07/95 d. Applicable trauma center adjustments and Medicaid high volume adjustments as described in Sections E. and F. of Chapter VI and Critical Hospital Adjustment Payments as described in Chapter XV.

10/10 e. Effective October 1, 2010, for hospitals defined in Section C.4. of Chapter II, the LTAC Hospital Supplemental Per Diem Rate as described in subsection A.3. of this Chapter.

2. Calculation and definitions of inpatient per diem rates.

10/92 a. Calculation for the first rate period

i. Allowable operating cost per diem

07/95 A) The allowable operating cost per diem for a hospital, described in Section A.1.of this Chapter, and for hospitals or hospital units, described in Sections B1 and B2 of this Chapter, shall be calculated by taking the hospital's Medicaid inpatient operating costs for the base period, as defined in Section B.1 of Chapter XVI, divided by the hospital's Medicaid inpatient days.

10/92 B) Operating cost base per diem rates for hospital inpatient care provided to Medicaid recipients beginning September 1, 1991, shall be calculated by:

B) Updating the trended rate cost per diems described in Section A 2 bi. A) above:

07/95

1) In the case of a hospital described in Section C.7 of Chapter II, by the national hospital market basket price proxies (DRI) to the midpoint of the rate period described in Section B.2.b. of Chapter XVI; and

07/95

2) In the case of a hospital described in Section C.1, C.2, or C.4, of Chapter II, or for a hospital unit described in Sections D.1 and D.2 of Chapter II, to the midpoint of the current rate period described in Section B.2.b. of Chapter XVI, by utilizing the TEFRA price inflation factor.

07/95

c. Rebasing

07/95

For the rate period beginning after October 1, 1994, and every third rate period thereafter, the final rate per diem shall be calculated using the methodology set forth in Section A.2.a of this Chapter for the calculation of operating and capital trended rate cost per diems using base period cost reports, as described in Section B.1 of Chapter XVI.

10/10

3. Long Term Acute Care (LTAC) Hospital Supplemental Per Diem

a. Qualifying Criteria – effective October 1, 2010, to receive the LTAC Hospital Supplemental Per Diem, a hospital must do the following:

i. Operate as an LTAC hospital as defined in subsection A.3.c.iii.

ii. Employ one-half of an FTE (designated for case management) for every 15 patients admitted to the hospital.

iii. Maintain on-site physician coverage 24 hours per day and seven days per week.

iv. Maintain on-site respiratory therapy coverage 24 hours per day and seven days per week.

v. Retain patient admission evaluations to document that the patients meet the LTAC hospital criteria, as defined in subsection A.3.c.iv.

vi. Execute a program participation agreement with the Department that includes requirements for the hospital regarding the submittal of discharge status information, patient satisfaction survey results, quality and outcome measurement data, and access to patient data, as well as the acceptance of approved patients.

b. LTAC Hospital Supplemental Per Diem rate.

i. The LTAC Supplemental Per Diem rate will be paid to qualifying LTAC hospitals on a per diem basis for patients:

A) Who upon admission to the LTAC hospital meet LTAC hospital criteria as defined in subsection A.3.c.iv., and

B) Whose care is primarily paid under Title XIX of the Social Security Act, or if dually eligible under Medicare, after the patient has exhausted their benefits under Medicare.

ii. The LTAC Hospital Supplemental Per Diem rate will not be paid if any of the following conditions are met:

A) The LTAC hospital no longer meets the requirements of subsection A.3.a. of this Chapter, or terminates the agreement required under subsection A.3.a.6. of this Chapter.

B) The patient does not meet the LTAC hospital criteria, as defined in subsection A.3.c.iv. upon admission.

C) The patient's care is primarily paid for by Medicare and the patient has not exhausted their Medicare benefits.

iii. The LTAC Hospital Supplemental Per Diem rate shall be calculated using the LTAC hospital's Inflated Cost Per Diem, as defined in subsection A.3.c.ii. and subtracting the following :

A) The LTAC hospital's Medicaid per diem inpatient rate as calculated in subsection A.2. of this Chapter.

B) The LTAC hospital's disproportionate share (DSH) rate as calculated in subsection C.7. of Chapter VI.

C) The LTAC hospital's Medicaid Percentage Adjustment (MPA) as calculated in subsection C.7. b. of Chapter VI.

D) The LTAC hospital's Medicaid High Volume Adjustment (MHVA) rate as calculated in section F. of Chapter VI.

iv. The LTAC Supplemental Per Diem rates are effective for twelve months beginning on October 1 of each year and must be updated every twelve months.

v. In the case of an Illinois hospital that begins operations as an LTAC hospital after January 1, 2009, that is designated by Medicare as a long term acute care hospital, and that does not have a filed cost report covering a twelve month period of operation as an LTAC provider, a default Supplemental Per Diem Rate shall be established as follows:

A) For a new LTAC provider that is part of a larger corporately held system of LTAC providers in the state of Illinois, the new providers' supplemental rate shall be the average of all supplemental per diem rates, as calculated in A.3.b.iii, of the other LTAC providers in the system.

B) For a new LTAC provider that is not part of a larger corporately held system of LTAC providers, the new providers' supplemental rate shall be the statewide average of all supplemental per diem rates as calculated in A.3.b.iii.

C) Default supplemental per diem rates calculated under A.3.b.v.(A). and v.(B) shall be in effect until such time as the provider has filed a cost report based on 12 months of operations as an LTAC hospital. At the next annual rate determination period, the hospitals 12 month cost report shall be used to determine the LTAC Hospital Supplemental Per Diem rate for the subsequent year.

c. Definitions.

i. Department – means the Illinois Department of Healthcare and Family Services.

ii. Inflated Cost Per Diem – means the quotient resulting from dividing the hospital's inpatient Medicaid costs by the hospital's Medicaid inpatient days and inflating it to the Rate Year by using the increase in the national hospital market basket price proxies (DRI) hospital cost index. Data is obtained from the LTAC hospital's most recent cost report submitted to the Department.

iii. LTAC Hospital – means an Illinois hospital defined in subsection C.2. of Chapter II with an average length of Medicaid inpatient stay of greater than 25 days as reported on the hospital's 2008 Medicaid cost report on file as of February 15, 2010, or a hospital that begins operations as an LTAC hospital after January 1, 2009 that is designated by Medicare as a long term acute care hospital.

iv. LTAC Hospital Criteria – means nationally recognized, evidence based evaluation criteria that have been publicly tested and includes criteria specific to an LTAC hospital for admission, continuing stay, and discharge.

v. Rate Year – means October 1 through September 30, with the first rate year being October 1, 2010 through September 30, 2011.

OS Notification

State/Title/Plan Number:	**Illinois 10-010**
Type of Action:	**SPA Approval**
Required Date for State Notification:	**January 1, 2013**
Fiscal Impact:	**FY 2011 $9,700,000** **FY 2012 $8,500,000**

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: No

Reduces Benefits: No

Detail: **Effective for services on or after October 1, 2010, this amendment revises methodology for making payments for inpatient hospital services. Specifically, this amendment increases reimbursement for long term stay hospitals by adding a new Long Term Acute Care (LTAC) Supplemental Per Diem Rate. Funding the non-Federal share of these payments comes from state appropriations. The State met public process requirements. There are no issues with the UPL.**

The intent of these increased payments is to improve health outcomes of certain Medicaid patients by encouraging the use of the most appropriate hospital setting. The increased payments proposed in this amendment will be made for certain patients that are transferred from acute care hospitals to qualifying long term stay hospitals.

The LTAC supplemental per diem rate is calculated by taking the hospital's inflated cost per diem and subtracting the following: hospital's Medicaid per diem inpatient rate, hospital's DSH rate, hospital's Medicaid percentage adjustment, and hospital's Medicaid high volume adjustment. The inflated cost per diem is calculated by taking the quotient from dividing the hospital's inpatient Medicaid costs by the hospital's Medicaid inpatient days and inflating it to the rate year using the national hospital market basket price proxies (DRI) hospital cost index. Data is obtained from the hospital's most recent cost report.

Other Considerations: **This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.**

Recovery Act Impact:

The Regional office has reviewed this state plan amendment in conjunction with the Recovery Act and, based on the available information provided by the State regarding 1) MOE; 2) local match; 3) prompt pay; 4) rainy day funds, and 5) eligible expenditures, the Regional Office believes that the State is not in violation of the Recovery Act requirements noted above.

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National Institutional Reimbursement Team