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State/Territory Name: IL

State Plan Amendment (SPA) #: 14-012

This file contains the following documents in the order listed:

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

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



Felicia Norwood, Director
Illinois Department of Healthcare and Family Services
Prescott E Bloom Building
201 South Grand Avenue East
Springfield IL 62763-0002

SEP 25 2015

RE: Illinois State Plan Amendment (SPA) 14-012

Dear Ms. Norwood:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 14-012. Effective for services on March 1, 2014, this amendment proposes to change the way in which the University of Illinois and certain Cook County hospitals' inpatient hospital costs are calculated. Previously, the approved State plan allowed for a methodology that inflated costs based on the individual hospital's cost reports. The current methodology is creating more volatility from one year to the next. Therefore, Illinois is requesting that the inflation factor for this hospital revert back to the national average using the CMS hospital input price index.

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 regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 14-012 is approved effective March 1, 2014. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Fredrick Sebree, of my staff, at (217) 492-4122 or by e-mail at Fredrick.sebree@cms.hhs.gov.

Sincerely,

A large black rectangular redaction box covers the signature area of the letter.

Timothy Hill
Director

A black rectangular redaction box covers the name of the sender, Timothy Hill.

Enclosure

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTER FOR MEDICARE AND MEDICAID SERVICES	1. TRANSMITTAL NUMBER 14-0012	2. STATE: ILLINOIS
	3. PROGRAM IDENTIFICATION: Title XIX of the Social Security Act (Medicaid)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE: March 1, 2014	

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: Section 1932(a) of the Social Security Act	7. FEDERAL BUDGET IMPACT a. FFY 2014 (\$40.7 Million) (\$6.2 Million) b. FFY 2015 (\$41.9 Million) (\$3.1 Million)
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Pages 52, & 155 : 155A	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, Pages 52, & 155 : 155A

10. SUBJECT OF AMENDMENT:


Inflation factor for certain government owned or operated hospitals

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: Not submitted for review by prior approval.

12. SIGNATURE OF AGENCY OFFICIAL: 	16. RETURN TO: Department of Healthcare and Family Services Bureau of Program and Reimbursement Analysis Attn: Mary Doran 201 South Grand Avenue East Springfield, IL 62763-0001
13. TYPED NAME: Julie Hamos	
14. TITLE: Director of Healthcare and Family Services	
15. DATE SUBMITTED 3/31/14	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: SEP 25 2015
PLAN APPROVED—ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: MAR - 1 2014	20. SIGNATURE OF REGIONAL OFFICIAL: 
21. TYPED NAME Kristin FAN	22. TITLE: Deputy Director, FMG
23. REMARKS:	

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: Illinois

**METHODS AND STANDARDS FOR ESTABLISHING INPATIENT RATES FOR HOSPITAL REIMBURSEMENT;
MEDICAL ASSISTANCE-GRANT (MAG) and MEDICAL ASSISTANCE-NO GRANT (MANG)**

- 07/08 f. DSH for government-owned or -operated hospitals.
- i. The following classes of government-owned or -operated Illinois hospitals shall, subject to the limitations set forth in subsection g of this section, be eligible for disproportionate share hospital adjustment payment:
 - A. Hospitals defined in paragraph A.1.a.i of Chapter XVI.
 - B. Hospitals owned or operated by a unit of local government that is not a hospital defined in subparagraph A above.
 - C. Hospitals defined in paragraph A.1.a.ii of Chapter XVI.
 - 03/14/10/10 ii. The annual amount of the payment shall be the amount computed for the hospital pursuant to subparagraph g.iv.B of this section, adjusted from the midpoint of the cost report period to the mid-point of the rate period using the CMS Hospital Price Index. ~~For LARGE PUBLIC HOSPITALS, as defined in Chapter XXI, the adjustment factor will be the average annual growth in each hospital's cost per diem. The average annual growth shall be calculated as follows:~~
 - ~~A. Inpatient average cost per diems are calculated using Medicaid claims data from two sets of fiscal years that are two years apart. Costs are determined in accordance with the methodology in Chapter XXX, Section D.1.~~
 - ~~B. An average annual increase is calculated based on the percentage change in the average inpatient cost per diems over the two year time period.~~
 - ~~C. The fiscal years used to determine the average annual growth will be updated annually. For example, the fiscal year 2011 rate trend factors are based upon cost per diem information from fiscal years 2006 and 2008; while fiscal year 2012 factors will be based upon cost per diem information from fiscal years 2007 and 2009.~~
 - 03/14 iii. The annual amount shall be paid to the hospital in monthly installments. ~~That portion of the annual amount not paid pending approval of this State plan amendment (TN 08-06) shall, upon approval, be paid in a single lump sum payment. The annual amount shall be paid to the hospital in twelve equal installments and paid monthly.~~
 - 07/95 g. DSH Adjustment Limitations.
 - 10/10 i. Hospitals that qualify for DSH adjustments under this Chapter shall not be eligible for the total DSH adjustment if, during the DSH determination year, the hospital discontinues the provision of non-emergency obstetrical care (the provisions of this subsection shall

