
Table of Contents

State/Territory Name: North Dakota

State Plan Amendment (SPA) #: ND-12-021

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) 179
- 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



Center for Medicaid and CHIP Services

DEC -6 2012

Maggie D. Anderson, Director
Division of Medical Services
Department of Human Services
600 East Boulevard Avenue
Department 325
Bismarck, ND 58505-0250

Re: North Dakota 12-021

Dear Ms. Anderson:



We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 12-021. Effective for services on or after July 1, 2012, this amendment updates the State plan to provide for a three percent inflationary rate increase for prospective payment system, psychiatric and rehabilitation hospitals.

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 of the Social Security Act (the Act) and the regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 12-021 is approved effective July 1, 2012. The HCFA-179 and the amended plan pages are attached.

If you have any questions, please contact Christine Storey at (303) 844-7044.

Sincerely,

Cindy Mann
Director, CMCS

| | | | |
|---|--|--|---------------------------------|
| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL | | 1. TRANSMITTAL NUMBER: 12-021 | 2. STATE North Dakota |
| FOR: HEALTH CARE FINANCING ADMINISTRATION | | 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 July 1, 2012 | |
| 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 477 subpart C | | 7. FEDERAL BUDGET IMPACT: a. FFY <u>2012</u> \$ <u>255,590</u> b. FFY <u>2013</u> \$ <u>964,597</u> | |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-A, Page 1 Attachment 4.19-A, Page 2 | | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, Page 1 Attachment 4.19-A, Page 2 | |
| 10. SUBJECT OF AMENDMENT. Amends the State Plan to identify the reimbursement increase for selected inpatient hospital services effective July 1, 2012. | | | |
| 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: <u>Maggie D. Anderson, Director,</u> <u>Medical Services Division</u> | |
| 12. SIGNATURE OF STATE AGENCY OFFICIAL  | | 16. RETURN TO: Maggie D. Anderson, Director Division of Medical Services ND Department of Human Services 600 East Boulevard Avenue Dept 325 Bismarck ND 58505-0250 | |
| 13. TYPED NAME: Maggie D. Anderson | | | |
| 14. TITLE: Director, Division of Medical Services | | | |
| 15. DATE SUBMITTED: 9-20-2012 | | | |
| 17. DATE RECEIVED: | | | |
| FOR REGIONAL OFFICE USE ONLY | | | |
| 19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL - 1 2012 | | 18. DATE APPROVED: DEC - 6 2012 | |
| 21. TYPED NAME: Penny Thompson | | 20. SIGNATURE:  | |
| 23. REMARKS: | | 22. TITLE: Deputy Director, CMCS | |

METHOD FOR REIMBURSING INPATIENT HOSPITAL SERVICES

1. Hospitals paid using Prospective Payment System (PPS).
 - a. In-state hospital service reimbursement paid to all hospitals and distinct part units, except those hospitals and distinct part units specifically identified in Section 2, will be made on the basis of a Prospective Payment System (PPS). The system generally follows the Medicare PPS in terms of the application of the system. PPS uses diagnostic related groups (DRG) to pay for services upon discharge. Medical education costs are excluded from the PPS
 - b. The base year used for the calculation of the base rate and the capital rate is the year ending June 30, 2007. The base rate and capital rate established for hospitals paid by PPS is effective July 1, 2009. The base rate and capital rate effective shall be increased by 3% effective July 1, 2012.
 - c. Vacated.
 - d. The DRG classification and grouper system is the Diagnosis Related Groups version 24 0 which was used for Medicare discharges as approved by Centers for Medicare and Medicaid Services. The grouper is updated annually
 - e. The DRG relative weights are calculated from North Dakota Medicaid data as of June 30, 2006 using the Medicare calculation methodology DRG relative weights are compared annually for significant variances and adjustments may be made.
 - f. Vacated.
 - g. A capital payment will be included in the PPS payment for all discharges. Capital payments may not be paid to a transferring hospital.
 - h. Outlier Payments
 - (1) A cost outlier payment is made when costs exceed a threshold of two times the DRG rate or \$15,000, whichever is greater. Costs above the threshold will be paid at 60 percent of billed charges
 - (2) A day outlier payment is made when the length of stay for a recipient exceeds the lesser of the geometric mean length of stay plus twenty days or 1.94 standard deviations from the mean for any given DRG. Each day exceeding the threshold is paid at 60 percent of the per diem rate. The per diem rate is calculated as the hospital's basic DRG payment divided by the geometric mean length of stay
 - (3) For DRG's 385-390 relating to neonates:
 - (a) The day outlier payment is calculated at 80% of the per diem rate once the thresholds in paragraph 2 are met; or
 - (b) The cost outlier thresholds are the greater of 1.5 times the DRG rate or \$12,000. Costs above the threshold will be paid at 80 percent of billed charges.

