DEPARTMENT OF HEALT & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop 52-26-12
Baltimore, Maryland 21244-1850

Center for Medicaid CHIP and Survey & Certification

DEC 1 7 2010

Dr. Robert L. Robinson
Executive Director State
of Mississippi Office of
the Governor Division of
Medicaid
Walter Sillers Building, Suite l000
550 High Street
Jackson, MS 39201

RE: State Plan Amendment MS l0-028

Dear Dr. Robinson:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-028. Effective October 1, 2011 this amendment revises the State's reimbursement methodology for setting payment rates for hospital services. Specifically, it will amend the plan language to revise inconsistent and ambiguous language and correct examples of the rate setting methodologies.

We conducted our review of your submittal according to the statutory requirements at sections l902(a)(l3), l902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed changes in payment methodology comply with applicable requirements and therefore have approved them with an effective date of October 1, 2011. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Stanley Fields at (502) 223-5332.

Sincerely

//s//

Cindy Mann
Director, CMCS

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **2010-028**

2. STATE: **MS**

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
October 1, 2011

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 CFR 430.10; 42 CFR 440.201; 42 CFR 447.252

7. FEDERAL BUDGET IMPACT:
a. FFY **2012** **$ 53,726**
b. FFY **2013** **$ 54,989**

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19 – A: pages 1, 10, 11, 12, 13, 14, 20, 21, 22, 23, 24, 25, 26, 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j, 26k

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

Attachment 4.19 – A: pages 1, 10, 11, 12, 13, 14, 20, 21, 22, 23, 24, 25, 26, 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j, 26k

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10. SUBJECT OF AMENDMENT:
The hospital inpatient State Plan is being updated to make language corrections in several sections related to inpatient rate setting. A change is also being proposed to use the geographic CBSA of each hospital instead of the MSA for the wage index adjustments.

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:

12. SIGNATURE OF STATE AGENCY OFFICIAL:
//s//

13. TYPED NAME: Robert L. Robinson

14. TITLE: Executive Director

15. DATE SUBMITTED: 09/27/10

16. RETURN TO:
Robert L. Robinson
Mississippi Division of Medicaid
Attn: Kristi Plotner
550 High Street, Suite 1000
Jackson, MS 39201-1399

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
09/27/10

18. DATE APPROVED: 12/17/10

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
10-01-10

20. SIGNATURE OF REGIONAL OFFICIAL:
//s//

21. TYPED NAME:
Cindy Mann

22. TITLE: Director

23. REMARKS: Approved with following changes to items 7 and 8 as authorized by the state agency:

Block #7 changed to read: FFY 2012 $0 and FFY 2013 $0.

Block #8 changed to read: Attachment 4.19-A pages 1, 4,10,11,12,13,14,20,21,22,23,25,26,26a,26b,26c,26d,26f,26g,26h, 26i,26j,26k,28 and 37.

FORM HCFA-179 (07-92)

State of Mississippi
Title XIX Inpatient Hospital Reimbursement Plan

I. Payment Methodology for Rate Years Beginning October 1, 2005

A. Prospective Rate

The Division of Medicaid will set hospital inpatient reimbursement rates prospectively on an annual (October 1 – September 30) basis. For the rate year beginning October 1, 2005, the rate shall be based upon the greater of (1) the facility's most recent inpatient per diem rate for FFY 2005, or (2) the average of the facility's most recent inpatient per diem rates for FFY 2004 and 2005. The resulting base amount will then be increased by the percentage increase of the most recent Medicare Inpatient Hospital PPS Market Basket Update as published in the Federal Register. The base rate will not be recalculated for any subsequent changes that occur in the FFY 2004 or 2005 inpatient per diem rates, except for adjustments made to include or exclude the low DSH component, as appropriate, based on changes in low DSH eligibility for per diem rates through September 30, 2009, and in cases of error or omission, as determined by the Division. (Refer to Appendix I.)

A base rate will be established for hospitals that open or change ownership on or after October 1, 2005. A new owner will be reimbursed at the previous owner's rate until the rate is recalculated based on the new owner's initial cost report using rate-setting procedures in place prior to October 1, 2005. A new hospital will be reimbursed the average rate paid a like-sized Mississippi hospital as of the effective date of the Medicaid provider agreement until the rate is recalculated based on the new hospital's initial cost report using rate-setting procedures in place prior to October 1, 2005. Each rate year the inpatient per diem for each Mississippi hospital is grouped by bed class (as described in Section VII.C.) and an average rate is determined for each class. New Mississippi hospitals will be reimbursed the average for their bed class based on the number of beds. The fiscal year 2005 class ceilings will be trended using the percentage increase of the most recent Medicare Inpatient Hospital PPS Market Basket Update as published in the Federal Register to establish class ceilings for these rates as described in Section VII.

