Table of Contents

State Name: District of Columbia

State Plan Amendment (SPA)#: 17-0006

This file contains the following documents in the order listed:

1) Approval Letter
2) CMS 179 Form/Summary Form (with 179-like data)
3) Four (4) SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

Financial Management Group

SEP 15 2017

Claudia Schlosberg, J.D.
Medicaid Director
Department of Health Care Finance
441 4th St. N.W., Suite 900 South
Washington, DC 2000

RE: State Plan Amendment 17-0006

Dear Ms. Schlosberg:

We have reviewed the proposed amendment to Attachment 4.19-A of the District of Columbia State plan submitted under transmittal number (TN) 17-0006. This amendment modifies the State's methods and standards for rebasing rates at rehabilitation hospitals. Specifically, this amendment sets rehabilitation rebasing one year earlier before realinging with other hospitals in 2023.

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 (the Act) and the regulations at 42 CFR 447 Subpart C. We are approving District of Columbia State plan amendment 17-0006 with an effective date of October 1, 2017. The approved HCF A-179 and the amended state plan pages are enclosed.

If you have any questions, please call Gary Knight on (304) 34 7-5723.

Sincerely,

/S/

Kristin Fan
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: **17-006**

2. STATE: District of Columbia

3. PROGRAM IDENTIFICATION: Title XIX of the Social Security Act

TO: Regional Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services

4. PROPOSED EFFECTIVE DATE: October 1, 2017

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

7. FEDERAL BUDGET IMPACT

FFY18: $ 1,250,950
FFY19: $ 1,323,290

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19A, Part II: pages 19-21A

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*

Attachment 4.19A, Part II: pages 19-21

10. SUBJECT OF AMENDMENT:

Specialty Hospital Rebasing

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:
D.C. Act: 22-104

12. SIGNATURE OF STATE AGENCY OFFICIAL
/S/

13. TYPED NAME
Claudia Schlosberg J.D.

14. TITLE
Senior Deputy Director/Medicaid Director

15. DATE SUBMITTED
AUG 2 2017

16. RETURN TO
Claudia Schlosberg, J.D.
Senior Deputy Director/Medicaid Director
Department of Health Care Finance
441 4th Street, NW, 9th Floor, South
Washington, DC 20001

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED

18. DATE APPROVED: SEP 15 2017

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT 01 2017

20. SIGNATURE OF REGIONAL OFFICIAL
/S/

21. TYPED NAME: Kristin Fan

22. TITLE: Director, FMG

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES:
HOSPITAL CARE

PART II. Payment to Specialty Hospitals for Inpatient Hospital Services

A. **General Provisions:** The District of Columbia's Medicaid program shall reimburse claims associated with discharges from specialty hospitals, occurring on and after October 1, 2014, in accordance with the methodology described in this section. A claim eligible for payment under this Part shall reflect an approved specialty inpatient hospital stay of at least one (1) day or more by a beneficiary who is eligible for Medicaid.

1. For purposes of Medicaid reimbursement, a specialty hospital meets the definition of "special hospital" as set forth in PART I.A.22.

2. As described in this section, a specialty hospital shall be reimbursed either on a per diem (PD) or a per stay (PS) basis using the All Payer Refined-Diagnostic Related Group (APR-DRG) prospective payment system. DHCF adopted the APR-DRG classification system, as contained in the 2014 APR-DRG Classification System Definitions Manual, version 31.0, for purposes of calculating rates set forth in this section. Subsequent versions representing significant changes to the APR-DRG Classification System Definitions Manual may be adopted by DHCF at a later date.

3. *Eligible Specialty Hospitals and Classification:* The Department of Health Care Finance (DHCF) shall assign each specialty hospital to a reimbursement category based on the nature of the hospital's license, patient case mix, and current billing practices.

   a. Effective in Fiscal Year (FY) 2015, beginning on October 1, 2014, specialty hospitals in the District shall be categorized as follows:

      i. Per Diem:
         1. Psychiatric hospitals;
         2. Pediatric hospitals not eligible for APR-DRG payment under Part I of this Attachment; and
         3. Rehabilitation hospitals.

      ii. Per Stay: Long-term care hospitals (LTCHs).

