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State/Territory Name: OH

State Plan Amendment (SPA) #:13-016

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

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

MAY 21 2014

John McCarthy, Medicaid Director
Office of Ohio Health Plans
Ohio Department of Job and Family Services (ODJFS)
P.O. Box 182709
50 West Town Street, Suite 400
Columbus, Ohio 43218

RE: Ohio State Plan Amendment (SPA) 13-016

Dear Mr. McCarthy:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-016. Effective July 1, 2013, this amendment proposes to re-authorize the supplemental upper payment limit program for inpatient hospital services for two years.

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 regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 13-015 is approved effective July 1, 2013. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Michelle Beasley at (312) 353-3746 or via email at Michelle.Beasley@cms.hhs.gov.

Sincerely,

[redacted]

Cindy Mann,
Director

Enclosure

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 13-016 (Revised)	2. STATE OHIO
FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE July 1, 2013	

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:
42 CFR part 447, Subpart C	a. FFY 2013 $ 0 b. FFY 2014 $ 0
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:	**9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:**
Attachment 4.19-A, Pages 24 and 25 Attachment 4.19-A, Pages 26 and 27 Attachment 4.19-A, Pages 28, 29, and 30 Attachment 4.19-A, Pages 31, 32 and 33	Attachment 4.19-A, Pages 24 and 25 (TN 11-024) Attachment 4.19-A, Pages 26 and 27 (TN 11-024) Attachment 4.19-A, Pages 28, 29, and 30 (TN 11-024) Attachment 4.19-A, Pages 31 and 32 (TN 11-024) and pg 33

10. SUBJECT OF AMENDMENT:
Modification of the UPL gap calculation for inpatient hospital services

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:
Governor has delegated signature authority to Medicaid Director

12. SIGNATURE OF STATE AGENCY OFFICIAL: [redacted]	16. RETURN TO:
13. TYPED NAME: JOHN B. MCCARTHY	Becky Jackson Ohio Department of Medicaid P.O. BOX 182709 Columbus, Ohio 43218
14. TITLE: STATE MEDICAID DIRECTOR	
15. DATE SUBMITTED: 5/16/14	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: MAY 21 2014
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2013	20. SIGNATURE OF REGIONAL OFFICIAL: [redacted]
21. TYPED NAME: Penney Thompson	22. TITLE: Deputy Director, Policy & Financial Mgt. CMCS

23. REMARKS:

Instructions on Back

FORM CMS-179 (07-92)

Calculation of Supplemental Inpatient Hospital Upper Limit Payments For Public Hospitals

A. For each Ohio public hospital owned or operated by a governmental entity other than the state, calculate the estimated amount that Medicare would have paid for an inpatient discharge if Medicare were paying the care for Medicaid consumers.

1. Using the Medicare cost report as described in paragraph (C), divide the total Medicare inpatient hospital payment by the hospital's Medicare inpatient hospital charges to calculate the hospital specific Medicare payment to charge ratio.

2. Multiply the hospital specific Medicare payment to charge ratio by Medicaid charges to calculate the estimated Medicare payment for Medicaid consumers.

3. For each public hospital, calculate the available payment gap by taking total estimated Medicare payment for Medicaid discharges as calculated in paragraph (A)(2) and subtracting actual Medicaid payments.

4. For each public hospital that has an available inpatient payment gap greater than zero resulting from the calculations in paragraph (A)(3), calculate the available per discharge supplemental inpatient hospital payment amount by dividing the amount in paragraph (A)(3) by the public hospital's Medicaid discharges.

B. The resulting amount calculated in paragraph (A) will be in effect from the effective date of the state plan amendment through December 31 of that year, and from January 1 through December 31 of each year after.

C. The source data for calculations described in this amendment will be based on cost reporting data described in rule 5101:3-2-23, an appendix to Attachment 4.19-A which reflects the most recent completed interim settled Ohio Medicaid cost report (JFS 02930) for all hospitals, and the Medicare cost report (HCFA 2552-10) for the corresponding cost reporting period.

D. Payments will be made on a semiannual basis, based upon actual Medicaid discharges paid during the prior six-month period, subject to the provisions in paragraph (B). If the total funds that will be paid to all public hospitals exceeds the aggregate upper payment limit for public hospitals, then the amount paid to all public hospitals will be limited to their proportion of the aggregate upper payment limit.

E. Supplemental payments to cost-based providers will be excluded from the cost settlement process.

F. Hospital payments made under this section, when combined with other payments made under the State plan shall not exceed the limit specified in 42 CFR 447.272.

G. The total supplemental inpatient hospital payments paid to each public hospital from the department as described in paragraph (D) will be included in the calculation of hospital specific DSH limit.

Calculation of Supplemental Inpatient Hospital Upper Limit Payments For State Hospitals

A. Non-psychiatric Ohio hospitals owned and operated by the state as of October 1 of the year preceding payments (state hospitals) shall be paid supplemental amounts for the provision of hospital inpatient services set forth in paragraphs (B) through (E) of this section. The supplemental amounts shall be in addition to any other amounts payable to hospitals with respect to those services.

B. Data sources used in calculating supplemental payments to state owned hospitals include the Medicare Cost Report (CMS 2552-10) and Medicaid MMIS inpatient fee-for-service date of service claims data. For state fiscal year (SFY) 2014 and SFY2015, the Hospital fiscal year ending in SFY 2012 Medicare cost reports retrieved from the Hospital Cost Report Information System and the Medicaid MMIS data and Ohio Medicaid cost reports (JFS 02930) from the SFY prior to the month of payment will be utilized unless otherwise noted.

C. The total supplemental payments shall not exceed the amount calculated using the following methodology:

1. For each non-psychiatric Ohio hospital, total Medicare costs are divided by total Medicare charges to establish the Cost to Charge Ratio.

2. Ohio Medicaid charges derived from the cost report described in paragraph (B) were multiplied by the Cost to Charge Ratio in paragraph (C)(1) to establish estimated Ohio Medicaid costs.

3. Ohio Medicaid costs from (C)(2) were inflated using a hospital specific 5-year average of Medicaid costs per patient day. The average is determined using Medicaid cost reports filed in state fiscal years 2008-2012. This hospital specific inflation factor was applied to individual hospital costs at a discounted rate for the partial year for all hospitals with fiscal year end before the 2012 state fiscal year end of 6/30/2012, plus two years to determine the UPL for SFY 2014 and for a third year to determine the UPL for SFY 2015. In the event in which hospital data did not exist for any hospital in years 2008-2012, the state average of 3.86% was utilized. Ohio Medicaid costs were multiplied by a factor of 1.01 for the Critical Access Hospitals.

4. Ohio Medicaid payments were then subtracted from the total in paragraph (C)(3) to find the inpatient upper payment limit gap for the state hospitals. The sum of the differences for these hospitals represents the UPL gap.

D. Each non-psychiatric Ohio hospital that is state owned and operated and paid under the prospective payment system shall receive payments based upon the following hospital-specific calculation:

1. Calculate a Medicare payment to charge ratio by dividing total Medicare inpatient payments by total Medicare inpatient charges.

2. Calculate the total estimated Medicare inpatient payment for Medicaid inpatient discharges by multiplying the amount calculated in paragraph (D)(1) by the total Medicaid inpatient charges.

3. Subtract total inpatient Medicaid payments from the amount calculated in paragraph (D)(2).

4. For each hospital, sum the amount calculated in paragraph (D)(3).

5. Each hospital for which the amount calculated in (D)(3) is greater than zero shall receive an amount of the pool based on the ratio of hospital specific Medicaid discharges to the total state hospital Medicaid discharges.

E. From a pool of funds calculated in (C)(4), less the payments made in (D)(5), resulting in a remaining pool amount, state hospitals shall receive a percentage increase in inpatient Medicaid payments. The percentage increase on SFY 2012 total inpatient hospital Medicaid payments will be equal to the remaining pool amount divided by state hospital Medicaid inpatient hospital fee-for-service payments.