TN No 12-021

Supersedes

TN No. 11-016Approval Date: DEC - 6 2012Effective Date: 07-01-2012

- (4) If the thresholds for both a cost outlier and a day outlier are met, only the day outlier payment method will apply
- i. Transfers. Payment will be the full DRG payment, inclusive of outliers and capital, to the final hospital. Per diem payments will be made to the transferring hospitals. Total per diem payments to transferring hospitals may not exceed the full DRG payment, exclusive of outliers and capital. Per diem is the basic DRG payment divided by the geometric mean length of stay. A patient may be transferred to another hospital and then transferred back to the original hospital which becomes the final hospital, in such case, the original hospital will not receive per diem payments for the portion of the stay occurring prior to the transfer. The days of stay in the original hospital prior to the transfer out and back will be included as part of the calculation of the full DRG payment, inclusive of outliers and capital.
2. Payments for hospitals excluded from prospective payment system.
- a. Excluded from hospitals paid using PPS are psychiatric, rehabilitation, cancer, long term care, and children's hospitals and psychiatric and rehabilitation distinct part units of hospitals, and hospitals designated as Critical Access Hospitals.
- b. Payment for inpatient psychiatric and rehabilitation services are made using a prospective per diem rate. Effective July 1, 2009 the hospital or distinct part unit per diem rate is calculated based on the lesser of a maximum prospective per diem rate established for each type of service or the hospital's cost to provide the service based on the hospital cost report for the year ended June 30, 2007. The hospital's calculated per diem rate shall be inflated by 3% effective July 1, 2012. The maximum prospective per diem rate effective July 1, 2009 is \$1,020.48 per day for psychiatric services and \$1,519.80 for rehabilitation services.
- c. Effective July 1, 2009 inpatient services furnished by a hospital having an average inpatient length of stay greater than 25 days and designated a long-term care hospital by Medicare shall be paid on a prospective basis using a percentage of charges established using the hospital's most recent audited Medicare cost report available as of June 1 of each year. The percentage of charges as established shall be adjusted annually on July 1. The payment based on a percentage of charges is an all inclusive rate and is not subject to cost settlement.
- d. Payments to cancer and children's hospitals are made based on a reasonable cost basis, using the Medicare methods and standards set forth in 42 CFR 413. An interim payment rate based on the hospital's cost to charge ratio from the latest available cost report will be made until such time as a cost settlement is made. The interim cost to charge ratio for a hospital which has not filed a cost report shall be 70%.
- e. Indian Health Hospitals are paid inpatient per diem rates in accordance with the most recently published Federal Register notice.
- f. Effective July 1, 2007, payments to hospitals designated as Critical Access Hospitals shall be made based on reasonable costs using the Medicare methods and standards set forth in 42 CFR 413. An interim per diem payment rate shall be

TN No. 12-021
Supersedes
TN No. 11-016

Approval Date: **DEC - 6 2012** Effective Date: 07-01-2012