DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL **FOR: HEALTH CARE FINANCING ADMINISTRATION**	1. TRANSMITTAL NUMBER: 03-03 2. STATE Alaska 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES RECEIVED MAR 31 2003	4. PROPOSED EFFECTIVE DATE January 1, 2003 July 1, 2005 (Attachment 4.19-A pgs. 25-26 ONLY) (P&I)

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.250-.252 and 42 CFR 447.256-.299	7. FEDERAL BUDGET IMPACT: a. FFY 2003 $0 b. FFY 2004 $0
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19A, pages 6-8, 25, 26 (P+I) Attachment 4.19D, pages 6-8	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Attachment 4.19A, pages 6-8, 25, 26 (P+I) Attachment 4.19D, pages 6-8

10. SUBJECT OF AMENDMENT:
Small Facility Optional Payment Methodology

11. GOVERNOR'S REVIEW *(Check One)*:
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED: Does not wish to comment

13. TYPED NAME: Virginia Stonkus	16. RETURN TO: Division of Medical Assistance PO Box 110660 Juneau, AK 99811-0660
14. TITLE: Acting Director, Division of Medical Assistance	
15. DATE SUBMITTED: March 27, 2003	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: MAR 31 2003	18. DATE APPROVED: JUN - 4 2009

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JAN - 1 2003 JUL - 1 2005	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Barbara K. Richards	22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health

23. REMARKS:

Pen+Ink changes authorized by the state on 6/3/2009

TRANSMITTED: 3/27 (DATE) • Juneau (CITY/STATE)

Effective date authorization of 7/1/05 for Att. 4.19-A pages 25-26 approved per CMS OGC.

FORM HCFA-179 (07-92)

Prospective payment rates for facilities that are calculated and paid on a per-day basis as discussed in this Section will be no greater than the per-day rates proposed in the certificate of need application and other information provided as a basis for approval of the certificate of need for the first year during which the following are available for use and for two years immediately following the first year:

(1) opening of a new or modified health care facility;
(2) alteration of bed capacity; or
(3) the implementation date of a change in offered categories of health service or bed capacity.

If a facility is granted a certificate of need for additional beds, the additional capital payment add-on to the per-day rate will include the base year's inpatient days plus additional days associated with the additional beds. The additional days are calculated as the base year's occupancy percentage multiplied by 80 percent and then multiplied by the additional beds approved in the certificate of need. The resulting figure is further multiplied by 365.

Except for critical access hospitals, costs are the lower of costs or charges in the aggregate to the general public. For the initial prospective payment year, routine charges are those in the payment history reports and ancillary charges are those reported by the facility.

b. Optional Prospective Payment Rate Methodology and Criteria for Small Facilities
The language in this section is effective through 12/31/03.

A facility that had 4,000 or fewer total inpatient hospital days as a combined hospital-nursing facility or 15,000 or fewer Medicaid nursing days as a non-combined nursing facility during the facility's fiscal year that ended 24 months before the beginning of its prospective payment rate year beginning during calendar year 2003, may elect to be reimbursed for inpatient acute care services under provisions of this Subsection. If a facility meets these criteria and does not elect to participate during its first fiscal year after December 31, 2002, the facility may not reverse its decision and elect to participate under the provisions of this Subsection until after a re-basing occurs under Subsection IVa.

All facilities qualifying for the Optional Payment Rate Methodology for Small Hospitals may elect to participate in the program described in this Subsection. Facilities currently participating in the prior optional small facility program may choose to terminate their current agreement and be reimbursed under the optional prospective payment rate methodology outlined in this Subsection. Facilities currently participating in the program that choose to continue with their current agreement may not elect the option under this Subsection until after their current agreement expires. If a facility still qualifies to participate after their agreement expires, they may elect to do so under this Subsection.

Facilities reimbursed under this Subsection are subject to year-end review pursuant to Section V.

