

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
JFK Federal Building, Government Center  
Room 2275  
Boston, Massachusetts 02203



CENTERS for MEDICARE & MEDICAID SERVICES

**Division of Medicaid and Children's Health Operations/Boston Regional Office**

June 6, 2011

Mary Mayhew, Commissioner  
Department of Health and Human Services  
11 State House Station  
Augusta, Maine 04333-0011

Dear Commissioner Mayhew:

We are now ready to approve State Plan Amendment (SPA) No. 10-010; attached you will find an approved copy of the SPA. This SPA is effective July 1, 2010 as requested.

This SPA transmitted an amendment to your approved Title XIX State Plan regarding outpatient hospital reimbursements. Specifically, this SPA makes two technical changes to the State Plan: (1) to alter the data sources used to estimate prospective payments and (2) to correct the placement of language describing payment to hospital-based physicians which applies to both critical and non-critical access acute care hospitals.

We determined that the proposed reimbursement methodology is consistent with Federal Medicaid requirements. We reviewed this SPA for compliance with §1902(a)(73) of the Social Security Act, as added by §5006(e) of the American Recovery and Reinvestment Act of 2009, Public Law 111-5. This SPA was also reviewed in conjunction with provisions of the Affordable Care Act, Public Law 111-148.

If there are any questions, please contact Kathryn Holt at (617) 565-1246 or via email at [kathryn.holt@cms.hhs.gov](mailto:kathryn.holt@cms.hhs.gov).

Sincerely,

/s/

Richard R. McGreal  
Associate Regional Administrator

cc: Stephanie Nadeau, Director, Office of Maine Care Services

Enclosure

|   |  |  |                        |
|---|--|--|------------------------|
| <b>TRANSMITTAL AND NOTICE OF APPROVAL OF<br/>STATE PLAN MATERIAL</b><br><br><b>FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES</b>  |  | 1. TRANSMITTAL NUMBER:<br><br>010 -- 010   | 2. STATE:<br><br>MAINE |
|   |  | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)   |                        |
| TO: REGIONAL ADMINISTRATOR<br>CENTERS FOR MEDICARE AND MEDICAID SERVICES<br>DEPARTMENT OF HEALTH AND HUMAN SERVICES   |  | 4. PROPOSED EFFECTIVE DATE(S)<br><br>7/1/10  |                        |
| 5. TYPE OF PLAN MATERIAL (CHECK ONE):<br><br><input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT<br>COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment) |  |  |                        |
| 6. FEDERAL STATUTE/REGULATION CITATION:<br><del>CFR 440.80</del><br>42 CFR 440.20   |  | 7. FEDERAL BUDGET IMPACT:<br>a. FFY ___ 10 ___ \$ 0<br>b. FFY ___ 11 ___ \$ 0  |                        |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:<br><del>4.19B</del><br>Attachment 4.19B PAGE 1 (F) to 1 (U)<br>OUTPATIENT   |  | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): 4.19B   |                        |
| SUBJECT OF AMENDMENT: <del>INPATIENT HOSPITAL REIMBURSEMENT</del> <del>IMPLEMENTING DRG REIMBURSEMENT</del>   |  |  |                        |
| 11. GOVERNOR'S REVIEW (Check One):<br><input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT<br><input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED<br><input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL   |  | <input checked="" type="checkbox"/> OTHER, AS SPECIFIED<br>COMMISSIONER, DEPT. OF HUMAN SERVICES   |                        |
| 12. SIGNATURE OF STATE AGENCY OFFICIAL:<br><br>1  |  | 16. RETURN TO:<br><br>Stephanie Nadeau<br><del>ANTHONY MARPLE</del><br>Director, Office of MaineCare Services<br>#11 State House Station<br><br>442 CIVIC CENTER DRIVE<br>Augusta, ME 04333-0011 |                        |
| 13. TYPED NAME:<br>BRENDA HARVEY  |  |  |                        |
| 14. TITLE:<br>Commissioner, Maine Department of Health and Human Services   |  |  |                        |
| 15. DATE SUBMITTED: <del>SEPTEMBER 2010</del><br>SEPTEMBER 24, 2010   |  |  |                        |
| <b>FOR REGIONAL OFFICE USE ONLY</b>   |  |  |                        |
| 17. DATE RECEIVED: September 24, 2010   |  | 18. DATE APPROVED: June 6, 2011  |                        |
| PLAN APPROVED - ONE COPY ATTACHED   |  |  |                        |
| 19. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 2010   |  | 20. SIGNATURE OF REGIONAL OFFICIAL:  |                        |
| 21. TYPED NAME: Richard R. McGreal  |  | 22. TITLE: Associate Regional Administrator  |                        |
| 23. REMARKS: The State of Maine agreed to the pen-and-ink changes found in sections 6, 8, 15, and 16 of this transmittal. The State of Maine also agreed to the pen-and-ink changes found in the subject of amendment block.  |  |  |                        |

