

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, M/S S3-13-15
Baltimore, MD 21244-1850



CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid, CHIP, and Survey & Certification (CMCS)

Brenda M. Harvey, Commissioner
State of Maine
Department of Health and Human Services
11 State House Station
Augusta, ME 04333-0011

MAY 25 2010

RE: Maine 09-015

Dear Ms. Harvey,

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 09-015. This amendment proposes to modify the payment methodology for inpatient hospital services. Specifically, effective July 1, 2009, it reduces reimbursement as mandated in Public Law 2009, Chapter 213, Part CC. For acute care non-critical access hospitals, inpatient discharge rates (except for those from psychiatric units) will be reduced by 6.7%. For acute care critical access hospitals and hospitals reclassified to a wage area outside Maine, reimbursement for inpatient services will be reduced to 109% from 117% of allowable costs. For all acute care hospitals, inpatient hospital based physician reimbursement will be reduced from 100% to 93.3% of allowable costs. In addition, cost of living adjustment (COLA) for state fiscal years (SFYs) 2010 and 2011 will be eliminated. Also, inpatient prospective interim payments will be capped at 80%.



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 are pleased to inform you that Medicaid State plan amendment 09-015 is approved effective July 1, 2009. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Novena James-Hailey at (617) 565-1291.

Sincerely,



Cindy Mann
Director of CMCS

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 09 -- 015	2. STATE: MAINE
		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(S) 7/1/09	
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: CFR 440.80		7. FEDERAL BUDGET IMPACT: a. FFY 09 \$ (1.85 million) b. FFY 10 \$ (7.4 million)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: 4.19A 3-6		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): 4.19A 3-6	
SUBJECT OF AMENDMENT: INPATIENT HOSPITAL REIMBURSEMENT			
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 COMMISSIONER, DEPT. OF HUMAN SERVICES	
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO:	
13. TYPED NAME: BRENDA HARVEY		ANTHONY MARPLE Director, Office of MaineCare Services #11 State House Station 442 CIVIC CENTER DRIVE Augusta, ME 04333-0011	
14. TITLE: Commissioner, Maine Department of Health and Human Services			
15. DATE SUBMITTED: SEPTEMBER 30, 2009			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: 5-25-10	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL - 1 2009		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: William Lasowski		22. TITLE: Deputy Director, CMCS	
23. REMARKS			

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Maine

Attachment 4.19-a

Inpatient Hospital Services Detailed Description of Reimbursement

TABLE OF CONTENTS

Table with 2 columns: Section/Item and Page. Includes sections A through G, such as DEFINITIONS, GENERAL PROVISIONS, ACUTE CARE NON-CRITICAL ACCESS HOSPITALS, etc.

TN No. 09-015
Supercedes
TN No. 09-004

Approval Date MAY 25 2010 Effective Date 07/01/2009
NCFA ID 7982E

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Maine

Attachment 4.19-a

Inpatient Hospital Services Detailed Description of Reimbursement

H	DISPROPORTIONATE SHARE HOSPITALS (DSH)	9
H-1	Eligibility for DSH Payments	9
H-2	DSH Adjustments for Institutions for Mental Diseases	10
H-3	Final DSH Adjustments for IMDs	11
H-4	DSH Adjustment for Acute Care Hospitals	11
I	SWING BED FOR NURSING FACILITY (NF)	12
	APPENDIX A	13

MAY 25 2010

TN No. 09-015
Supersedes
TN No. 09-004

Approval Date

Effective Date 07/01/2009
NCFA ID 7982E

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Maine

Attachment 4.19-a

Inpatient Hospital Services Detailed Description of Reimbursement

Page 3

C ACUTE CARE NON-CRITICAL ACCESS HOSPITALS

C-1 Department's Inpatient Obligation to the Hospitals

The Department of Human Services' total annual PIP obligation to the hospitals will be the sum of MaineCare's obligation for the following related to Medicaid discharges: inpatient services + inpatient capital costs + hospital based physician and direct graduate medical education costs + days awaiting placement.

The computed amounts are calculated as described below:

A. Inpatient Services

The inpatient component is the sum of the following:

1. General Inpatient

The hospital specific Medicaid discharge rate multiplied by the estimated number of Medicaid discharges. The rate per Medicaid discharge is determined by:

- 1) Determining a cost per Medicaid discharge based on Medicare cost reports for each hospital's fiscal year beginning between October 1, 1998 and September 30, 1999; 2) Inflating this cost per discharge to State fiscal year 2004; and 3) adjusting rates down by 1.3785 percent. For services rendered on or after July 1, 2005 this rate will be increased by 2.47%. 4) As of August 1, 2006 per discharge payments are reduced by 13.38%.