For rate years beginning October 1, 2006, and thereafter, the prospective rate for the immediately preceding rate year will be increased by the percentage increase of the most recent Medicare Inpatient Hospital PPS Market Basket Update as published in the Federal Register. Facility per diems shall be trended forward in this manner annually until such time as a new methodology is adopted by the Division or for five rate years beginning October 1, 2005, whichever comes first. If no new methodology has been adopted by the end of the fifth rate year of trending, hospital inpatient reimbursement rates will be rebased annually using the cost reporting methodology employed prior to October 1, 2005.

For rate years beginning October 1, 2009, the base rate for private free-standing psychiatric hospitals shall be that in use January 1, 2009, which shall not be revised or recalculated. The prospective rate for the immediately preceding rate year will be increased by the percentage increase of the most recent Medicare Inpatient Hospital PPS Market Basket Update as published in the Federal Register. Private free-standing psychiatric hospital per diems shall be trended forward in this manner annually.

B. Subsequent Adjustment

The base year payments effective October 1, 2005, will not be adjusted when fiscal year 2004 and fiscal year 2005 rates are amended due to final settlement cost reports. Rates determined under this methodology will be subject to subsequent adjustment only in cases of error or omission, as determined by the Division, affecting the base year(s) or for adjustments made to include or exclude the low DSH component, as appropriate, based on changes in low DSH eligibility.

C. Class of Facilities

The statewide classes of facilities shall be the same as specified in Section VII, Paragraph C of this Attachment 4.19-A.

B. Common Audit Program

The Division of Medicaid has entered into agreements with Medicare intermediaries for participation in a common audit program of Titles XVIII and XIX. Under this agreement, the intermediaries for participation in a common audit program shall provide DOM the results of the field audits of those hospitals located in Mississippi. For years prior to the rate year beginning October 1, 2005, DOM will review these field audits and will adjust the prospective rate paid to in-state hospitals as appropriate. Only the original final settlement will be reviewed and adjustments made therefrom.

C. Other Hospital Audits

For those hospitals not covered by the common audit agreements with Medicare intermediaries, DOM shall be responsible for performance of the desk reviews, field reviews and field audits in accordance with Title XVIII standards. On-site audits will be made when desk reviews indicate such are needed.

D. Retention

All audit reports received from Medicare intermediaries or issued by Medicaid will be kept for a period of at least five (5) years following the date all audit findings are resolved.

E. Overpayments/Underpayments

Overpayments as a result of an error or misrepresentation must be reported and returned by the later of either (1) the date which is 60 days after the date on which the overpayment was identified, or (2) the date any corresponding cost report is due, if applicable. Any overpayment retained by a provider after the deadline for reporting and returning the overpayment is an obligation as defined in Section 3729 (b)(3) of title 31, United States Code. Failure to repay an overpayment to the Division of Medicaid may result in sanctions as described in Section X. Underpayments, likewise determined, will be reimbursable to the provider.

for determining the maximum prospective operating cost component. The designated maximum percentile (80th percentile) by class of facility will be utilized to limit payment to high cost providers. General hospitals will be classified based on the number of beds available per the annual cost report. This number is determined as follows: Total hospital beds less nursery beds, NICU beds and beds for provider components paid at a different rate or not participating in the Medicaid program. Free-standing psychiatric hospitals are a separate class of hospitals for rate setting with all bed sized combined. General hospitals which have a psychiatric unit are reimbursed the same per diem for the psychiatric inpatient days as they are for general medical/surgical inpatient days. Pediatric long-term acute care hospitals are a separate class of hospital providing services as freestanding, Medicare-certified hospitals with an average length of inpatient stay greater than twenty-five (25) days and primarily engaged in providing chronic or long-term medical care to persons under twenty-one (21) years of age. The initial per diem rate for pediatric long-term acute care hospitals will be determined based upon the initial cost report filed by the facility.

