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State/Territory Name: NH

State Plan Amendment (SPA) #: 10-006

This file contains the following documents in the order listed:

- 1) Approval Letter
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- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, M/S S3-14-28
Baltimore, MD 21244-1850



Center for Medicaid and CHIP Services (CMCS)

December 13, 2012

Nicholas A. Toumpas, Commissioner
Department of Health and Human Services
State of New Hampshire
129 Pleasant Street
Concord, NH 03301

RE: New Hampshire SPA 10-006

Dear Mr. Toumpas:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-006. This amendment modifies the reimbursement methodology for inpatient hospital services. Specifically it: suspends indirect medical education (IME) payments through state fiscal year (SFY) 2011, revises the calculation of payments funded through the state's reserve "catastrophic" fund and suspends those payments for SFY 2011.

While we review proposed SPAs to ensure their consistency with the relevant provisions of the Social Security Act (the Act) and the implementing federal regulations at 42 CFR 447 Subpart C, we conducted our review of your submittal with particular attention to the statutory requirements at section 1902(a)(30)(A) of the Act ("Section 30(A)"). Section 30(A) of the Medicaid statute requires that State plans contain "methods and procedures . . . to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area." 42 U.S.C. § 1396a(a)(30)(A). As we explain in greater detail below, we find that the State's submission is consistent with the requirements of the Act, including those set forth in section 1902(a)(30)(A).

States must submit information sufficient to allow CMS to determine whether a proposed amendment to a State plan is consistent with the requirements of section 1902 of the Act. However, consistent with the statutory text, CMS does not require a State to submit any particular type of data, such as provider cost studies, to demonstrate compliance. Rather, as explained in more detail in amicus briefs that the Solicitor General's Office has submitted to the Supreme Court of the United States and to other courts, CMS for many years has believed that the appropriate focus of Section 30(A) is on beneficiary access to quality care and services.¹

¹ See, e.g., Br. of the United States as Amicus Curiae, *Douglas v. Independent Living Ctr.*, No. 09-958, at 9-10 (2010); Br. of United States as Amicus Curiae, *Belshe v. Orthopaedic Hosp.*, 1997 WL 33561790, at *6-12 (1997); Br. of Appellant at 16-30, *Managed Pharmacy Care et al. v. Sebelius et al.*, No. 12-55331, ECF No. 26 (Mar. 27, 2012); CMS, Decision Approving Arizona State Plan Amendment 11-015 (Mar. 9, 2012); Proposed Rule, Dep't of Health & Human Servs., Ctrs. For Medicare & Medicaid Servs., 76 Fed. Reg. 26342, 26344 (May 6, 2011) (explaining that CMS does not require a State to submit any particular type of data to demonstrate compliance).

This interpretation—which declines to adopt a bright line rule requiring the submission of provider cost studies—is consistent with the text of Section 30(A) for several reasons. First, Section 30(A) does not mention the submission of any particular type of data or provider costs; the focus of the Section is instead on the availability of services generally. Second, the Medicaid statute defines the “medical assistance” provided under the Act to mean “payment of *part* or all of the cost” of the covered service. See 42 U.S.C. § 1396d(a) (emphasis added). Third, when Congress has intended to require states to base Medicaid payment rates on the costs incurred in providing a particular service, it has said so expressly in the text of the Act. For example, the now-repealed Boren Amendment to the Medicaid Act required states to make payments based on rates that “are reasonable and adequate to meet the costs which must be incurred by efficiently and economically operated facilities.” 42 U.S.C. § 1396a(a)(13)(A). By contrast, Section 30(A) does not set forth any requirement that a state consider costs in making payments. Finally, CMS observes that several federal courts of appeals have interpreted Section 30(A) to give states flexibility in demonstrating compliance with the provision’s access requirement and have held that provider costs need not always be considered when evaluating a proposed SPA. See *Rite Aid of Pa., Inc. v. Houstoun*, 171 F.3d 842, 853 (3d Cir. 1999); *Methodist Hosps., Inc. v. Sullivan*, 91 F.3d 1026, 1030 (7th Cir. 1996); *Minn. Homecare Ass’n v. Gomez*, 108 F.3d 917, 918 (8th Cir. 1997) (per curiam). These decisions suggest that CMS’s interpretation of Section 30(A) is a reasonable one. In this respect, CMS’s interpretation differs from that first adopted by the Ninth Circuit in *Orthopaedic Hosp. v. Belshe*, 103 F.3d 1491, 1496 (9th Cir. 1997), which established a bright line rule requiring a State to rely on “responsible cost studies, its own or others’, that provide reliable data as a basis for its rate setting.”² As described above, CMS has consistently taken the position in adjudicating state plan amendments that reduce payment rates that Section 30(A) does not require the types of studies and considerations articulated by the Ninth Circuit in *Orthopaedic*.

