefore raising the priority status for RHCs and SNFs from Tier 4 to Tier 3.

Given that RHCs serve areas that often involve considerable travel distance to access health care, and there is no accreditation option for RHCs, we believe it is important to raise the priority status for such providers.

We appreciate that Medicare resources for S&C remain extremely constrained, and States may still not have the resource flexibility to conduct the initial surveys for these providers. Nonetheless, to the extent that resources permit, the Tier 3 status may be important for some States and some RHCs or SNFs.

In the case of nursing homes, most facilities are dually-certified for Medicare and Medicaid. Medicaid pays about half of the survey costs for dually-certified providers, there is no accreditation option for this provider type, and there are few new SNF providers each year (about 30-40 nationwide, often replacement facilities). Initial surveys of Medicaid-only nursing facilities (NFs) may be surveyed at State priority discretion¹.

States may prioritize initial surveys within Tier 3. We encourage States to offer particular consideration within Tier 3 for initial surveys of RHCs given the general prevalence of rural health care access issues, and for dialysis facilities given the unique Medicare reliance on the part of end stage renal disease patients. For any particular provider type within Tier 3, States may apply the priority criteria to prioritize initial surveys so long as the criteria are objectively and fairly applied across the provider type in question.

S&C memorandum S&C-08-03 also outlined an exception process for initial surveys approved by CMS where the evidence indicates that the absence of the provider will create serious access-to-care-problems for beneficiaries. If approved by CMS, such access-to-care initial surveys may be treated as either Tier 2 or Tier 3, as appropriate.

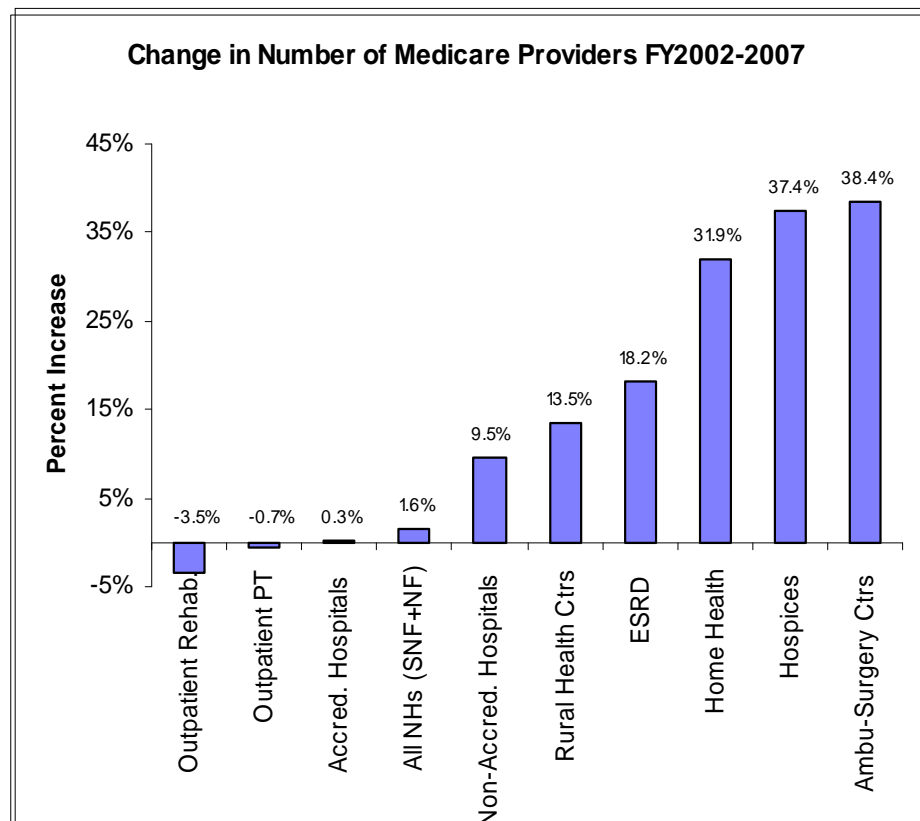
This graph replaces the graph provided in S&C-08-03.

Effective Date:

Immediately. Please ensure that all appropriate staff are fully informed within 30 days of the date of this memorandum.

Training:

The information contained in this letter should be shared with all survey and certification staff, their managers, and the State/RO training coordinators.



/s/

Thomas E. Hamilton

cc: Survey and Certification Regional Office Management

¹ Surveys conducted as part of a facility's conversion from being Medicaid-only to Medicare are not considered initial surveys as long as the most recent Medicaid survey is less than six months old.