CLASS OF FACILITIES

1. General Hospitals with 0 – 50 Beds
2. General Hospitals with 51 – 100 Beds
3. General Hospitals with 101 – 150 Beds
4. General Hospitals with 151 – 200 Beds
5. General Hospitals with 201 – or more Beds
6. Free-standing Psychiatric Hospitals
7. Pediatric Long-term Acute Care Hospitals

D. Setting of Class Ceilings

1. The latest cost report available to Medicaid in each calendar year for each hospital will be reviewed and adjusted:

   a. to reflect the results of desk review and/or field audits
   b. to adjust for excessive costs
   c. to determine if the hospitals general routine operating costs are in excess of the limitations established by 42 CFR 413.30.

For hospitals having excessive general routine operating costs, appropriate adjustments shall be made.

2. Total cost allocated to the Medicaid Program on the appropriate cost reporting forms shall be classified as a) capital costs, b) educational cost, and c.) operating costs. Capital costs are defined by this plan to include those costs reported for Medicare reimbursement purposes such as depreciation, non-employee related insurance, interest, rent, and property taxes (real and personal). Educational costs are defined as those costs normally recorded in the Intern and Resident and Nursing School accounts for Medicare reimbursement purposes. Capital costs and educational cost are to be allocated to the Medicaid Program based upon the number of inpatient Medicaid days to total inpatient days. Operating costs are defined as total Medicaid costs less capital costs and Educational costs apportioned to the Medicaid Program.

3. Medicaid Prospective Capital Cost Component

   a. Total capital costs apportioned to the Medicaid Program will be divided by actual Medicaid inpatient days.

   b. In accordance with Section V. K., an amount will be added or deducted for the capital cost applicable to the Medicaid Program for new or deleted services or equipment which requires Certificate of Need approval.

   c. The addition of 3.a. and 3.b. shall be called the Medicaid Prospective Capital Cost Component.

4. Medicaid Prospective Educational Cost Component

   a. Total educational costs apportioned to the Medicaid Program will be adjusted for the number of months between the mid-point of the hospital's cost reporting year end and the mid-point of the most recently ended calendar year by the payroll expense and employee benefits portion of the latest rate of inflation for the hospital industry as described in Appendix C. This adjustment is made to place costs reported on a common year end and is referred to as the education inflation factor.

   b. This adjusted cost will be divided by the actual Medicaid inpatient days.

   c. The payroll expense and employee benefits portion of the industry trend factor as described in Appendix C will be applied to this per diem amount to adjust for the number of months between the mid-point of the most recently ended calendar year and the mid-point of the rate period. This adjustment is referred to as the education trend factor.

   d. This adjusted per diem shall be called the Medicaid Prospective Educational Cost Component.

5. Medicaid Prospective Operating Cost Component

a. Total operating costs apportioned to the Medicaid Program will be adjusted for the number of months between the mid-point of the hospital's cost reporting year end and the mid-point of the most recently ended calendar year by the latest actual rate of inflation for the hospital industry as described in Appendix C. This adjustment is made to place all costs reported on a common year end. This adjusted cost will be separated into labor and non-labor categories based on the percentage of payroll expense and employee benefits to the total market basket as specified in Appendix C. This adjustment is referred to as the hospital inflation factor.

b. The labor costs and non-labor costs applicable to the Medicaid Program will be divided by the actual Medicaid inpatient days.

c. The labor cost per diem shall be adjusted by a wage index derived from wage index values published by CMS and standardized against Mississippi specific wages. (See Appendix C, p. 26k.)

d. The adjusted labor cost per diem plus the non-labor cost per diem shall be arrayed from highest

to lowest by class of facility. The designated percentile will be selected as the maximum operating cost component.

e. The lesser of actual cost in d. above or the maximum operating cost component will be separated into labor and non-labor categories.

f. The corresponding labor cost per diem wage index adjustment will be made to the lower of the actual adjusted labor cost per diem in d. above, or the ratio of the actual adjusted labor cost per diem to the total per diem in d. times the maximum operating cost component.

g. An industry trend factor as described in Appendix C of this plan will be applied to the sum of the labor per diem in f. above and the non-labor per diem in e. above for the number of months between the mid-point of the most recently ended calendar year and the mid-point of the rate period.

h. In accordance with Section V. G., an amount will be added (or deducted) for the operating cost applicable to the Medicaid Program for new (or deleted) services or equipment which requires CON approval.

i. The sum of g. and h. is to be called the Medicaid Prospective Operating Cost Component.

