

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



**Center for Medicaid, CHIP, and Survey & Certification**

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Patricia McManaman  
Director, Department of Human Services  
P.O. Box 339  
Honolulu, HI 96809-0339

SEP 23 2011

RE: Hawaii State Plan Amendment 11-006A


Dear Ms. McManaman:

We have reviewed the proposed amendment to Attachments 4.19-A and 4.19-D of your Medicaid State plan submitted under transmittal number 11-006A. This amendment provides for the suspension of the annual inflation factor application to inpatient hospital and nursing facility rates for the State fiscal year ending June 30, 2012.

We conducted our review of your submittal according to the statutory requirements at sections 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. We are pleased to inform you that Medicaid State plan amendment 11-006A is approved effective July 1, 2011. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561.

Sincerely,

  
Cindy Mann  
Director, CMCS

Enclosures

cc: Kenny Fink, Administrator, MEDQUEST  
Kookie Moon-Ng, Medical Assistance Program Officer, MEDQUEST

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>	1. TRANSMITTAL NUMBER: 11-006	2. STATE HAWAII
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) MEDICAL ASSISTANCE	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2011	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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 447.252	7. FEDERAL BUDGET IMPACT: FFY 2011: -\$998,723 FFY 2012: -\$2,920,381
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Attachment 4.19 - A, page 11 Attachment 4.19 - D, page 31 and 38 Supplement to Attach 4.19-D, Page 3	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  Attachment 4.19 - A, page 11 Attachment 4.19 - D, page 31 and 38 Supplement to Attach 4.19-D, Page 3

10. SUBJECT OF AMENDMENT:  
Elimination of the annual inflation factor cost increase for Inpatient Hospital and Nursing Facility services for the 4<sup>th</sup> quarter of FFY 2011 (July 1, 2011-September 30, 2011) and the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarters of FFY 2012 (October 1, 2011- June 30, 2012).

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      AS APPROVED BY GOVERNOR  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: [Redacted]	16. RETURN TO: Med-QUEST Division Program & Policy Development Office P. O. Box 700190 Kapolei, Hawaii 96709-0190
13. TYPED NAME: PATRICIA MCMANAMAN	
14. TITLE: DIRECTOR	
15. DATE SUBMITTED:	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:	18. DATE APPROVED: SEP 23 2011
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL - 1 2011	20. SIGNATURE OF REGIONAL OFFICIAL: [Redacted]
21. TYPED NAME: [Redacted]	22. TITLE: Deputy Director, CMCS
23. REMARKS: <i>Per ink change to budget 899 with state concurrence</i>	

submitted by Providers for Medicaid reimbursement.

- d. For Rebasing, the latest available claims data for a two fiscal year period shall be used. Claims that are paid by December 31 of the year following the year in which the last fiscal year included in the data collection effort ends shall be considered as a paid in the fiscal year when the service was rendered.
- 2. Additional cost data supplied by Providers shall be utilized to update cost data only as specified in this plan. For Rebasing, Providers will be given an opportunity to submit cost data similar in nature to that included in the TAC cost reports, excluding Capital Related Costs.
- 3. Inflation in the costs of delivering Inpatient hospital services shall be recognized by using the Inflation Factor (Section I.D. 17) provided that no inflation adjustment shall be applied in determining the rates for the last quarter of FFY 2011 and the first 3 quarters of FFY 2012.

**B. CLASSIFICATION OF ACUTE INPATIENT FACILITIES**

- 1. For purposes of establishing the PPS rates, acute Inpatient facilities shall be classified into the following four mutually exclusive groups:
  - a. Classification I – Facilities averaging less than 250 Medicaid discharges per year;
  - b. Classification II – Facilities averaging 250 Medicaid discharges per year or more, which do not participate in approved intern and resident teaching programs;
  - c. Classification III – Facilities averaging 250 Medicaid discharges per year or more which participate in approved intern and resident teaching programs; and
  - d. Classification IV – The freestanding rehabilitation hospital.

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TN No. 11-008A  
Supersedes  
TN No. 94-006

Approval Date: SEP 23 2011 Effective Date: 07/01/2011

b) To ensure the prospective nature of the payment methodology, the Inflation Adjustment shall not be retroactively modified or adjusted.