A facility electing reimbursement by this optional methodology must have an agreement with the department that will not expire, lapse, or be revoked before four facility fiscal years have elapsed. The agreement may be renewed after it expires if the facility still qualifies for reimbursement under this Subsection. A re-basing of the prospective payment rate for the renewed agreement will occur in accordance with Subsection IVa.

A facility electing reimbursement under the optional methodology described in this Subsection for fiscal years beginning in calendar year 2003 will be re-based and have its prospective payment rate based on the rate calculated under Subsection IVa. Fiscal year 2000 is used as the base year for facilities with fiscal years ending on December 31 and fiscal year 2001 is used as the base year for all others.

The prospective payment rate will be determined as follows:

(1) The prospective payment rate is expressed as a per-day rate, composed of separate capital and non-capital components.

(2) For the first year of the agreement, the capital component is calculated as described in Subsection IVa. The resulting amount is adjusted for inflation at 1.1 percent per year for each fiscal year after the first year of election and until the agreement expires.

(3) For the first year of the agreement, the non-capital component is calculated as described in Subsection IVa. The resulting amount is adjusted for inflation at three percent per year for each fiscal year after the first year of election until the agreement expires.

Increases in the capital component of the prospective payment rate for new assets placed in service during the period covered by the agreement will be allowed, based on the provisions in Subsection IVa, if the following conditions are met:

(1) The assets placed into service have a value of at least $1,000,000;

(2) The facility obtains one or more Certificates of Need for the assets placed into service; and

(3) The facility provides a detailed budget that reflects the allowance for the new assets before the prospective payment rate is increased.

In most cases, a facility must use the "exceptional relief" process for appealing department decisions pursuant to Subsection XII. The administrative appeals process outlined in Subsection VIII, will be used only when an appeal relates to one of the following subjects :

(1) The facility's eligibility to elect rate setting under this Subsection;

(2) The violation of a term of the rate agreement between the facility and the department;

(3) The denial of an increase in the capital component of the prospective payment rate for new assets related to an approved Certificate of Need.

A small facility acute care hospital may elect a new four-year rate agreement as described in this Subsection if the facility becomes a combined acute care hospital-nursing facility. The facility may choose this option within 30 days after the combination of the two facilities. The inpatient acute care facility payment rate is calculated as follows:

- the inpatient acute care facility per-day rate is the statewide weighted average of the payment rates in effect for small facility inpatient acute care facilities qualifying under this Subsection on the date the facilities combine;

A rate agreement made under this Subsection may be renewed if the small facility still qualifies under this Subsection. The department will perform a re-basing in accordance with Subsection IVa at the time rate agreements are renewed.

c. <u>New Facility Prospective Payment Rate Methodology</u>

Under this Subsection, a new facility is described as a facility that has not, within the previous 36 months, provided the same or similar level of Medicaid certified patient services within 25 miles of the facility either through present or previous ownership.

This page left intentionally blank.

XVI. State Hospital Proportionate Share Incentive Payments

1. The department recognizes that state owned hospitals provide basic support for community and regional health care to clients who would otherwise be unable to readily access needed inpatient hospital service. To ensure continued access, the department will make a State Hospital Proportionate Share (SHPS) incentive payment each year to state owned hospitals in accordance with federal law in 42 CFR 447.272.

Prospective payment rates for facilities that are calculated and paid on a per-day basis as discussed in this Section will be no greater than the per-day rates proposed in the certificate of need application and other information provided as a basis for approval of the certificate of need for the first year during which the following are available for use and for two years immediately following the first year:

(1) opening of a new or modified health care facility;
(2) alteration of bed capacity; or
(3) the implementation date of a change in offered categories of health service or bed capacity.

If a facility is granted a certificate of need for additional beds, the additional capital payment add-on to the per-day rate will include the base year's inpatient days plus additional days associated with the additional beds. The additional days are calculated as the base year's occupancy percentage multiplied by 80 percent and then multiplied by the additional beds approved in the certificate of need. The resulting figure is further multiplied by 365.