E. Setting the Individual Hospital Rates

The individual hospital rate will be the sum of the Medicaid Prospective

APPENDIX A – Rate Setting Procedures in Place Prior to October 1, 2005

Rate Setting Example

The following example shows the step by step process which shall be used to set the Medicaid Prospective Rate for each hospital for the rate period October 1, 2004 through September 30, 2005. The cost reports for the periods ended in the prior calendar year will be used to set the per diem rate.

Hospital A (60 Bed, Rural Facility)

Cost Report Year End: September 30, 2003
Information contained in Cost Report:

Total available days	21,900
Total inpatient days	15,330
Medicaid inpatient days	2,000
Total costs allocated to Medicaid Program	$1,000,000
Total capital costs	$683,000
Total education costs	$100,000

It is assumed for this example that the above data has already been reviewed and adjusted to reflect results of desk reviews, etc.

1. Total cost allocated to the Medicaid Program is to be separated into capital costs, education costs, and operating costs.

   Capital costs allocated to the Medicaid Program: (Based on the ratio of Medicaid inpatient days to total inpatient days) 2,000/15,330 x $683,000 = $89,106. Education costs allocated to the Medicaid Program: 2,000/15,330 x $100,000 = $13,046. Operating cost allocated to the Medicaid Program: $1,000,000 - (89,106 + 13,046) = $897,848.

2. Capital Cost Component

   a. Divide capital cost allocated to Medicaid by the Medicaid inpatient days: $89,106 ÷ 2,000 = $44.55

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3. Educational Cost Component

a.	Multiply educational cost allocated to the Medicaid Program by the inflation factor for the number of months between the mid-point of the hospital's cost reporting year end and the mid-point of the most recently ended calendar year. (March 31, 2003, and June 30, 2003, respectively, using a September 30, 2003, cost reporting year end in this example.) 3/12 x inflation factor (as determined in Appendix C, p. 26i – for this example 4.074% is used.)		$13,046 X 1.0102 $13,179		
b.	Divide by Medicaid inpatient days	÷	2,000	=	$6.59
c.	Apply the trend factor as determined in Appendix C, p. 26j (for this example, 3.767% is used) for the number of months between the mid-point of the most recently ended calendar year and the mid-point of the rate period. (For this example, June 30, 2003, and March 31, 2005.)				
	21/12 x trend factor				X 1.0660
	Medicaid Prospective Educational Cost Component				$7.03

4. Operating Cost Component

	Operating cost allocated to the Medicaid Program		$897,848		
a.	Inflation factor is applied for the number of months between the mid-point of the hospital's cost reporting year end and the mid-point of the most recently ended calendar year. (March 31, 2003, and June 30, 2003, respectively, using a September 30, 2003, cost reporting year end in this example.) 3/12 x inflation factor (as determined in Appendix C, p. 26h – for this example 3.89% is used.)		X 1.0097 $906,557		
b.	Separate this cost into labor and non-labor categories. (A factor published by CMS will be used. For this example, 61.70% is used. See Appendix C, p. 26.)		X 61.70%		
	Labor category		$559,346		
	Non-labor category (balance)				$347,211
c.	Divide by Medicaid inpatient days	÷	2,000	÷	2,000
			$279.67		$173.61

d.	Divide labor costs by the most recent SMSA Wage Index. (For this example, .9561 will be used for rural Mississippi.)	÷ .9561	
		$292.51	$173.61
e.	Add the adjusted labor per diem and the non-labor per diem. This amount will be used for the specified percentile maximum operating cost calculation. (See Appendix B.)	$466.12	
f.	For this example, the class maximum operating cost is $400.00.	$400.00	
g.	Separate the lesser of e. or f. into labor and non-labor categories as explained in VII.D.5.e. of the State Plan.	$246.80	$153.20
h.	Multiply labor per diem by the SMSA Wage Index as noted in d. above.	X .9561 $235.97	
i.	Combine and apply the trend factor as determined in Appendix C, p. 26j (for this example, 3.456% is used) for the number of months between the mid-point of the most recently ended calendar year and the mid-point of the rate period. (For this example, June 30, 2003, and March 31, 2005.)	$235.97 153.20 389.17	
	21/12 x trend factor	X 1.0605	
	Medicaid Prospective Operating Cost Component	$412.71	
j.	This Hospital's Medicaid Prospective Rate is the sum of 2.a.; 3.c.; and 4.i.: $44.55 + $7.03 + $412.71 =	$464.29	

APPENDIX B – Rate Setting Procedures in Place Prior to October 1, 2005

Maximum Operating Cost Component

Procedures for determining the maximum operating cost component of reimbursement to hospitals are as follows:

(1) Facilities will be grouped according to the bed-size classification as established in the State Plan.

