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State/Territory Name: IA

State Plan Amendment (SPA) #: 19-0008

This file contains the following documents in the order listed:

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

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

Financial Management Group

November 21, 2019

Gerd W. Clabaugh, Interim Director
Iowa Department of Human Services
1305 East Walnut, 5th Floor
Des Moines, IA 50319-0114

RE: Iowa SPA 19-0008

Dear Mr. Clabaugh:

We have reviewed the proposed amendment to Attachments 4.19-A and 4.19-B of your Medicaid State plan submitted under transmittal number (TN) 19-0008. This amendment provides additional interim reimbursement to critical access hospitals for inpatient and outpatient services through the use of a per-claim cost adjustment factor.

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(g) 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 19-0008 is approved effective July 1, 2019. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Tim Weidler at (816) 426-6429.

Sincerely,

Kristin Fan
Director

Cc:
Heather Juhring
Tim Weidler

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: 19-0008

2. STATE: IOWA

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

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE: July 1, 2019

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
a. FFY 2019 ~~$ 574,482~~ $37,341.36 *
b. FFY 2020 ~~$ 2,346,626~~ $152,153.68 *

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-A, Page 31, 32
Supplement 2 to Attachment 4.19-B, Page 25a,*25b (new page)

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-A, Page 31, 32
Supplement 2 to Attachment 4.19-B, Page 25

10. SUBJECT OF AMENDMENT
HF766 - Critical access hospitals will receive additional reimbursement using a cost adjustment factor (CAF), The CAF will apply to inpatient/outpatient** services. CAF will be hospital specific and will apply to FFS ~~and managed care claims.~~

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

12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME: GERD W. CLABAUGH

14. TITLE: INTERIM DIRECTOR

15. DATE SUBMITTED: 8-27-19

16. RETURN TO
GERD W. CLABAUGH
INTERIM DIRECTOR
DEPARTMENT OF HUMAN SERVICES
1305 EAST WALNUT 5TH FLOOR
DES MOINES IA 50319-0114

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED

18. DATE APPROVED: NOV 21 2019

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2019

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME: Kristin Fan

22. TITLE: Director, FMG

23. REMARKS

* Pena and Ink change per state response dated 10.16.19.

** Pen and Ink change per state response dated 11.7.19

FORM CMS-179 (07/92)

Instructions on Back

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care

A critical access hospital is a hospital that:

- Meets Medicare guidelines established in 42 CFR Part 485, Subpart F, and state hospital licensure requirements established in 481 Iowa Administrative Code 51.52(135B) as a hospital that serves a rural or vulnerable population, and
- Is necessary to the economic health and well being of the surrounding community.

Hospitals applying for critical access status are inspected, licensed, and certified as critical access hospitals, using Medicare criteria, by the Iowa Department of Inspections and Appeals.

Critical access hospital providers are reimbursed prospectively on a diagnosis-related-group (DRG) basis for inpatient care, pursuant to 441 Iowa Administrative Code 79.1(5), which defines a DRG as a group of similar diagnoses combined based on patient age, procedure coding, comorbidity, and complications.

Retrospective adjustments will be made based on each critical access hospital's annual cost reports submitted to the Department at the end of the hospital's fiscal year. The retroactive adjustment equals the amount by which the reasonable costs of providing covered services to eligible fee-for-service Medicaid recipients (excluding recipients in managed care), determined in accordance with Medicare cost principles, and exceeds Medicaid fee-for-service reimbursement received on the diagnosis-related-group basis.

The DRG base rate for each critical access hospital will change for the coming year based on payments made to the critical access hospital for the previous year. The base rate upon which the DRG payment is built shall be changed after cost settlement to reflect, as accurately as is possible, the anticipated payment to the facility under Iowa Medicaid for the coming year using the most recent utilization as submitted to the fiscal agent. Once a hospital begins receiving reimbursement as a critical access hospital, DRG payments are not subject to rebasing.

Effective 7/1/2019, a CAH Adjustment Factor (CAF) will be applied to CAH reimbursement for the inpatient discharges on or after 7/1/2019. The hospital specific CAF is a prospective factor calculated using cost report data from previous years. The factor for year one will be calculated using Medicaid cost reports for provider fiscal year ends 9/30/17, 12/31/17, and 6/30/18. Year two will be calculated using 9/30/18, 12/31/18, and 6/30/19 cost reports and so forth. The funds associated with the CAF are capped prospectively with hospital specific factors.