4. The Inflation Adjustment shall not be applied to rates for the 4<sup>th</sup> quarter of FFY 2011 and the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarter of FFY 2012.

**B. Limitations on Long-Term Care Provider Reimbursement**

1. Notwithstanding any other provisions of this Plan, aggregate payments to each group of facilities (i.e., Nursing Facilities or ICF/MRs) may not exceed the amount that can reasonably be estimated would have been paid for those services under Medicare reasonable cost principles of reimbursement (as defined in 42 C.F.R. chapter 413). In addition, aggregate payments to each group of State-operated Providers (i.e., Nursing Facilities or ICF/MRs) may not exceed the amount that can reasonably be estimated would have been paid under Medicare reasonable cost principles of reimbursement. If a formal and final determination is made that payments in the aggregate exceeded the Upper Limit and federal financial participation is disallowed, then the Department may recoup any payments made to Providers in excess of the Upper Limit.

2. Notwithstanding any other provisions of this Plan, payment for out-of-state long-term care facility services shall be the lesser of the facility's charge, the other state's Medicaid rate, or the statewide weighted average Hawaii Medicaid rate applicable to services provided by comparable Hawaii Providers.

3. Notwithstanding any other provision of this Plan, no payments shall be made for the improper admission of or care for mentally ill or mentally retarded individuals, as those terms are defined in section 4211 (e)(7)(G) of OBRA 87.

4. Notwithstanding any other provisions of this Plan, should federal participation for CAH providers be disallowed, the Department may recoup any such payments made to these CAH facilities.

**C. Adjustments to Base Year Cost**

1. Adjustments to a Provider's Base Year Cost Report that occur subsequent to a Rebasing that utilizes that Base Year Cost Report shall not result in any change to the component rate ceilings for the Provider's peer group.

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- E. Each Provider shall keep financial and statistical records of the cost reporting year for at least six years after submitting the cost report form to the Department and shall make such records available upon request to authorized state or federal representatives.

**XI. ACUITY BASED REIMBURSEMENT SYSTEM**

- A. Beginning with the effective date of these rules, the Department will implement a transition from PPS to an acuity based reimbursement system. The phased approach will be completed by June 30, 2008.
- B. The transition rate methodology uses a price-based system with the following parameters:
  - 1. For the direct care rate component, the component price is set at one hundred ten per cent of the day-weighted median. The rate that is calculated is subject to a case mix adjustment based upon the change on each facility's overall case mix.
  - 2. For the administrative and general rate component, the component price is set at one hundred three per cent of the day-weighted median. The rate is not subject to a case mix adjustment.
  - 3. For the capital rate component, the component price is at the day-weighted median. The rate is not subject to a case mix adjustment.
  - 4. The Hawaii general excise tax is treated as a pass-through.

The rate setting parameters will remain constant for all future rate setting periods. The prices calculated for direct care, administrative and general, and capital will reflect prices that relate to the rate period beginning July 1, 2002 and ending June 30, 2003. The component prices will be updated for each subsequent rate period by the inflation adjustment for each period, provided that no inflation adjustment shall be applied in determining component prices for the 4<sup>th</sup> quarter of FFY 2011 and the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarter of FFY 2012.

- C. Effective for rate periods starting September 1, 2003 and July 1, 2004, the annual cost increases shall be determined as follows:
  - 1. Calculate the blended Acuity A and Acuity C rates for all eligible NF facilities using the inflation adjustment.

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**SUPPLEMENT TO ATTACHMENT 4.19-D**

constant for all future rate setting periods. The prices listed above (\$102.19 for direct care, \$61.83 for administrative and general and \$13.04 for capital) reflect prices that relate to the rate period beginning July 1, 2002 and ending June 30, 2003. Therefore, those prices will need to be updated for each subsequent rate period before they can be used in the rate setting process for those periods. They will be updated by the full inflation factor for each period, as determined by the inflation adjustment, provided that no inflation adjustment shall be applied in determining rates for the 4<sup>th</sup> quarter of FFY 2011 and the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarters of FFY 2012.

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