(2) The following procedures will be used separately for each classification of facilities.

(a) Operating cost per diems as described at VII.D.5.d. and illustrated at Appendix A, 4., will be arrayed from low to high.

(b) The percentile range will be computed by dividing the individual provider array location number for the scheduled operating cost per diems by the total number of providers in the array.

(c) The selected percentile as specified by this plan will then be determined.

The following is an example of the determination of the maximum operating cost per diem at the 80th percentile.

PROVIDER ARRAY LOCATION NUMBER	OPERATING COST PER DIEM	PERCENTILE
01	$50.00	9.09
02	$57.10	18.18
03	$58.20	27.27
04	$58.25	36.36
05	$59.10	45.45
06	$62.90	54.55
07	$76.80	63.64
08	$80.01	72.73*
09	$81.00	81.82*
10	$92.00	90.91
11	$93.00	100.00

*The 80th percentile falls between the operating cost per diems for provider numbers 08 and 09. The 80th percentile is then computed by interpolation and in this example would be $80.80.

APPENDIX C – Rate Setting Procedures in Place Prior to October 1, 2005

Inflation Factor and Industry Trend Factor

An input price index will be used to compute the reimbursable change in the prices of goods and services purchased by hospitals. The input price index will consist of a market basket classification of goods and services purchased by hospitals, a corresponding set of market basket weights for purchased goods and services, and a related series of price indicators. Weights corresponding to market basket categories are for hospitals in the East South Central region of the United States and are specified in this appendix.

After the close of each calendar year, the input price index will be calculated to account for actual changes in the price indicators based on the market basket weights.

The index will be made available to Mississippi Medicaid by the Global Insight Healthcare Cost Review publication, or its successor. This factor will be called the inflation factor and shall be used for the purpose of adjusting costs for all providers to a common year-end. This factor will be applied for the number of months between the mid-point of each provider's cost reporting year end and the mid-point of the most recently ended calendar year. The inflation factor is based on historical data and is not subject to redetermination at a later time.

The Global Insight Healthcare Cost Review publication, or its successor, will also provide a trend factor to project the inflation rate for the next reimbursement period. Both the inflation factor and the trend factor will use the same market basket, market basket weights, and proxy price variables.

The trend factor is to be applied for the number of months between the mid-point of the most recently ended calendar year and the mid-point of the rate period.

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APPENDIX C continued

MARKET BASKET

	EXPENSE CATEGORY	RELATIVE WEIGHT
1	WAGES & SALARIES	0.5070
2	EMPLOYEE BENEFITS	0.1100
		0.6170
3	MALPRACTICE INS	0.0620
4	FUEL & UTILITIES	0.0140
5	OTHER	0.3070
6		
7		
8		
9	TOTAL	1.0000

APPENDIX C

Computation of Rate Setting Factors

The calculation of the Medicaid Prospective Rate uses the following rate setting factors:

1. Hospital Inflation Factor
2. Education Inflation Factor
3. Hospital Trend Factor
4. Education Trend Factor
5. Labor Percentage
6. Wage Factor

Their purpose and method of computation are as follows:

Hospital Inflation Factor

The hospital inflation factor adjusts the operating costs from the provider's fiscal year end to a December 31 calendar year end. The inflation factor is calculated by the following steps (an example is on page 26h):

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1. Determine annualized hospital inflation factor

   a. Multiply the historical moving percentage (Column 2) by the relative weight (Column 3) for each of the expense categories (Column 1).

      The historical moving percent is for the quarter ending December 31 of the provider's fiscal year ends (i.e., 2003:4).

   b. The amounts determined in a. above are totaled. This results in the annualized hospital inflation rate. (See Column 4 page 26h.)

2. Determine hospital inflation factor for each month

   a. Divide the annualized hospital inflation factor determined in 1.b. above by 12. (See example on page 26h; Column 4, line 17 divided by 12). This results in a monthly hospital inflation factor (column 4, line 18).

   b. Multiply the monthly hospital inflation factor by the number of months between the mid-point of the provider's fiscal year end and the mid-point of the most recently ended calendar year. (i.e., June 30 = 6; September 30 = 3; December 31 = 0).