CMS has reviewed the proposed SPA and, applying our longstanding interpretation of Section 30(A), determined that the proposed rate cut is consistent with the requirements of that provision, the Medicaid Act, and implementing regulations. In reaching this conclusion, CMS relied on the analysis performed by the State, available at <http://www.dhhs.nh.gov/ombp/publications.htm>. Specifically, CMS believes that the analysis contained in *Monitoring Access to Care in New Hampshire’s Medicaid Program: Review of Key Indicators August 2012* demonstrates that the payment rate changes in SPA 10-006 are consistent with the requirements of Section 30(A). In that analysis, New Hampshire examined beneficiary enrollment, utilization of services, provider availability, and the availability of programs to assist beneficiaries in obtaining access to care. The published report analyzed beneficiaries’ access to services over a three year period and established utilization and access thresholds using standard deviation to establish a standard for historical beneficiary access to medical services in the State. In particular, the Data and Analysis section of the report under “Utilization of Services,” the State details inpatient utilization for ambulatory care sensitive conditions and total inpatient hospital utilization, both of which demonstrated a reasonable level of beneficiary access since early 2007. The published report also included a description of New Hampshire’s historical practice of operating a call center. Data in the report, dating back to 2007, indicated that the State was able to assist beneficiaries that were unable to access needed medical services and helped locate providers that were willing

² CMS’s interpretation does not, of course, *prevent* states or CMS from considering provider costs. Indeed, for certain proposed SPAs, provider cost information may be useful to CMS as it evaluates proposed changes to payment methodologies. CMS also reserves the right to insist on cost studies to show compliance with Section 30(A) in certain limited circumstances – particularly when considering a SPA that involves reimbursement rates that are substantially higher than the cost of providing services, thus implicating concerns about efficiency and economy.

to provided necessary services to those beneficiaries. The sophistication of the described process and the data analytics provided by the State lead CMS to determine that Medicaid beneficiaries have access to medical services to at least to the extent that such services are available to the general population in the geographic area. CMS believes that New Hampshire's analysis indicates that, under the proposed payment rates, Medicaid beneficiaries in New Hampshire are able to and will be able to obtain care to the same extent as the general population in the State.

The state provided metrics to demonstrate beneficiary access to care in accordance with section 1902(a)(30)(A) of the Act. These metrics included, in part, data that measure:

- Quarterly enrollment trends by eligibility category
- Provider availability by quarter
- Quarterly and annual utilization trends
- Beneficiary requests for assistance accessing providers
- A detailed description of the state's Medicaid call center which assists beneficiaries facing access to care concerns.

The information was submitted to CMS for review in June and August 2012. The State lacked data from before 2007, but studied beneficiary utilization and provider availability data from 2007 to the first quarter of 2012. For the purposes of this SPA, CMS reviewed the data as it related to calendar year 2010. Through the state's beneficiary call center, described above, New Hampshire demonstrated the ability to obtain access to care for beneficiaries who needed assistance. The State also demonstrated that beneficiary utilization and provider enrollment remain within historical norms, indicating that there is no issue with access. Furthermore, New Hampshire has committed to review this data quarterly and address any access issues that arise. In consideration of the information, CMS has determined that the proposed SPA changes comply with section 1902(a)(30)(A) at the time of this approval.

Our review of SPA 10-006 focused on the SPA's substantive consistency with the requirements of the Act. CMS did not consider, nor does it interpret Section 30(A) to require, a review of a State's subjective motivation in proposing reductions in payment rates. CMS will approve any SPA that determines is consistent with the requirements of the Act regardless of a State's subjective motivation in proposing a SPA. Thus, CMS will approve a SPA if it determines to be consistent with the Act, even if the sole reason a State proposed the SPA was due to budgetary considerations. This interpretation is consistent with the text of Section 30(A), which establishes substantive requirements and does not impose any restrictions on a State's subjective motivations.

Section 1902(a)(30)(A) also requires that payment rates for Medicaid services be "consistent with efficiency, economy, and quality of care." In general, CMS has historically reviewed rate increases for efficiency and economy to ensure that proposed rates are not excessive. However, when a proposed rate results in a reduction in payment rates to providers, CMS has relied on data provided by the State to demonstrate access to care over time, historic provider retention and utilization trends and historic state reimbursement practices to make an informed decision regarding whether a rate reduction is consistent with efficiency and economy so that a state can demonstrate its ability to enlist and retain providers over time. Regarding the quality of care component of 30(A), CMS has developed a variety of quality measures and reporting tools to

better evaluate the quality of care delivered and eventually outcomes related to that care. CMS strongly supports initiatives to increase measurement aimed at assuring quality of care. However, in the absence of such information, CMS has relied on the State's determination, through the provider enrollment process, that participating providers provide an acceptable level of quality care to Medicaid beneficiaries. Providers must be licensed by the State to provide services, and we generally defer to their determination that the providers that are enrolled in the Medicaid program and have agreed to receive the Medicaid payment in exchange for providing Medicaid services must also meet State-determined quality and professional standards to carry out their obligations under the Medicaid program.

