

- D. The Program will reimburse private psychiatric hospitals in Maryland by a prospective payment system per diem rate, based on rates set by the HSCRC pursuant to the HSCRC methodology.

The HSCRC establishes approved rates for units of service in the various revenue producing departments (rate centers). The rates include adjustments for such items as inflation, volume changes, pass-through costs, and uncompensated care. A description of the HSCRC's uncompensated care methodology is provided in Section I, Letter A (above).

The Program's private psychiatric hospital prospective payment system (PPS) aggregates the HSCRC's rate center-based rates to one per diem rate using a weighted average. The per diem is further reduced to account for bad debt, discounts, capital costs, public relations, lobbying and certain educational expenses as reported on the private psychiatric hospital's cost reports and revenue statements.

Review of cost reports and revenue statements produced a 6% reduction on average and establishes the recommended PPS rate at 94% of the HSCRC rate. Payment for administrative days in private psychiatric hospitals will be made according to: (1) A projected average Medicaid nursing home payment rate, or (2) the administrative day rate for recipients waiting placement in a residential treatment center.

- E. Private freestanding pediatric rehabilitation hospitals in Maryland not approved for reimbursement according to the HSCRC rates shall be reimbursed for inpatient expenditures using a prospective payment system consisting of per diem rates based on categories of service on the providers fiscal year cost report for 2004 after audit and adjustments. The base per diem rates shall be adjusted annually by a market basket update factor in the Centers for Medicare and Medicaid Annual Update factors for Long Term Care Hospital Prospective Payment System.
- F. Reimbursement of Medically Monitored Intensive Inpatient Treatment Services Provided in an Intermediate Care Facility for patients under the age of 21:

The Department shall pay the intermediate care facility the lower of the provider's usual and customary charge or the provider's per diem costs for covered services according to the principles established under Title XVIII of the Social Security Act, up to a maximum of \$350 per day. The average increase in the Department's reimbursement to the provider per inpatient day for each fiscal year over the cost-settled rate for the previous fiscal year may not exceed the rate of increase of the Hospital Wage and Price Index plus 1 percentage point, described in 42 CFR §413.40, as amended. The target rate percentage increase for each calendar year shall equal the prospectively estimated increase in the Hospital Wage and Price Index (market basket index) for each calendar year, plus 1 percentage point. Since the cost reporting period spans portions of 2 calendar years, the Program shall calculate an appropriate prorated percentage rate based on the published calendar year percentage rates.

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