

**Center for Medicaid, CHIP and Survey & Certification (CMCS)**

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Mr. Michael P. Starkowski, Commissioner  
Department of Social Services  
25 Sigourney Street  
Hartford, CT 06106-5033

DEC - 8 2010

RE: TN 10-002

Dear Mr. Starkowski:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-002. This amendment adds a new provision for inpatient psychiatric services. Specifically, it establishes rates for acute psychiatric care in general hospital psychiatric units for individuals requiring extended care.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This letter is to inform you that Medicaid State plan amendment 10-002 is approved effective June 1, 2010. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Novena James-Hailey at (617) 565-1291.

Sincerely,

  
Cindy Mann  
Director, CMCS

Enclosures:

cc: Mark Schaefer, Acting Director, DSS

bcc: Richard McGreal, ARA, CMS Region I  
Joseph Barkas, Region I  
Irvin Rich, Region I  
Mark Cooley, CMS NIRT  
Official SPA File

**TRANSMITTAL AND NOTICE OF APPROVAL  
OF STATE PLAN MATERIAL  
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:  
10-002

2. STATE: CT

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: NATIONAL INSTITUTIONAL REIMBURSEMENT TEAM  
CMS/CMSSO  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
06/01/2010

5. TYPE OF STATE 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 447.253(a) and (b)

7. FEDERAL BUDGET IMPACT at applicable enhanced FFP:  
a. FFY 2010: \$150,000  
b. FFY 2011: \$900,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19A Page 1(ii) & (iii)

9. PAGE NUMBER OF THE SUPERSEDED PLAN  
SECTION OR ATTACHMENT (If applicable)  
Attachment 4.19A Page 1(ii) & (iii)

10. SUBJECT OF AMENDMENT:

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Services

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:  
Comments, if any, to follow.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

[Redacted Signature]

16. RETURN TO:

State of Connecticut  
Department of Social Services  
25 Sigourney Street  
Hartford, CT 06106-5033  
Attention: Gary Richter, CON & Rate Setting

13. TYPED NAME: Michael P. Starkowski

14. TITLE: Commissioner

15. DATE SUBMITTED:  
September 27, 2010 (amends May 27, 2010 filing)

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED: 12-08-10

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
JUN - 1 2010

20. SIGNATURE OF REGIONAL OFFICIAL:

[Redacted Signature]

21. TYPED NAME: William Lasowski

22. TITLE: Deputy Director, CMCS

23. REMARKS:

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

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 State Connecticut
 

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## Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care (continued)

- (b) In reimbursing for inpatient hospital services to out-of-state and border hospitals the State agency will apply the following methodologies:
1. A fixed percentage shall be calculated by the State agency based on the ratio between the allowed cost for all Connecticut in-state hospitals, applying Medicare retrospective reasonable cost reimbursement principles, and total customary charges for all Connecticut in-state hospitals, or
  2. Each out-of-state and border hospital may have its fixed percentage optionally determined based on its total allowable cost under Medicare principles of reimbursement pursuant to 42 CFR 413. The State agency shall determine from the hospital's most recently available Medicare cost report filed with the State agency the ratio of total allowable inpatient costs to gross inpatient revenue. The resulting ratio shall be the hospital's fixed percentage not to exceed one hundred percent (100%). For any hospital with a fixed percentage that exceeds seventy-five percent (75%), the State agency may review the supporting documentation and make any adjustment required in favor of the hospital or the State as a result of the review.
  3. The State agency shall reimburse out-of-state and border hospitals utilizing the methodology as set forth in subsection (b)1. or (b)2. above unless a different methodology is required by federal law, in which case, the required federal methodology shall be employed.

## (2) The basis for payment for Administratively Necessary Days to Connecticut Hospitals.

For hospital patients who no longer require acute hospital care, the Department will only pay for those patients who qualify for Medicaid certified Skilled Nursing Facility or Intermediate Care Facility services at the rate established pursuant to (1) above and as specified below in (a) and (b).

- (a) As an interim rate of payment to hospitals, prior to cost settlement, the Department will pay: (1) for the first seven days of hospital care for patients who no longer require acute care, a rate which is equal to fifty percent (50%) of the hospital's interim non-intensive care per diem rate; (2) for the eight through fourteenth day of such care a rate which is equal to seventy-five (75%) of the hospital's interim non-intensive care per diem rate; and (3) for days of such care after the fourteenth day a rate equal to one hundred percent (100%) of the hospital's interim non-intensive care per diem rate.
- (b) As a rate of payment to hospitals for cost settlement purposes, the Department will pay: (1) for the first seven days of hospital care for patients who no longer require acute care, a rate which is equal to fifty percent (50%) of the hospital's non-intensive care per diem rate; (2) for the eight through fourteenth day of such care, a rate which is equal to seventy-five percent (75%) of the hospital's non-intensive care unit per diem rate; and (3) for days of such care after the fourteenth day, a rate equal to one hundred percent (100%) of the hospital's non-intensive care unit per diem rate.