CMS also reviewed the state's public notice and determined that the notice meets the regulatory requirements at 42 CFR 447.205(c). Consistent with the requirements described in the CFR, the State issued public notice on February 26, 2010 in newspapers of widest circulation within the State and identified a local agency where the proposed changes were available for public viewing. Within the content of the notice, the State adequately described the changes proposed under SPA 10-006, including the suspension of IME for the remainder of 2010-2011 biennium and the suspension of payments funded through the catastrophic reserve. Additionally, the State estimated an aggregate financial impact of the SPA. The State also demonstrated compliance with the public process requirement in Section 1902(a)(13) of the Act by providing the public notice required by 42 C.F.R. 447.205 and by including an assurance of public process in the State plan as required by the Act. In addition to the assurance, the State provided a description of the public process that occurred as a component of the legislative negotiations and public meetings with interested parties. In describing the changes and the budget impact as related to this SPA, New Hampshire has adequately met the regulatory public notice requirements and the statutory public process requirements as CMS interprets those requirements.

This letter affirms that the New Hampshire Medicaid state plan amendment (SPA) 10-006 is approved effective April 1, 2010.

We are enclosing the CMS-179 and the following amended plan pages:

- o Attachment 4.19A, Page 3

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

Sincerely,

Cindy Mann
Director, CMCS

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 10-006	2. STATE NH
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE April 1, 2010	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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:	7. FEDERAL BUDGET IMPACT: (\$1,225,000) – FFY 2010 (\$2,655,000) – FFY 2011
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Page 3	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (if Applicable): Attachment 4.19-A, Page 3 TN 09-007(pending)

10. SUBJECT OF AMENDMENT:

Inpatient Hospital Reimbursement – Suspension of Indirect Medical Education (IME) Payments, Change in Calculation of Catastrophic Claims Payments, and Suspension of Catastrophic Claim Payments

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT

OTHER, AS SPECIFIED: comments, if any, will follow

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:
13. TYPED NAME: Nicholas A. Tompa	Dawn Landry Program Support/Brown Building Department of Health and Human Services 129 Pleasant Street Concord, NH 03301
14. TITLE: Commissioner	
15. DATE SUBMITTED: 6/29/2010	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: DEC 1 8 2012
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: APR - 1 2010	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Cindy Mann	22. TITLE: Director, CMCS

23. REMARKS:

- (4) For only in-state hospitals with approved graduate medical education programs, indirect medical education costs (IME) shall be recognized and paid on a per discharge basis using the Medicare methodology at 42 CFR 412.105 to determine the amount of payment. Such payment shall be added to the DRG payment, except that IME payments shall be suspended for the remainder of the state fiscal year 2010-2011 biennium beginning with dates of discharge of April 1, 2010.
- (5) There shall be a reserve "catastrophic" fund equal to 3.3 percent of the projected annual Medicaid inpatient hospital expenditures.

This fund shall be used to provide for payments for inpatient hospital services outside the DRG system where (a) the DRG payment plus third party liability is below 25% of hospital charges, (b) the claim is for a DRG weight greater than 4.0, (c) the claim involves an inpatient stay in excess of 30 days, and (d) the hospital requests additional funding.

Reimbursement for each request shall be limited to 65% of charges reduced by prior payments, DRG allowed amounts and third party liabilities. Hospitals shall submit claims by December 15 and June 15 in order to be considered for payment for the six-month period ending, respectively, December 31 and June 30 of each year. The state shall expend half of the catastrophic fund no later than December 31 of each year and the second half no later than June 30 of each year, except that the state shall not expend the second half of the catastrophic fund for any claims for the time period ending June 30, 2010. Thereafter, catastrophic payments will also be suspended for state fiscal year 2011. Payment of eligible claims shall be determined by computing the total dollar amount of all hospitals' requests, determining each requesting hospital's total dollars requested as a percent of all requests, and applying that percent to the amount of money in the catastrophic fund in order to calculate payment to that hospital. No claims or portions of claims shall be carried over into the subsequent six-month period, nor shall any excess funds be carried over into the subsequent six-month period.

- c. The calculation for the price for a DRG with a relative weight equal to one (1.0000), to be used for all DRG's except those specified above for psychiatric, rehabilitation and neonatal services shall be as follows:
- (1) Beginning October 1, 1999, and each year thereafter, take the current DRG price per point(s) and inflate each by the same percent as the Medicare market basket estimated increase for prospective payment hospitals minus any Medicare or state Medicaid defined budget neutrality factors and other generally applied Medicare adjustments appropriate to Medicaid.

TN No: 10-006
Supersedes
TN No: 09-007 (pending)

DEC 13 2012
Approval Date _____

Effective Date: 04/01/2010