Education Inflation Factor

The Education Inflation Factor is calculated by the following steps (an example is on page 26i):

1. Determine the annualized education inflation rate.

   a. Calculate the adjusted relative weight

      (1) Total the relative weight for the expense categories 1) wages and salaries and 2) employee benefits (Column 3, line 4). (Example: .5070 + .1100 = .6170.)

      (2) The ratio of the relative weight (i.e., wages = .5070) to the total of the Relative weights (.6170) is the adjusted relative weight (i.e., .5070 ÷ .6170 = .8217).

   b. Multiply the historical moving percentage (Column 2) by the adjusted relative weight (Column 4) as calculated in (2) above. (i.e., 3.70 x .8217 = 3.040).

   c. The amounts determined in b. above are totaled. This results in the annualized education inflation factor. (i.e., Column 5, page 26i) (i.e., 3.040 + 1.034 = 4.074).

2. Determine the education inflation factor for each month.

a. Divide the annualized education inflation factor (Column 4, line 17) by 12. This results in a monthly education inflation factor (Column 4, line 18) or (i.e., 4.074% ÷ 12 = .3395).

b. Multiply the monthly education inflation factor (i.e., .3395) by the number of months between the mid-point of the provider's cost reporting year end year end and the mid-point of the most recently ended calendar year. (i.e., June 30 = 6; September = 3; December 31 = 0).

Hospital Trend Factor

The trend factor adjusts the operating costs from the mid-point of the December 31 common year to the mid-point of the rate period (March 31). This would adjust the operating cost for a period of twenty-one (21 months).

The trend factor is calculated by the following steps (an example is on page 26j):

1. Multiply the relative weight (Column 2) by the percent growth (Column 3) for each of the expense categories in Column 1.

   The percent growth is for the quarter ending December 31 one year after the common year end (i.e., 2004:4)

2. The amounts determined in 1 above are totaled. This results in the trend factor (Column 4, line 10).

   NOTE: Where data is not available for an expanse category the overall percentage may be used.

Education Trend Factor

The Education Trend Factor is calculated by the following steps (an example is on page 26j):

a. Calculate the adjusted relative weight.

   1. Total the relative weight for the expense categories 1) wages and salaries and 2) employee benefits. (example 50.70 + 11.00 = 61.70)

   2. The ratio of the relative weight (i.e., wages = 50.70) to the total of the relative weights (61.70) is the adjusted relative weight (i.e., 50.70 ÷ 61.70 = .8217)

b. Multiply the adjusted relative weight (Column 3) by the percent growth (Column 4) as calculated in a.2. above. (i.e., .8217 x 3.5% = 2.876).

c. The amounts determined in b. above are totaled. This results in the Education Trend Factor (i.e., Column 5, line 26, 2.876 + .891 = 3.767).

Labor Percentage

The Labor Percentage is the sum of the relative weights for the expense categories 1) wages and salaries and 2) employee benefits. (i.e., 50.70 + 11.00 = 61.70) See example on page 26k.

Wage Factor Computation

The wage factor is used in determining the operating cap. Its computation is as follows:

1. Hospital wages and hours from the most recent CMS wage study available are separated into urban and rural areas as appropriate to Mississippi hospitals.

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1. The hospital wages for each area (i.e., Column 1, page 26k) are divided by the hospital hours for each area (i.e., Column 2, page 26k) resulting in an average hourly wage by area.

2. The total hospital wages for the SMSAs within Mississippi (i.e., Column 1 page 26k) are divided by the total hospital hours for the state (i.e., Column 2, page 26k) to determine the statewide average hourly rate.

3. The ratio of the area hourly wage to the statewide hourly wage is the wage factor for that area. (See Column 4, page 26k).