   b. Specialty hospitals classified as psychiatric hospitals shall be eligible for reimbursement of inpatient psychiatric services for individuals under age twenty-one (21) in accordance with the requirements set forth in 42 CFR § 440.160 and inpatient psychiatric services for individuals age sixty-five (65) or over in accordance with federal and District regulatory requirements.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES:
HOSPITAL CARE

PART II. Payment to Specialty Hospitals for Inpatient Hospital Services

c. Specialty hospitals classified as rehabilitation hospitals or LTCHs shall be eligible for reimbursement for services that meet the definition at 42 C.F.R. § 440.10.

d. Out-of-District hospitals that deliver services meeting the requirements set forth in (b) shall be reimbursed in accordance with Item J of this Part.

e. A hospital entering the District of Columbia market after October 1, 2014 shall demonstrate substantial compliance with all applicable laws and policies, including licensure, prior to contacting DHCF to initiate the rate setting process, including classification as either a per diem or per stay hospital.

4. *Cost Reports and Audits*

All specialty hospitals shall be required to submit cost reports and shall comply with audits in accordance with the requirements described under Part V, Attachment 4.19- A of the State Plan.

5. *Records Maintenance and Access to Records*

All specialty hospitals that provide inpatient services shall maintain records in accordance with the requirements described under Part V, Attachment 4.19-A of the State Plan.

6. *Appeals*

All specialty hospitals that provide inpatient services shall be subject to the appeal and administrative review requirements described under Part V, Attachment 4.19-A of the State Plan.

B. Base Year/Base Rate: Each specialty hospital shall have a hospital-specific base per diem or per stay rate. The base year period shall be the District's Fiscal Year (FY) 2013, or October 1, 2012 through September 30, 2013.

C. Cost Classification and Allocation Methods: Cost classifications and allocation methods shall be applied in accordance with the CMS Guidelines applicable to Form CMS 2552-10 and the Medicare Provider Reimbursement Manual 15, or subsequent, superseding issuances from CMS.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES:
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PART II. Payment to Specialty Hospitals for Inpatient Hospital Services

D. **Inflation Adjustment**: Effective FY 2016, beginning on October 1, 2015, and annually thereafter except during a rebasing year, DHCF shall apply an inflation adjustment to the then current base per diem or per stay rate associated with each specialty hospital.

1. DHCF shall base inflation adjustment on the appropriate, hospital type specific inflation factor proposed under the Medicare program, set forth in the Hospital Inpatient Prospective Payment Systems (PPS) for general hospitals and the LTCH PPS, for the same federal FY in which the rates will be effective.

2. The inflation adjustment factor shall be calculated using the following formula:

[1]
Current Base Rate
x
[2]
Medicare Inflation Factor
=
[3]
Adjusted Base Rate

3. In accordance with 42 U.S.C. § 1395ww, the Medicare Inflation Factor shall include multifactor productivity, statutory and any other relevant adjustments to the market basket rate of increase.

E. **Rebasing**:

1. Except as provided in (2) and (3), effective in FY 2019, beginning on October 1, 2018, and every four (4) years thereafter (i.e., quadrennially), the base rate for each specialty hospital shall be rebased.

   a. For rebasing occurring quadrennially on October 1, the updated base rate shall be based on each hospital's submitted cost reports for the hospital's fiscal year that ends prior to October 1, of the prior calendar year, including case mix, claims, and discharge data.

   b. Any hospital that enters the District of Columbia market during a non-rebasing year shall be paid a rate equal to the base rate associated with a comparable specialty hospital until the next rebasing period, provided at least twelve (12) months of data are available prior to rebasing.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES:
HOSPITAL CARE

PART II. Payment to Specialty Hospitals for Inpatient Hospital Services

2. For specialty hospitals classified as rehabilitation hospitals, effective FY 2018, beginning on October 1, 2017, the base rate for each rehabilitation hospital shall be rebased using the methodology outlined in (1).

3. Following the FY 2018 rebasing for rehabilitation hospitals described in (2), the base rate for each rehabilitation hospital shall be rebased effective FY 2023, beginning on October 1, 2022, and every four (4) years thereafter (*i.e.*, quadrennially).

F. **Policies Specific to Specialty Hospitals**: Reimbursement to specialty hospitals shall be subject to the following policies: