B. SUPPLEMENTAL PAYMENT FOR PRIVATE HOSPITALS

In order to preserve access to inpatient hospital services for needy individuals in the state of Nevada, effective for services provided on or after January 2, 2010, the state's Medicaid hospital reimbursement system shall provide for supplemental payments to private hospitals affiliated with a state or unit of local government in Nevada through a Low Income and Needy Care Collaboration Agreement (Affiliated Private Hospitals). A Low Income and Needy Care Collaboration Agreement is defined as an agreement between a hospital and a state or unit of local government to collaborate for purposes of providing healthcare services to low income and needy patients. These supplemental payments shall be determined on an annual basis and paid to qualifying hospitals on a quarterly basis.

The supplemental payments are payments for Medicaid fee-for-service inpatient hospital service. The supplemental payments shall not exceed, when aggregated with other payments made to private hospitals, 100% of a reasonable estimate of the amount that would be paid for such services under Medicare payment principles for private hospitals.

The state will determine the payments to be made under this section of the plan using the following methodology:

1. Identify all Nevada private hospitals. Non-state government owned or operated acute care hospitals and state owned hospitals do not qualify under this methodology.
2. For those facilities identified in step #1, compute the Medicare UPL according to the methodology set out on Page 32 above.
3. The amount computed in step #2, less the Medicaid fee-for-service inpatient hospital payments to those facilities identified in step #1, is the total maximum disbursement available under this section of the state plan in each fiscal year. If the payments under this section of the plan exceed this total maximum disbursement, the state will calculate the percentage by which the Medicare UPL is exceeded and reduce payments to all hospitals under this section of the state plan by the same percentage.

The Medicaid director shall then determine the amount of supplemental payments to each facility using the following criteria.

1. Total supplemental payments under this section of the state plan will not exceed the difference between Medicaid payments and the Medicare UPL calculated in Step #3 above.
2. Facilities participating in the supplemental payment program will be identified. All Affiliated Private Hospitals are eligible to participate in the supplemental payment program.

3. Each Affiliated Private Hospital will receive quarterly supplemental payments. The annual supplemental payments in any fiscal year will be the lesser of:

   a) The difference between the hospital's Medicaid inpatient billed charges and Medicaid payments the hospital receives for services processed for fee-for-service Medicaid recipients during the fiscal year.
   b) For hospitals participating in the Nevada Medicaid DSH program, the difference between the hospital's total uncompensated costs (as defined in Section VIII) and the hospital's Medicaid DSH payments during the fiscal year.

OS Notification

State/Title/Plan Number: Nevada State Plan Amendment 10-002C

Type of Action: SPA Approval

Effective Date of SPA: January 2, 2010

Required Date for State Notification: December 6, 2011

Fiscal Impact: $23,656,507 federal FFY 2010
$29,279,535 federal FFY 2011

Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0

Number of Potential Newly Eligible People: 0
or
Eligibility Simplification:

Provider Payment Increase or Decrease: Increase

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Detail: This State Plan Amendment provides for an inpatient hospital supplemental payment to qualifying private hospitals, subject to the private inpatient hospital upper payment limit, effective January 2, 2010. The supplemental payments are funded by intergovernmental transfers from State sister agencies. Qualifying private hospitals are those that have entered into a low income care collaborative agreement with the State sister agencies. All intergovernmental transfer agreements and low income care collaborative agreements have been reviewed to ensure compliance with federal requirements. There is no Recovery Act political subdivision contribution issue since the transferring entities are State sister agencies and not political subdivisions. The State has adequately responded to funding questions and provided a demonstration that these proposed inpatient hospital supplemental payments are within the private inpatient hospital upper payment limit. However, our review of the upper payment limit found that there are flaws in the State's methodology in estimating certain Medicare payment components, and we are requesting the State to correct this by the State plan rate year beginning 2013. Finally, there is no issue with public process and tribal consultation requirements.

Other Considerations: We do not recommend the Secretary contact the Governor.

Recovery Act Impact: The non-federal share funding of this supplemental payment is funded by transfers from State sister agencies, which are not political subdivisions. There is no other issue with Section 5001(g)(2) of the Recovery Act (political subdivision contribution). Additionally, we are not aware at this time of any other violations of the Recovery Act requirements, including eligibility maintenance of effort, prompt payment, and rainy day funds.

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