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DIVISION OF MEDICAID
COMPUTATION OF HOSPITAL INFLATION FACTOR
FISCAL YEAR ENDING SEPTEMBER 30, 2005

	1 EXPENSE CATEGORY	2 HISTORICAL MOVING % QTR 2003:4	3 RELATIVE WEIGHT 1	4 MOVING AVG % 2 x 3
1	WAGES & SALARIES	3.70	.5070	1.876
2	EMPLOYEE BENEFITS	5.80	.1100	0.638
3	MALPRACTICE INS	3.52	.0620	0.218
4	FUEL & UTILITIES	8.30	.0140	0.116
5	OTHER	3.40	.3070	1.044
6				
7				
8				
9	TOTAL		1.0000	
10	ANNUALIZED INFLATION RATE			3.892
11				==========
12				
13				
14				
15				
16				
17	ANNUALIZED INFLATION RATE			3.89
18	/12 = MONTHLY INFLATION RATE			.0032
19				
20	**MONTH**			
21	**YEAR**			**INFLATION**
22	**ENDS**			**FACTOR**
23				
24	DEC 02		12	0.0389
25	JAN 03		11	0.0357
26	FEB 03		10	0.0324
27	MAR 03		9	0.0292
28	APR 03		8	0.0259
29	MAY 03		7	0.0227
30	JUNE 03		6	0.0195
31	JULY 03		5	0.0162
32	AUG 03		4	0.0130
33	SEPT 03		3	0.0097
34	OCT 03		2	0.0065
35	NOV 03		1	0.0032
36	DEC 03		0	0.0000

State of Mississippi
Title XIX Inpatient Hospital Reimbursement Plan

DIVISION OF MEDICAID
COMPUTATION OF EDUCATIONAL INFLATION FACTOR
FISCAL YEAR ENDING SEPTEMBER 30, 2005

	1 EXPENSE CATEGORY	2 HISTORICAL MOVING % QTR 2003:4	3 RELATIVE WEIGHT 1	4 ADJ RELATIVE WEIGHT COL. 3 / COL. 3 LINE 4	5 EDUCATION INFLATION COL. 2 x COL. 4
1	WAGES & SALARIES	3.70	0.5070	0.8217	3.040
2	EMPLOYEE BENEFITS	5.80	0.1100	0.1783	1.034
3					
4	TOTAL	9.50	0.6170	1.0000	4.074
5					==========

17	ANNUALIZED INFLATION RATE			4.074
18	/12 = MONTHLY INFLATION RATE			.3395
19				
20		**MONTH**		
21		**YEAR**		**INFLATION**
22		**ENDS**		**FACTOR**
23				
24		DEC 02	12	0.0407
25		JAN 03	11	0.0373
26		FEB 03	10	0.0340
27		MAR 03	9	0.0306
28		APR 03	8	0.0272
29		MAY 03	7	0.0238
30		JUNE 03	6	0.0204
31		JULY 03	5	0.0170
32		AUG 03	4	0.0136
33		SEPT 03	3	0.0102
34		OCT 03	2	0.0068
35		NOV 03	1	0.0034
36		DEC 03	0	0.0000

State of Mississippi
Title XIX Inpatient Hospital Reimbursement Plan

DIVISION OF MEDICAID
COMPUTATION OF HOSPITAL TREND FACTOR
FISCAL YEAR ENDING SEPTEMBER 30, 2005

	1 EXPENSE CATEGORY	2 RELATIVE WEIGHT	3 PERCENT GROWTH 2004:4	4 TREND FACTOR 2 x 3
1	WAGES & SALARIES	.5070	3.50%	1.775
2	EMPLOYEE BENEFITS	.1100	5.00%	0.550
3	MALPRACTICE INS	.0620	3.89%	0.241
4	FUEL & UTILITIES	.0140	0.00%	0.000
5	OTHER	.3070	2.90%	0.890
6				
7				
8				
9	TOTAL	1.0000		
10	**HOSPITAL TREND FACTOR**			**3.456**
11				==========
12				
13				
14				
15				

COMPUTATION OF EDUCATION TREND FACTOR

	1 EXPENSE CATEGORY	2 RELATIVE WEIGHT 1	3 ADJUSTED RELATIVE WEIGHT	4 PERCENT GROWTH 2003:4	5 TREND FACTOR 3 x 4
16					
17					
18					
19					
20					
21					
22	WAGES & SALARIES	.5070	.8217	3.50%	2.876
23	EMPLOYEE BENEFITS	.1100	.1783	5.00%	0.891
24					
25	TOTAL	.6170	1.0000		
26	**EDUCATION TREND FACTOR**				**3.767**
					==========