Except for critical access hospitals, costs are the lower of costs or charges in the aggregate to the general public. For the initial prospective payment year, routine charges are those in the payment history reports and ancillary charges are those reported by the facility.

b. Optional Prospective Payment Rate Methodology and Criteria for Small Facilities
The language in this section is effective through 12/31/03.

A facility that had 4,000 or fewer total inpatient hospital days as a combined hospital-nursing facility or 15,000 or fewer Medicaid nursing days as a non-combined nursing facility during the facility's fiscal year that ended 24 months before the beginning of its prospective payment rate year beginning during calendar year 2003, may elect to be reimbursed for inpatient acute care services under provisions of this Subsection. If a facility meets these criteria and does not elect to participate during its first fiscal year after December 31, 2002, the facility may not reverse its decision and elect to participate under this Subsection until after a re-basing occurs under the provisions of Subsection IVa.

All facilities qualifying for the Optional Payment Rate Methodology for Small Hospitals may elect to participate in the program described in this Subsection. Facilities currently participating in the prior optional small facility program may choose to terminate their current agreement and be reimbursed under the optional prospective payment rate methodology outlined in this Subsection. Facilities currently participating in the program that choose to continue with their current agreement may not elect the option under this Subsection until after their current agreement expires. If a facility still qualifies to participate after their agreement expires, they may elect to do so under this Subsection.

A facility electing reimbursement by this optional methodology must have an agreement with the department that will not expire, lapse, or be revoked before four facility fiscal years have elapsed. The agreement may be renewed after it expires if the facility still qualifies for reimbursement under this Subsection. A re-basing of the prospective payment rate for the renewed agreement will occur in accordance with Subsection IVa. Facilities reimbursed under this Subsection are subject to year-end review pursuant to Section VI.

A facility electing reimbursement under the optional methodology described in this Subsection for fiscal years beginning in calendar year 2003 will be re-based and have its prospective payment rate based on the rate calculated under Subsection IVa. Fiscal year 2000 is used as the base year for facilities with fiscal years ending on December 31 and fiscal year 2001 is used as the base year for all others.

The prospective payment rate will be determined as follows:

(1) The prospective payment rate is expressed as a per-day rate, composed of separate capital and non-capital components.

(2) For the first year of the agreement, the capital component is calculated as described in Subsection IVa. The resulting amount is adjusted for inflation at 1.1 percent per year for each fiscal year after the first year of election until the agreement expires.

(3) For the first year of the agreement, the non-capital component is calculated as described in Subsection IVa. The resulting amount is adjusted for inflation at three percent per year for each fiscal year after the first year of election until the agreement expires.

Increases in the capital component of the prospective payment rate for new assets placed in service during the period covered by the agreement will be allowed, based on the provisions in Subsection IVa, if the following conditions are met:

(1) The assets placed into service have a value of at least $1,000,000;

(2) The facility obtains one or more Certificates of Need for the assets placed into service; and

(3) The facility provides a detailed budget that reflects the allowance for the new assets before the prospective payment rate is increased.

In most cases, a facility must use the "exceptional relief" process for appealing department decisions pursuant to Subsection XII. The administrative appeals process outlined in Subsection VIII, will be used only when an appeal relates to one of the following subjects :

(1) The facility's eligibility to elect rate setting under this Subsection;

(2) The violation of a term of the rate agreement between the facility and the department;

(3) The denial of an increase in the capital component of the prospective payment rate for new assets related to an approved Certificate of Need.

A small facility acute care hospital may elect a new four-year rate agreement as described in this Subsection if the facility becomes a combined acute care hospital-nursing facility. The facility may choose this option within 30 days after the combination of the two facilities. The nursing facility payment rate is calculated as follows:

- the nursing facility per-day rate is the statewide weighted average of the payment rates in effect for small facility nursing homes qualifying under this Subsection on the date the facilities combine;

A rate agreement made under this Subsection may be renewed if the small facility still qualifies under this Subsection. The department will perform a re-basing in accordance with Subsection IVa at the time rate agreements are renewed.