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

**State: MAINE**

**Attachment 4.19-B**

**Page 1(f)**

**Outpatient Hospital Services Detailed Description of Reimbursement**

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TN No.10-010  
Supersedes  
TN No. 09-014

Approval Date 6/6/11

Effective Date 7/1/10

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

**State: MAINE**

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Preliminary and Final Settlement**

At preliminary and final settlement, the hospital will reimburse the Department for any excess payments; or the Department will reimburse the amount of any underpayment to the hospital. In either case, the lump sum payment must be made within 30 days of the date of the letter notifying the provider of the results of the preliminary or final settlement. If more than one year's preliminary or final settlement is completed in the same proceeding, the net amount must be paid. If no payment is received within 30 days, the Department may offset prospective interim payments. Any caps imposed on PIP payments are not applicable to the determination of settlement amounts.

Hospitals are required to file with the DHHS, Division of Audit a year-end cost report within five months from their fiscal year end. The cost report filing consists of: CMS Form 2552 or its equivalent, audited financial statements, and any other related documentation as requested by the DHHS-Division of Audit. The cost report must include applicable MaineCare utilization and a calculated balance due to/from MaineCare.

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**State: MAINE**

**Attachment 4.19-B**

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**ACUTE CARE NON-CRITICAL ACCESS HOSPITALS**

**Department's Outpatient Obligation to the Hospital**

The Department of Health and Human Services' total annual obligation to the hospitals will be the sum of MaineCare's obligation for the following: outpatient services + outpatient hospital based physician costs.

Third party liability payments and revenue for outpatient physician services billed and paid on CMS 1500 are subtracted from the obligation. The computed amounts are calculated as described below:

Effective July 1, 2009, the Department's total annual obligation to a hospital for outpatient services equals the lower of 83.8% of MaineCare outpatient costs or charges, plus 93.4% of emergency room hospital based physician costs plus 83.8% of non-emergency room outpatient hospital based physician costs. Costs are determined using standard cost to charge ratios, using data from the Medicare cost reports. Charges are taken from claims data. MaineCare's share of clinical laboratory and radiology costs are added to this amount.

State-developed fee schedule rates are the same for both governmental and private providers of Clinical Laboratory Services. The agency's fee schedule rate was set as of March 29, 2009 and is effective for services provided on or after that date. All rates are published at <http://www.maine.gov/dhhs/audit/rate-setting/documents/S55R03292009.pdf>.

State-developed fee schedule rates are the same for both governmental and private providers of Radiology Services. The agency's fee schedule was set as of September 1, 2010 and is effective for services provided on or after that date. All rates are published at <http://www.maine.gov/dhhs/audit/rate-setting/documents/S101R09012010.pdf>.

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Prospective Interim Payment (PIP)**

The estimated Departmental total obligation will be calculated to determine the PIP payment using data from the fiscal year for which the most recent as-filed cost report available, inflated to the current state fiscal year. This payment is at least 80% of the calculated amount.