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: Illinois

**METHODS AND STANDARDS FOR ESTABLISHING INPATIENT RATES FOR HOSPITAL REIMBURSEMENT;
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XXX. Payment to government-owned or -operated hospitals.

A. Definitions.

10/10 "BASE PERIOD" means the hospital fiscal year ending during the calendar year that is three years prior to the calendar year during which the payment period begins.

"PAYMENT PERIOD" means the State fiscal year.

B. Notwithstanding any other provision of this Attachment, reimbursement to LARGE PUBLIC HOSPITALS shall be at allowable cost, as determined in section D of this chapter.

C. Hospitals that are located in Illinois and are owned or operated by a county or a unit of local government that are not LARGE PUBLIC HOSPITALS shall be reimbursed at the greater of:

1. Under the payment methodologies otherwise provided for in this Attachment.
2. At allowable cost, as determined in section D of this chapter.

D. Hospitals reimbursed under this chapter shall be reimbursed at allowable cost on a per diem basis. The per diem rate shall be calculated as follows:

1. BASE PERIOD costs are determined as the product resulting from multiplying (i) the routine and ancillary charges on claims that were submitted by the hospital for Medicaid covered services provided during the BASE PERIOD and paid by the department by (ii) their respective cost-to-charge ratios from the BASE PERIOD cost report.
2. BASE PERIOD costs are then adjusted by subtracting the sum of all periodic (weekly, monthly, quarterly, *etc.*) lump sum payments specified in this Attachment, with the exception of any payment that is classified as a disproportionate share hospital adjustment payment, that are expected to be made during the PAYMENT PERIOD.
3. For hospitals reimbursed under subsection C.2, the BASE PERIOD costs are additionally reduced by an amount necessary to ensure:
 - a. That reimbursement to non-State government-owned or operated hospitals, as a class, is compliant with the upper payment limit requirement in 42 CFR 447.272.
 - b. That the proportion of allowable costs that are reimbursed is the same for each hospital.

03/14/10 4. The BASE PERIOD costs are further adjusted to reflect the change, from the midpoint of the BASE PERIOD to the midpoint of the PAYMENT PERIOD, in the CMS hospital input price index. ~~For LARGE PUBLIC HOSPITALS, as defined Chapter XXI, the adjustment factor will be the average annual growth in each hospital's cost per diem. The average annual growth shall be calculated as follows:~~

- ~~a. Inpatient average cost per diems are calculated using Medicaid claims data from two sets of fiscal years that are two years apart. Costs are determined in accordance with the methodology in this Section.~~

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

State: Illinois

**METHODS AND STANDARDS FOR ESTABLISHING INPATIENT RATES FOR HOSPITAL REIMBURSEMENT;
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- ~~b. An average annual increase is calculated based on the percentage change in the average inpatient cost per diems over the two year time period.~~
 - ~~c. The fiscal years used to determine the average annual growth will be updated annually. For example, the fiscal year 2011 rate trend factors are based upon cost per diem information from fiscal years 2006 and 2008; while fiscal year 2012 factors will be based upon cost per diem information from fiscal years 2007 and 2009.~~
5. The per diem rate is the quotient resulting from dividing the adjusted BASE PERIOD costs by the number of patient days on claims that were submitted by the hospital for Medicaid covered services provided during the BASE PERIOD and paid by the department.