2. Distinct Psychiatric Unit Inpatient

Effective August 1, 2006, discharges from distinct psychiatric units will be reimbursed at \$6053.27 per discharge except for Northern Maine Medical for which the per discharge rate will be \$14,741.28.

MaineCare will only reimburse at this rate when the member has spent the majority of his or her stay in the distinct unit. MaineCare will only reimburse for one discharge for a single hospital for one episode of care.

General inpatient and distinct psychiatric unit inpatient rates will be adjusted annually for inflation as described in B-1, except for state fiscal years 2010 and 2011. General inpatient rates are reduced further by 6.7%, effective July 1, 2009.

MAY 25 2010

Approval Date

Effective Date 07/01/2009

NCFA ID 7982E

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Maine

Attachment 4.19-a

Inpatient Hospital Services Detailed Description of Reimbursement

Page 4

B. MaineCare's share of inpatient capital costs, 93.3% of its share of inpatient hospital based physician, graduate medical education costs, and MaineCare's share of inpatient third party liability (TPL).

C. MaineCare Member Days Awaiting Placement (DAP) at a Nursing Facility (NF)

Reimbursement will be made prospectively at the estimated statewide average rate per member day for NF services. The Department shall adopt the prospective statewide average rates per member day for NF services that are specified in 4.19D. The average statewide rate per member day shall be computed based on the simple average of the NF rate per member day for the applicable State fiscal year(s) and prorated for a hospital's fiscal year.

D. Supplemental Pool

The Department will allocate the supplemental amount of \$45,046,126 annually among the private acute care non-critical access hospitals based on their relative share of inpatient MaineCare discharges, including 50% of those from a distinct psychiatric unit in the latest calendar year for which all hospitals have interim or final cost settlement reports, as compared to other acute care, non-critical access hospitals. Each hospital will receive its relative share of this supplemental payment.

The relative share is defined as a combination of two factors, each of which is used to distribute half the pool:

- the number of the MaineCare discharges, including 50% of those from a distinct psychiatric unit, from that hospital in the latest calendar year for which all hospitals have interim or final cost settlement reports, , divided by MaineCare discharges, other than 50% of those for a distinct psychiatric unit, for all non-critical access hospitals in that year; multiplied by half the supplemental pool.
- the number of the MaineCare discharges, including 50% of those from a distinct psychiatric unit, from that hospital in the latest calendar year for which all hospitals have interim or final cost settlement reports, , multiplied by the cost per discharge; divided by the total cost of MaineCare discharges, including 50% of those for a distinct psychiatric unit, for all non-critical access hospitals in that year; multiplied by half of the total supplemental pool.

This pool will be proportionately decreased if a hospital that was in the pool when the total pool amount was set subsequently moves to a different reimbursement category. A hospital may move to a different reimbursement category if it

- becomes a critical access hospital; or
- is a Hospital Reclassified to a Wage Area Outside Maine by the Medicare Geographic Classification Review Board (MGCRB)

This amount will not be adjusted at the time of audit.

C - 2 Prospective Interim Payment

TN No. 09-015
Supersedes
TN No. 09-004

MAY 25 2010
Approval Date Effective Date 07/01/2009
NCFR ID 7982E

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Maine

Attachment 4.19-a

Inpatient Hospital Services Detailed Description of Reimbursement

Page 5

The estimated departmental annual inpatient obligation, described above, will be calculated using the most recent hospital fiscal year end MaineCare interim cost-settled report as issued by DHHS Division of Audit, inflated to the current state fiscal year. The minimum payment shall be the previous year's PIP payment and the maximum payment is capped at 80% of the calculated amount. Third party liability payments are subtracted from the PIP obligation. The PIP payment does not include DSH payments or the hospital's share of the supplemental pool as described below.

C-3 Interim Adjustment

The State would expect to initiate an interim adjustment under very limited circumstances, including but not limited to, restructuring payment methodology as reflected in a state plan amendment; when a hospital "changes" categories (e.g. becomes designated critical access); if and when a new population group was made eligible for MaineCare; or a hospital closes or opens and there is a redistribution of patients among facilities.

C-4 Interim Settlement

The Department of Health and Human Services' interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data source used for inpatient calculations will be discharges and charges included in MaineCare paid claims history as measured by the Department. Other calculations will be based on the hospital's interim cost-settled report as issued by the Department and MaineCare paid claims history for the year for which reconciliation is being performed.

C-5 Final Settlement

The Department of Health and Human Services' final settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data source used for discharges and charges will be those included in MaineCare paid claims history as measured by the Department. Other components will be based on the hospital's final cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which reconciliation is being performed.