State of Mississippi
Title XIX Inpatient Hospital Reimbursement Plan

HOSPITAL RATE SETTING
LABOR PER CENT COMPUTATION

1 EXPENSE CATEGORY	2 RELATIVE WEIGHT
WAGES AND SALARIES	50.70%
EMPLOYEE BENEFITS	11.00%
LABOR PER CENT	**61.70%**

HOSPITAL RATE SETTING
WAGE FACTOR COMPUTATION

SMSA	1 HOSPITAL WAGES	2 HOSPITAL HOURS	3 AVERAGE HOURLY WAGES	4 WAGE FACTOR
MEMPHIS (4920)	$829,154,787	34,066,924	$24.34	1.1643
NEW ORLEANS (5560)	$1,096,269,628	45,692,346	$23.99	1.1478
HATTIESBURG (3285)	$123,589,450	6,369,372	$19.40	0.9282
JACKSON (3560)	$417,713,503	18,854,066	$22.16	1.0599
BILOXI/GULFPORT/PASCAGOULA (0920)	$245,279,819	10,759,415	$22.80	1.0906
RURAL (25)	$750,132,147	37,531,091	$19.99	0.9561
TOTALS	$1,536,714,918	73,513,944		
STATEWIDE AVERAGE			$20.90	

APPENDIX E

Rate Adjustment for Serving A Disproportionate Number of Medicaid Patients

Appendix G, Section A.(4), of the Plan provides for the adjustment of a hospital's Medicaid prospective rate if it serves a disproportionate number of Medicaid patients.

Following is the computation of the increased rate using Hospital A in Appendix A as the example.

	DSH/OUTLIER ADJ.
Operating Component without Cap	$480.70
Operating Component with Cap	412.71
Amount of Increase	67.99
Adjusted Operating Component	480.70
Educational Component	7.03
Capital Component	44.55
New Rate Adjusted for DSH	$532.28

State of Mississippi
Title XIX Inpatient Hospital Reimbursement Plan

APPENDIX H

Upper Payment Limit

In addition to the Medicaid prospective rate, hospitals located within Mississippi or a hospital within a county or parish contiguous to the State of Mississippi allowed by Federal legislation to submit intergovernmental transfers (IGTs) to the state of Mississippi and otherwise allowed to participate in the UPL program pursuant to Mississippi law may be reimbursed in accordance with the applicable regulations regarding the Medicaid upper payment limit. For each specified class of hospitals, the amount that Medicare would have paid for the previous year will be calculated and compared to what payments were actually made by Medicaid during that same time period. This calculation may then be used to make payments to hospitals for the current year. The calculated available UPL, as approved by CMS in DOM's annual DSH/UPL demonstration, may be paid to hospitals, within each specified class, in accordance with applicable state and federal laws and regulations.

UPL Payments

A. Privately operated and non-state government operated general acute care hospitals, within the meaning of 42 CFR Section 447.272, that have fifty (50) or fewer licensed beds as of January 1, 2009, shall receive a supplemental inpatient UPL payment equal to sixty-five percent (65%) of their fiscal year 2010 hospital specific inpatient UPL gap, before any payments under this subsection.

B. General acute care hospitals licensed within the class of state hospitals shall receive a supplemental inpatient UPL payment equal to twenty-eight percent (28%) of their fiscal year 2007 inpatient payments, excluding DSH and UPL payments.

C. General acute care hospitals licensed within the class of non-state government hospitals shall receive:

(1) For fiscal year 2010, a supplemental inpatient UPL payment equal to fifty-six percent (56%) of their fiscal year 2007 inpatient payments, excluding DSH and UPL payments. (For state fiscal year 2010, the state shall use 2007 inpatient payment data)

(2) For state fiscal year 2011 and after, a supplemental inpatient UPL payment determined by multiplying inpatient payments, excluding DSH and UPL, by the uniform percentage necessary to exhaust the maximum amount of inpatient UPL payments permissible under federal regulations. (For state fiscal year 2011, the state shall use 2008 inpatient payment data. For state fiscal year 2012, the state shall use 2009 inpatient payment data)

B. Free-standing psychiatric hospitals shall receive an additional inpatient UPL payment equal to Seven Hundred Sixty Dollars ($760.00) for fiscal years 2010 and 2011, and Seven Hundred Eighty Dollars ($780.00), for fiscal year 2012 and thereafter, less the hospital's fiscal year 2007 average Medicaid inpatient per diem rate, multiplied by the hospital's fiscal year 2007 Medicaid inpatient days. Residential treatment days and payments shall be excluded from this calculation. The base rate for private free-standing psychiatric hospitals shall be that in use January 1, 2009, which shall not be revised or recalculated.