The CAF is calculated as the difference between each hospital's incurred costs and payments received as a ratio to total payments received and applied on an individual claim basis. The period for this calculation is as referenced in the above paragraph.

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care

The provider-specific CAF amount will be calculated as follows:

Cost-to-Charge Ratio (CCR)	**A**	**This is calculated from the Medicare Cost Report (MCR) Worksheet C. CCRs are provider-specific and applied at the revenue code level**
Covered Medicaid FFS/MCO Charges	B	Covered charge amount from Medicaid FFS/MCO paid claims data
Medicaid FFS/MCO Cost	C=A*B	Covered Medicaid FFS/MCO charges times the CCR
Medicaid FFS/MCO Paid Amount	D	Medicaid paid amount from Medicaid FFS/MCO paid claims data
Third Party Payment Amount	E	Third party payment amount from Medicaid FFS/MCO paid claims data
Patient Shared Cost	F	Spenddown and copay amount from Medicaid FFS/MCO paid claims data
Uncompensated Care Cost Amount (UCC)	G=Max(0,C-D-E-F)	Difference in calculated Medicaid FFS/MCO cost and all payment amounts. This cannot be less than zero
Distribution	H=(G/Aggregate UCC Amount)	Calculated by dividing the provider-specific UCC by the aggregate UCC amount
Distributed Provider-Specific CAF Amount	I=H*Budget-Neutral Target Amount	The distribution percentage of total multiplied by the budget-neutral amount.

Hospitals that have a negative settlement ("Amount Due State") will receive a distributed CAF of zero percent.

Beginning 7/1/2020 and annually thereafter, an adjustment to the CAF will be included for prior year overpayment or underpayment that may have occurred in the aggregate relative to the estimated cap. CAHs will always receive at least the cost based interim rates as calculated annually by review of the cost report.

State/Territory: IOWA

Methods and Standards for Establishing Payment Rates for Other Types of Care

Effective 7/1/2019, a CAH Adjustment Factor (CAF) will be applied to CAH reimbursement for outpatient services on or after 7/1/2019. The hospital specific CAF is a prospective factor calculated using cost report data from previous years. The factor for year one will be calculated using Medicaid cost reports for provider fiscal year ends 9/30/17, 12/31/17, and 6/30/18. Year two will be calculated using 9/30/18, 12/31/18, and 6/30/19 cost reports and so forth. The funds associated with the CAF are capped prospectively with hospital specific factors.

The CAF is calculated as the difference between each hospital's incurred costs and payments received as a ratio to total payments received and applied on an individual claim basis. The period for this calculation is as referenced in the above paragraph.

The provider-specific CAF amount will be calculated as follows:

Cost-to-Charge Ratio (CCR)	**A**	**This is calculated from the Medicare Cost Report (MCR) Worksheet C. CCRs are provider-specific and applied at the revenue code level**
Covered Medicaid FFS/MCO Charges	B	Covered charge amount from Medicaid FFS/MCO paid claims data
Medicaid FFS/MCO Cost	C=A*B	Covered Medicaid FFS/MCO charges times the CCR
Medicaid FFS/MCO Paid Amount	D	Medicaid paid amount from Medicaid FFS/MCO paid claims data
Third Party Payment Amount	E	Third party payment amount from Medicaid FFS/MCO paid claims data
Patient Shared Cost	F	Spenddown and copay amount from Medicaid FFS/MCO paid claims data
Uncompensated Care Cost Amount (UCC)	G=Max(0,C-D-E-F)	Difference in calculated Medicaid FFS/MCO cost and all payment amounts. This cannot be less than zero
Distribution	H=(G/Aggregate UCC Amount)	Calculated by dividing the provider-specific UCC by the aggregate UCC amount
Distributed Provider-Specific CAF Amount	I=H*Budget-Neutral Target Amount	The distribution percentage of total multiplied by the budget-neutral amount.

State/Territory: IOWA

Hospitals that have a negative settlement ("Amount Due State") will receive a distributed CAF of zero percent.

Beginning 7/1/2020 and annually thereafter, an adjustment to the CAF will be included for prior year overpayment or underpayment that may have occurred in the aggregate relative to the estimated cap. CAHs will always receive at least the cost based interim rates as calculated annually by review of the cost report.