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State/Territory Name: KS

State Plan Amendment (SPA) #: 19-0008

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) 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



Financial Management Group

December 04, 2019

Adam Proffitt, State Medicaid Director
Kansas Department of Health and Environment
Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

RE: Kansas SPA 19-0008

Dear Mr. Proffitt:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 19-0008. This amendment updates the base group payment rate for large public Kansas teaching hospitals so that total payments will approximate the upper payment limit..

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 May 17, 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

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: KS 19-0008	2. STATE Kansas
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		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 May 17, 2019	
5. TYPE OF PLAN MATERIAL (Check One)			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION 42 CFR 447 Subpart C		7. FEDERAL BUDGET IMPACT a. FFY 2019 \$899,325 b. FFY 2020 \$2.46 Million	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT <i>Attachment 4.19-A, Page 25d, Page 25dd (New)*, Page 25e*, Page 25f*, Outline Page iii*</i>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) <i>Attachment 4.19-A, Page 25d, Page 25e*, Page 25f*, Outline Page iii*</i>	
10. SUBJECT OF AMENDMENT Update the group payment rate for large public Kansas teaching hospitals			
11. GOVERNOR'S REVIEW (Check One)			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Adam Proffitt is the Governor's Designee	
12. SIGNATURE OF STATE AGENCY OFFICIAL		16. RETURN TO Adam Proffitt, State Medicaid Director KDHE, Division of Health Care Finance Landon State Office Building 900 SW Jackson, Room 900-N Topeka, KS 66612-1220	
13. TYPED NAME Adam Proffitt			
14. TITLE State Medicaid Director, Division of Health Care Finance			
15. DATE SUBMITTED June 18, 2019			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED		18. DATE APPROVED DEC 04 2019	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL MAY 17 2019		20. SIGNATURE OF REGIONAL OFFICIAL	
21. TYPED NAME <i>Kristin Fan</i>		22. TITLE <i>Director, FMG</i>	
23. REMARKS <i>*Pent ink changes per State's request.</i>			

KANSAS MEDICAID STATE PLAN

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Outline
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Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

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Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

4.0000 Reimbursement for Inpatient Services in State Operated Psychiatric and Large Public Kansas Teaching Hospitals

Reimbursement for inpatient services in state operated psychiatric hospitals shall be based upon the lesser of reasonable costs or customary charges for covered services rendered to eligible individuals. These costs shall include Medicare allowable costs, including but not limited to malpractice, capital, physician services, and education as allowed under federal law. Reimbursement for inpatient services in large public Kansas teaching hospitals is determined upon the Standard DRG payment plus an additional amount for outlier claims. Outlier payment for large public Kansas teaching hospitals are calculated consistent with the method described at 2.5100 and 2.5300. Effective May 17, 2019, and updated annually on a calendar year basis beginning January 1, 2020, the group payment rate for large public Kansas teaching hospitals calculated pursuant to sections 2.4500-2.4520 will be calculated in the following manner:

1. FFS DRG Pricing:
 - a. The most recent two historical years of FFS utilization will be priced at the current effective DRG schedule to align with the year that the Academic Base Rate will be effective.
 - b. This uses the KU Peer Group Rate prior to the adjustment for the Academic Base Rate and includes both the projected base DRG payment and outlier payments.
2. Encounter DRG Pricing:
 - a. The most recent two historical years of encounter utilization at the current effective DRG schedule to align with the year that the Academic base rate will be effective.
 - b. This uses the KU Peer Group Rate prior to the adjustment for the Academic Base Rate and includes both the projected base DRG payment and outlier payments.
3. Encounter percent of billed pricing:
 - a. The most recent historical years of Encounter utilization is priced at the effective percent of billed schedule for the following year that the Academic Base Rate will be effective.
 - b. The billed charges are trended from the historical period to the current calendar year effective period based on KU's historic charge master increases.
4. Upper Payment Limit (UPL):
 - a. KU provided historic UPL information for the prior two historical years.
 - b. Fiscal year was used as a benchmark due to KU UPL reporting period.
5. Academic Base Rate Adjustment:
 - a. The KU Peer Group rate will be increased through an iterative process in such a manner the following conditions are met:
 - i. The encounter DRG pricing with the updated KU Peer Group will be less than the Encounter percent of billed pricing; and
 - ii. The FFS DRG Pricing with the updated KU Peer Group will be less than the historic UPL levels.
 - b. Once the conditions are met, the updated KU Peer Group is finalized as the KU Academic Base Rate.