MaineCare calculates its share of outpatient hospital based physician costs, and its obligation related to outpatient claims where there is a third party payor use data from the most recent hospital fiscal year end MaineCare as filed cost report issued by DHHS Division of Audit, which is inflated to the current state fiscal year. For those claims where there is a third party payor involved, MaineCare pays the difference between what it would have paid in the absence of a third party payment and the actual third party payment. The State does not pay more than 100% of total outpatient costs for acute care non-critical hospitals.

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Interim Volume Adjustment**

The Department initiates an interim PIP 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 is made eligible for MaineCare (e.g. the state is contemplating an eligibility expansion to include higher income parents); or a hospital opens or closes resulting in a redistribution of patients among facilities.

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Preliminary Settlement**

The Department of Health and Human Services' year end preliminary 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 included in MaineCare paid claims history as measured by the Department. Other calculations will be based on the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.



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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**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 will be 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.

**ACUTE CARE CRITICAL ACCESS HOSPITALS, PRIVATE PSYCHIATRIC HOSPITALS, HOSPITALS RECLASSIFIED TO A WAGE AREA OUTSIDE MAINE BY THE MEDICARE GEOGRAPHIC CLASSIFICATION REVIEW BOARD (MGRB)**

All calculations made in relation to acute care critical access hospitals, and effective October 1, 2006, private psychiatric hospitals, and effective August 1, 2006 Hospitals Reclassified to a Wage Area Outside Maine by the MGRB, must be made in accordance with the requirements for completion of the Medicare Cost Report and Generally Accepted Accounting Principles, unless stated otherwise below, plus a payment for eligible hospitals.

**Outpatient Hospital Services Detailed Description of Reimbursement**

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Department's Outpatient Obligation to the Hospital

The Department of Health and Human Services' annual outpatient obligation to the hospitals will be the sum of MaineCare's obligation of the following: outpatient services + outpatient hospital based physician costs – beneficiary payments. Third party liability payments and revenue for outpatient physician services billed and paid on CMS 1500 claims are subtracted from the obligation.

Effective July 1, 2009 this payment is capped at 109% of MaineCare outpatient costs. MaineCare's share of emergency room hospital based physician costs is reimbursed at 93.4% of cost. Other outpatient hospital based physician costs will be reimbursed at 83.8% of costs.

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Prospective Interim Payment**

The estimated Departmental total obligation will be calculated to determine the PIP payment using data from the fiscal year from the most recent as filed cost report available, inflated to the current state fiscal year.

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**State: MAINE**

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Interim Volume Adjustment**

The Department initiates an interim PIP adjustment under very limited circumstance, 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 is made eligible for MaineCare (e.g. the state is contemplating an eligibility expansion to include higher income parents); or a hospital opens or closes resulting in a redistribution of patients among facilities.

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**Preliminary Settlement**

The Department of Health and Human Services' preliminary settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**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 sources used will be the hospital's final cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which settlement is being performed.

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**STATE OWNED PSYCHIATRIC HOSPITALS**

**Prospective Interim Payment**

The Department of Health and Human Services' annual outpatient PIP obligation to the hospitals will be the sum of MaineCare's obligation of the following: outpatient services + outpatient hospital based physician costs. Third party liability payments are subtracted from the PIP obligation.

MaineCare outpatient costs inflated to the current state fiscal year using the most recent interim cost-settled report as issued by the Department.

MaineCare's share of hospital based physician are taken from 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.

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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Interim Volume Adjustment**

The Department may initiate a comparison of MaineCare claims data submitted in the first 150 days of the payment year to the projected number of discharges used in calculating the PIP. An adjustment may be made to the outpatient PIP using actual outpatient cost to charge data.



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**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Preliminary Settlement**

The Department of Health and Human Services' preliminary settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

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**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 sources used will be the hospital's final cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which settlement is being performed.