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State/Territory Name: IN

State Plan Amendment (SPA) #: 18-009

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 S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

Allison Taylor, Medicaid Director
Family Social Services Administration
402 West Washington, Room W461
Indianapolis, IN 46204

ATTN: Gabrielle Koenig

November 5, 2018

Dear Ms. Taylor:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 18-0009. Effective October 1, 2018, this state plan amendment makes conforming changes to revise the inpatient hospital transfer reimbursement policy. This amendment will reimburse both the transferring hospital & transferee hospital at the DRG daily rate. This change is being made to more equitably reimburse hospitals for inpatient transfer cases.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 18-0009 is approved effective October 1, 2018. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Fredrick Sebree at (217) 492-4122 or via email at Fredrick.sebree@cms.hhs.gov.

Sincerely,

A black rectangular redaction box covers the signature of Kristin Fan.

Kristin Fan
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
18-009

2. STATE
Indiana

FOR: HEALTH CARE FINANCING ADMINISTRATION

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

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE:
10/1/2018

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 C.F.R. 440.10

7. FEDERAL BUDGET IMPACT (thousands):
a. FFY 2019 \$ (558)
b. FFY 2020 \$ (558)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19A Page 1F-1G

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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


Attachment 4.19A Page 1F-1G

10. SUBJECT OF AMENDMENT: This State Plan Amendment makes conforming changes to the State Plan to revise the inpatient hospital transfer reimbursement policy. This Amendment will reimburse both the transferring hospital and the transferee hospital at the DRG daily rate. This change is being made to more equitably reimburse hospitals for inpatient transfer cases.

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:

Indiana's Medicaid State Plan does not require the Governor's review. See Section 7.4 of the State Plan

12. SIGNATURE OF STATE AGENCY OFFICIAL:


16. RETURN TO:
Allison Taylor
Medicaid Director
Indiana Office of Medicaid Policy and Planning
402 West Washington Street, Room W382
Indianapolis, IN 46204
ATTN: Gabrielle Koenig, Federal Relations Lead

13. TYPED NAME: Allison Taylor

14. TITLE: Medicaid Director

15. DATE SUBMITTED: 9/7/18

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: NOV 05 2018

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT 01 2018

20. SIGNATURE OF REGIONAL OFFICIAL:


21. TYPED NAME: Kristin Fan

22. TITLE: Director, F&G

23. REMARKS:

and cost report data to reflect changes in treatment patterns, technology, and other factors that may change the capital costs associated with efficiently providing hospital services. The capital payment amount is calculated as follows:

- for stays reimbursed under the DRG methodology, capital payment is equal to the product of the per diem capital rate and the average length of stay for the assigned DRG. Capital payments shall be pro-rated for a transferring or transferee facility to a maximum of the average length of stay.
- For stays reimbursed under the level-of-care methodology, capital payment is equal to the product of the per diem capital rate for each covered day of care.

The office shall not set separate capital per diem rates for different categories of facilities, except as specifically noted in this plan.

Medical Education rates shall be prospective, hospital-specific per diem amounts. Medical education payment amounts are calculated as follows:

- for stays reimbursed under the DRG methodology medical education payments are equal to the product of the medical education per diem rate and the average length of stay assigned to the DRG. Medical education rates for a transferring or transferee facility shall be pro-rated not to exceed the average length of stay.
- for stays reimbursed under the level-of-care methodology, medical education payments are equal to the medical education per diem rate for each covered day of care.

Medical education rates are facility-specific rates based on medical education costs per day multiplied by the number of residents reported by the facility. No more often than every second year, the office will use the most recent cost report data to determine a cost per day that more accurately reflects the cost of efficiently providing hospital services as it relates to operating a medical education program. The number of residents will be determined according to the most recent available cost report that has been filed and audited by the office or its contractor.

Medical Education payments will be available to hospitals only so long as they continue to operate medical education programs. Hospitals must notify the office within thirty (30) days following discontinuance of their medical education program. For hospitals establishing new medical education programs, the medical education per diem will not be effective prior to notification to the office that the program has been implemented. The medical education per diem shall be based on the most recent reliable claims data cost report data.

A Medicaid stay that exceeds a predetermined threshold, defined as the greater of: (1) twice the DRG rate or (2) the outlier threshold, is a cost outlier case. The calculation for outlier payment amounts is made as follows:

TN 18-009
Supersedes:
TN 03-035

NOV 05 2018
Approval Date _____

Effective 10/1/2018

- (1) Multiplying the overall facility cost-to-charge ratio by submitted charges. The outlier payment is equal to the marginal cost factor multiplied by the difference between the prospective cost per stay and the greater of the DRG rate or the outlier threshold amount.
- (2) Day outliers as required under Section 1902(s) of the Social Security act are provided for through implementation of the DRG/LOC per diem, which is designed to account for unpredictable and lengthy hospital admissions.

Outlier thresholds will be revised as necessary when DRG relative weights are adjusted. Cost outlier payments are not available for cases reimbursed using the level-of-care methodology, except for burn cases that exceed the established threshold.

Other Payment Policies

Readmissions for a related condition as defined by the office within three (3) calendar days after discharge will be treated as the same admission for payment purposes. Readmissions that occur after three (3) calendar days will be treated as separate stays for payment purposes but will be subject to medical review.

Special payment policies shall apply to transfer cases. The transferring hospital and the transferee, or receiving, hospital are paid the sum of the following:

- (1) A DRG daily rate for each Medicaid day of the recipient's stay, not to exceed the appropriate full DRG payment, or the level-of-care per diem payment rate for each Medicaid day of care provided.
- (2) The capital per diem rate.
- (3) The medical education per diem rate.

Transferring hospitals will not receive separate reimbursement for Medicaid patients subsequent to their return from a transferee hospital if the patient is readmitted to the transferring hospital 30 or fewer days from the original admission. Additional costs incurred as a result of the patient's return from a transferee hospital are eligible for cost outlier reimbursement. The office may establish a separate outlier threshold or marginal cost factor for such cases. Transferring hospitals will receive separate reimbursement for Medicaid patients subsequent to their return from a transferee hospital if the patient is readmitted to the transferring hospital more than 30 days after the original admission.

Each facility that submits an Indiana Medicaid cost report will receive a cost-to-charge ratio. The cost-to-charge ratio will be computed from claims data and will be used to determine applicable cost outlier payments. Facilities with less than 30 Medicaid claims annually will be given the statewide median cost-to-charge ratio.