D ACUTE CARE CRITICAL ACCESS HOSPITALS AND HOSPITALS RECLASSIFIED TO A WAGE AREA OUTSIDE MAINE BY THE MEDICARE GEOGRAPHIC CLASSIFICATION REVIEW BOARD (MGCRB) PRIOR TO October 1, 2008

All calculations made in relation to these hospitals must be made in accordance with the requirements for completion of the Medicare Cost Report and Generally Accepted Accounting Principles, unless otherwise noted, plus a DSH adjustment payment for eligible hospitals.

D-1 Department's Inpatient Obligation to the Hospital

The Department of Human Services' total annual inpatient obligation to the hospitals will be the sum of MaineCare's obligation of the following: inpatient services +days awaiting

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Maine

Attachment 4.19-a

Inpatient Hospital Services Detailed Description of Reimbursement

Page 6

placement +hospital based physician +direct graduate medical education costs. Third party liability payments are subtracted from the obligation.

These computed amounts are calculated as described below:

A. Inpatient Services

109% of the total MaineCare inpatient operating costs from the most recent interim cost-settled report issued by the Department, inflated to the current state fiscal year. Additionally, \$3,500,000 will be allocated on the basis of the hospital's relative share of Medicaid payments for private critical access hospitals only, not those hospitals reclassified to a wage area outside Maine by the Medicare Geographic Classification Review Board or public hospitals.

The relative share is defined as:

$$\frac{\text{total Medicaid payments to CAH hospital} \times \$3,500,000}{\text{total Medicaid payments to all CAH hospitals}}$$

B. MaineCare Member Days Awaiting Placement (DAP) at a Nursing Facility (NF)

Reimbursement will be made prospectively at the estimated statewide average rate per member day for NF services. The Department shall adopt the prospective statewide average rates per member day for NF services that are specified in the 4.19D Principles of Reimbursement for Nursing Facilities. The average statewide rate per member day shall be computed based on the simple average of the NF rate per member day for the applicable State fiscal year(s) and prorated for a hospital's fiscal year.

C. 93.3% of MaineCare's share of inpatient hospital based physician costs and MaineCare's share of graduate medical education costs.

D-2 Prospective Interim Payment (PIP)

The estimated departmental annual inpatient obligation, described above, will be calculated using the most recent hospital fiscal year end MaineCare interim cost-settled report as issued by DHHS Division of Audit, inflated to the current state fiscal year. Third party liability payments are subtracted from the PIP obligation. The PIP payment does not include DSH payments or the hospital's share of the supplemental pool as described below.

D-3 Interim Adjustment

The State would expect to initiate an interim adjustment under very limited circumstances, including but not limited to, restructuring payment methodology as reflected in a state plan amendment; when a hospital "changes" categories (e.g. becomes designated critical access); if and when a new population group was made eligible for MaineCare (e.g., the State is contemplating an eligibility expansion to include higher income parents); or a hospital closes or opens and there is a redistribution of patients among facilities.

MAY 25 2010

TN No. 09-015
Supersedes
TN No. 09-004

Approval Date

Effective Date 07/01/2009
NCFA ID 7982E

OS Notification

State/Title/Plan Number: Maine 09-015
Type of Action: SPA Approval
Required Date for State Notification: May 27, 2010
Fiscal Impact: FFY 2009 (\$1,850,000) FFP
FFY 2010 (\$7,400,000) FFP

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: No

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Detail: This amendment proposes to modify the payment methodology for inpatient hospital services. Specifically, effective July 1, 2009, it reduces reimbursement as mandated in Public Law 2009, Part CC. For acute care non-critical access hospitals, inpatient discharge rates (except for those from psychiatric units) will be reduced by 6.7%. For acute care critical access hospitals and hospitals reclassified to a wage area outside Maine, reimbursement for inpatient services will be reduced to 109% from 117% of allowable costs. For all acute care hospitals, inpatient hospital based physician reimbursement will be reduced from 100% to 93.3% of allowable costs. In addition, cost of living adjustment (COLA) for state fiscal years (SFYs) 2010 and 2011 will be eliminated. Also, inpatient prospective interim payments will be capped at 80%.

Other Considerations: This amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor. The State responded to a list of access questions. Basically, the State does not expect any impact on access to care and services. The State worked with the ME Hospital Association in developing their reimbursement policy. All hospitals are enrolled Maine Care providers and there are no plans by any hospital to change the policy. In addition, they provided assurance that no hospital has ever withdrawn from the Maine Care Program and would not do so without initially discussing their proposed action with the State. If such a withdrawal were to happen the State would work with the other hospitals and providers to ensure access. This OSN has been reviewed in the context of the ARRA and approval of the OSN is not in violation of ARRA provisions.

CMS Contact: Novena James-Hailey, (617) 565-1291