TN # 10-002  
Supersedes  
TN #09-021

DEC - 8 2010

Approval Date \_\_\_\_\_

Effective Date 6/1/10

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State Connecticut

## Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care (continued)

(with addition of ten percent incentive, if applicable) increased by 6.5%; or (2) 80% of the cost per discharge per the 2005 cost report filings, but not to exceed \$10,750 per discharge or 142.5% of the 2007 Medicaid Cost Per Discharge (with addition of ten percent incentive, if applicable). Hospitals qualifying for an allowable cost per discharge increase under (1) or (2), shall not receive the ten per cent incentive identified in Section 4005 of Public Law 101-508.

Effective April 1, 2009, general acute care hospital inpatient rates shall be adjusted for admissions that meet the criteria established in section 1(k) of the Addendum to Attachments 3.1-A and 3.1-B, Page 1(b). The methodology is as follows:

1. Hospitals are required to run all Medicaid claims through a Medicare diagnosis-related grouper to determine the Medicare payment amount with and without the present on admission indicator.
2. Hospitals are required to report to the Department all Medicaid claims with a present on admission indicator where Medicare payment was reduced. The report shall include the payment amount with the indicator and the payment amount without the indicator.
3. The Department will calculate the Medicare payment reduction percentage and apply this same percentage reduction to the Medicaid allowed amount per discharge during the annual cost settlement.

All Medicaid cost settlement report filings shall be subject to adjustment as specified in Section 17-312-105(g) of the Regulations of Connecticut State Agencies. The department may also conduct special reviews of a hospital cost report filing to verify significant aberrations from cost year to cost year filings by a hospital or in comparison to other hospitals. Cost or statistical data that is not adequately documented or is unallowable, shall be adjusted and any cost settlements or rates established based on such data shall be revised accordingly.

Effective June 1, 2010, per diem rates for intermediate duration acute psychiatric care provided in a designated general hospital unit certified by the state Department of Mental Health and Addition Services for such services shall be:

Days 1-29:	\$900
Days 30+:	\$825

Such per diem rates are inclusive of all hospital service fees and hospital-based professional services. Payment shall continue as long as placement in this level of care is appropriate. Inpatient stays that include transfer to intermediate duration acute psychiatric care beds from other inpatient psychiatric beds within a hospital shall be paid based on the intermediate duration psychiatric care rate schedule for all days. Intermediate duration psychiatric care payments and patient days shall be excluded from Medicaid Cost Per Discharge settlement.

**TN # 10-002**  
Supersedes  
**TN #09-021**

Approval Date DEC - 8 2009

Effective Date 6/1/10

**Division of Medicaid and Children's Health Operations / Boston Regional Office**

December 8, 2010

Michael P. Starkowski, Commissioner  
Department of Social Services  
25 Sigourney Street  
Hartford, CT 06106-5033

Dear Commissioner Starkowski:

This letter is being sent as a companion to our approval of your Department's State Plan Amendment (SPA) CT 10-002. During our review of CT 10-002, we also reviewed the source of the State's share of the funding for Medicaid covered psychiatric services provided at institutions operated by Connecticut's Department of Mental Health and Addiction Services (DMHAS). Based on that review, it was determined that Attachment 4.19-A of the State Plan is not consistent with the following statutory and regulatory requirements.

**Funding Source of the State Match:** Section 1902(a)(2) of the Social Security Act (the Act) requires that the State Plan must assure adequate funding for the non-Federal share of expenditures from State or local sources for the amount, duration and scope or quality of care and services available under the plan. Section 1903(a)(1) of the Act provides that Federal matching funds are only available for expenditures made by states for services under the approved plan. Connecticut's State Plan does not include a reimbursement methodology for services provided by DMHAS institutions. Specifically, the reimbursement methodology for inpatient hospital services under Attachment 4.19-A of the State Plan does not include a description of the Medicaid cost finding and reconciliation process to support the State's cost-based reimbursement to DMHAS' institutions.

**State Plan Comprehensiveness:** Furthermore, 42 CFR 130.10 requires that the State Plan be a comprehensive written statement that describes the nature and scope of the State's Medicaid program and that it contains all information necessary for CMS to determine whether the plan can be approved to serve as the basis for Federal financial participation (FFP) in the State program. The current plan provisions do not provide any specific information on the coverage and reimbursement policies for services furnished by DMHAS' institutions.