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Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

4.0100 Inpatient Hospital Upper Payment Limit Narrative

I. The Basis of the UPL Formula

Kansas uses a payment-based demonstration of the upper payment limit (UPL) based on a comparison of the Medicaid payments to equivalent Medicare payments.

IP Template – Medicare Payment-to-Charge ratio X Medicaid Charges.

II. Source of the UPL Medicare Equivalent Data

Kansas uses the most recently filed or settled CMS 2552 hospital cost report as the source of Medicare data. The filed cost report and the settled cost reports are used. The base year is two years prior to the rate year. The State uses MMIS data from the base year, two years prior to the rate year, to calculate a reasonable Medicare estimate.

III. Cost Report References

Kansas uses the source data from the Medicare cost report to calculate payment-to-charge ratios from the cost centers on the CMS 2552 that are used to report inpatient facility cost, payment and charge data. From Worksheet E, Part A (Payments) / Worksheet D-4 (Charges), the following worksheets, columns, and lines are used:

D-3, D-4, E Part A, and E-3 Parts II, III, IV, and V.

The Medicare payment data represent the gross reported payment data.
Kansas uses the Medicare payments reported in Schedule E and includes the deductibles and coinsurance.

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Page 25e

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

IV. Medicaid Charge Data

Medicaid adjudicated inpatient hospital facility charge data from each of the hospitals in the demonstration are applied to each hospital's specific payment-to-charge data. This determines a reasonable Medicare equivalent payment amount for Medicaid equivalent services.

The Medicaid covered charges/days/discharges are from paid claims reported from the MMIS.

The claim dates of service are from the last full state fiscal year. A state fiscal year runs from July 1 of a previous calendar year through June 30 of a current calendar year. The cost reports used are the most currently available reports in HCRIS as of the March quarterly release of the following year. About half of the cost reports have a fiscal year end of the prior year and the other half will have a fiscal year end of the following year.

The State includes only those Medicaid charges that come from in-state Medicaid residents. All crossover claims are excluded. All physicians and other professional service charges are also excluded.

V. Medicaid Payment Data

The Medicare estimate for equivalent Medicaid services is compared to the Medicaid payment data from the demonstration rate year. If the Medicaid payment data are at or below the Medicare estimate, the state's inpatient hospital reimbursement methodology complies with the UPL regulations.

The Medicaid base payment data are reported from the MMIS. Medicaid payment data include all base and supplemental payments to inpatient hospital providers. Graduate Medical Education (GME) is reported separate from base payments in the UPL summary.

Medicaid payment data excludes crossover claims. The Medicaid payment is reported as gross of primary care payments, deductibles and copays. The state applies the Market Basket Inflation factor to account for how Medicaid payment rate changes between the base period and the UPL period. The dollar amount of payments for the UPL base period does not equal the "claimed" amounts on the CMS-64, Medicaid Expenditures report for the UPL time period. A small volume of out-of-state claims and regular claim adjustments creates a difference in the data.

VI. Trends and Adjustments to the UPL Data

Because UPL calculations rely on data from prior periods, the data is trended to the current rate year using The Market Basket Inflation factor. The state does not trend volume/utilization. A claims completion factor is not applied to the charge/day/discharge data. A claims completion factor is not applied to the payment data.

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

VII. State UPL Data Demonstration Structure

Kansas conducts three UPL demonstrations for the following facilities: 1. State government owned or operated hospitals; 2. Non-state government owned or operated hospitals; and 3. Privately owned or operated hospitals.

All Medicaid base and supplemental payments are included in the demonstration and are separately identified. The data demonstration does not include only in-state hospitals. Out of state hospitals with at least ten Kansas Medicaid claims are included in the UPL calculation. The data on the payments are obtained from the cost report of the out of state hospitals. The out of state hospitals are included in the “private” provider category. Critical Access Hospitals (CAHs) are included in the UPL calculation. CAHs are treated the same as any other hospital.

4.1000 Reimbursement for Inpatient Services in Border City Children’s Hospitals

Reimbursement for inpatient services in border city children’s hospitals is determined upon the Standard DRG payment plus an additional amount for outlier claims. Outlier payment for border city children’s hospitals are calculated consistent with the method described at 2.5100 and 2.5300.