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State/Territory Name: North Dakota

State Plan Amendment (SPA) #: ND-15-0017

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Financial Management Group

FEB 25 2016

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

Re: North Dakota 15-0017

Dear Ms. Anderson:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 15-0017. Effective for services on or after October 5, 2015, this amendment provides for an update to the inpatient diagnosis related group (DRG) version.



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 and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 15-0017 is approved effective October 5, 2015. The CMS-179 and the amended plan pages are attached.

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

Sincerely,



Kristin Fan
Director

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 15-0017	2. STATE North Dakota
FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		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 October 5, 2015	
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 440.10		7. FEDERAL BUDGET IMPACT: a. FFY <u>2016</u> \$ <u>0</u> b. FFY <u>2017</u> \$ <u>0</u>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, pages 1 & 2		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, pages 1 & 2	
10. SUBJECT OF AMENDMENT: Amends the State Plan to identify the change in the inpatient diagnosis related grouper version			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <u>Delegated to Single State Medicaid agency</u> <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Maggie D. Anderson, Executive Director ND Department of Human Services 600 East Boulevard Avenue Dept 325 Bismarck ND 58505-0250	
13. TYPED NAME: Maggie D. Anderson			
14. TITLE: Executive Director, ND Dept. of Human Services			
15. DATE SUBMITTED: December 17, 2015			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: FEB 25 2016	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT 05 2015		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Kristin FAN		22. TITLE: Director, FMO	
23. REMARKS:			

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 three percent effective July 1, 2015.
 - c. Vacated.
 - d. Effective October 5, 2015 the DRG classification and grouper system is the All Patient Refined Diagnosis Related Grouper version 31.
 - e. Vacated
 - 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 one standard deviation from the mean. 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 national untrimmed arithmetic average length of stay.
 - (3) For DRG's 580-640 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.

- (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 arithmetic 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 three percent effective July 1, 2015. 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