Please submit a State Plan amendment that complies with Federal Statute, regulation and policies by comprehensively describing the coverage and reimbursement policies for inpatient hospital services provided by DMHAS' institutions. In addition, prior to the effective date of the SPA, the State will need to satisfy the public process requirement for any change in rates and methodologies underlying the establishment of the rates, in accordance with section 1902(a)(13)(A) of the Act and guidance identified in the December 10, 1997 State Medicaid Director letter, prior to the effective date of the SPA.

To assist you in ensuring compliance with current regulations and policy related to reimbursement for services provided by DMHAS' institutions, we are describing in an attachment to this letter some options to resolve these issues that may be available to Connecticut. The attachment is intended to help the State consider its options and understand the information necessary to support State Plan reimbursement methodology for inpatient services provided at DMHAS' institutions.

The State has 90 days from December 8, 2010, to address the issues described above. The State may submit SPAs to address the inconsistencies within that period or submit a corrective action plan describing in detail how and when the State will resolve the issues identified above in a timely manner. Failure to respond will result in the initiation of a formal compliance process. During the 90 day period, CMS will provide any technical assistance that is needed to resolve the issues described above. If you have any questions regarding this letter please contact me at (617) 565-1226 or Ms. Novena James-Hailey at (617) 565-1291.

Sincerely,

A black rectangular redaction box covering the signature of the sender.

Richard R. McGreal  
Associate Regional Administrator

**Options for Funding of Inpatient Services Provided by Connecticut's Department of Mental Health and Addiction Services**

In general under Medicaid, the State has three funding options for the non-federal share of Medicaid expenditures: 1) Appropriation provided directly to the single State Medicaid agency; 2) an inter-governmental transfer (IGT); or 3) Certified Public Expenditure (CPE) funding mechanism. Below is a description of the items that should be submitted to the CMS Regional Office for each funding mechanism.

1. If Medicaid covered psychiatric services provided by DMHAS will be funded by a direct appropriation to the Medicaid single State agency, please describe those appropriations in any submission.
  
2. If an IGT funding mechanism will be used, the State should submit: a) a complete description of the IGT transfer process, including State legislative authority for the transfer and completion of the standard CMS funding questions; b) an explanation of the source of the funds and timing of transfers relative to payment made to providers; c) verification that providers receive and retain the total computable amount, including the Federal and non-Federal share of the payment; and, d) a copy of the interagency agreement between the State Medicaid agency and the central education agency, and between the central education agency and the local education agencies.
  
3. If a CPE funding mechanism will be used, the State should submit: a) the proposed cost report format and the related cost report instructions that will be used to support the identification of Medicaid expenditures; b) the proposed time-study and instructions used to allocate staff time/expense between Medicaid and other activities; c) a copy of the certification statement format that will be used to certify public expenditures; and, d) summary description of the overall funding mechanism.

Note that when CPEs are used as the source of the state share, the Plan must provide for payment of reconciled cost, not rates.

## OS Notification

**State/Title/Plan Number:** Connecticut 10-002

**Type of Action:** SPA Approval

**Required Date for State Notification:** December 27, 2010

**Fiscal Impact:**

FY 2010	\$150,000 FFP
FY 2011	\$900,000 FFP

**Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment:** 0

**Number of Potential Newly Eligible People:** 0

**Eligibility Simplification:** No

**Provider Payment Increase:** Yes

**Delivery System Innovation:** No

**Number of People Losing Medicaid Eligibility:** 0

**Reduces Benefits:** No

**Detail:** The State's 103 bed psychiatric facility, Cedarcrest Hospital, is closing. The State has certified designated psychiatric units of general hospitals to accommodate patients that will be moved from the closing facility. These patients generally have longer lengths of stay than the designated hospitals' normal per discharge rates for services recognize under the approved plan. Effective June 1, 2010, this amendment establishes separate rates for services provided to psychiatric patients requiring extended care. CMS is not aware of any issues with this type of coverage as long as this level of care is appropriate for Medicaid beneficiaries who require inpatient hospital care as suggested in the plan language.

**Other Considerations:** For payments proposed under this SPA, CMS is satisfied that the State has met all the Federal requirements. The upper payment limit demonstration was acceptable. In the State's response to the funding questions it was discovered that the State's share of payment for services (not applicable to this proposal) provided by state-owned facilities is not consistent with statutory and regulatory requirements. In addition, the State plan does not include a payment methodology for services provided by these state-owned institutions. For these reason we are also sending a companion letter with this approval to resolve these issues. We do not recommend the Secretary contact the governor.



**This OSN has been reviewed in the context of the ARRA and approval of the OSN is not in violation of ARRA provisions.**

**CMS Contact: Novena James-Hailey, (617) 565-1291**