F. Using the source data described in paragraph (B), for each free standing psychiatric state hospital owned or operated by the state, calculate the estimated amount that Medicare would have paid for an inpatient discharge if Medicare were paying the care for Medicaid consumers by subtracting Medicaid inpatient payments from Medicaid inpatient costs.

G. For each state psychiatric hospital that has an inpatient payment gap greater than zero resulting from the calculations in paragraph (F), calculate the per discharge supplemental inpatient hospital payment amount by dividing the amount in paragraph (F) by the state hospital's Medicaid discharges. Payments will be made on a semiannual basis, based upon the product of each psychiatric hospital per discharge gap amount and Medicaid discharges paid during the prior six-month period.

H. Payments in paragraph (D) will be paid semiannually and payments in paragraph (E) will be paid in four installments within the state fiscal year. If the total funds that will be paid to all state hospitals exceeds the aggregate upper payment limit for state hospitals, then the amount paid to all state hospitals will be limited to their proportion of the aggregate upper payment limit.

I. Supplemental payments to cost-based providers will be excluded from the cost settlement process.

J. Hospital payments made under this section, when combined with other payments made under the State plan shall not exceed the limit specified in 42 CFR 447.271 and 42 CFR 447.272.

K. The total funds that will be paid to each hospital will be included in the calculation of hospital specific DSH limit.

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Supplemental Inpatient Hospital Upper Limit Payments For Private Hospitals

A. All privately owned Ohio hospitals as of October 1 of the year preceding payments (private hospitals) shall be paid supplemental amounts for the provision of hospital inpatient services set forth in this section. The supplemental amounts shall be in addition to any other amounts payable to hospitals with respect to those services.

B. Data sources used in calculating supplemental payments to private hospitals include the Medicare Cost Report (CMS 2552-10) and Medicaid MMIS inpatient fee-for-service date of service claims data. For state fiscal year (SFY) 2014 and SFY 2015, the Hospital fiscal year ending in SFY 2012 Medicare cost reports retrieved from the Hospital Cost Report Information System and the Medicaid MMIS discharges and days data and Ohio Medicaid cost report (JFS 02930) payment data from SFY 2012 will be utilized unless otherwise noted.

C. The total supplemental payments shall not exceed the amount calculated using the following methodology:

1. For each privately owned Ohio hospital, total Medicare costs are divided by total Medicare charges to establish the Cost to Charge Ratio.

2. Ohio Medicaid charges derived from the cost report described in paragraph (B) were multiplied by the Cost to Charge Ratio in paragraph (C)(1) to establish estimated Ohio Medicaid costs.
3. Ohio Medicaid costs from (C)(2) were inflated using a hospital specific 5-year average of Medicaid costs per patient day. The average is determined using Medicaid cost reports filed in state fiscal years 2008-2012. This hospital specific inflation factor was applied to individual hospital costs at a discounted rate for the partial year for all hospitals with fiscal year end before the 2012 state fiscal year end of 6/30/2012, plus two years to determine the UPL for SFY 2014 and for a third year to determine the UPL for SFY 2015. In the event in which hospital data did not exist for any hospital in years 2008-2012, the state average of 3.86% was utilized. Ohio Medicaid costs were multiplied by a factor of 1.01 for the Critical Access Hospitals.
4. Ohio Medicaid payments were then subtracted from the total in paragraph (C)(3) to find the inpatient upper payment limit gap for the private hospitals. The sum of the differences for these hospitals represents the UPL gap.

D. Privately owned Ohio hospitals that are paid under the inpatient prospective payment system, excluding Children's hospitals, shall receive payments based upon the following hospital-specific calculation:
1. Calculate a Medicare payment to charge ratio by dividing total Medicare inpatient payments by total Medicare inpatient charges.
2. Calculate the total estimated Medicare inpatient payment for Medicaid inpatient discharges by multiplying the amount calculated in paragraph (D)(1) by the total Medicaid inpatient charges.
3. Subtract total inpatient Medicaid payments from the amount calculated in paragraph (D)(2).
4. For each hospital sum the amount calculated in paragraph (D)(3).
5. From the pool of funds, calculated in paragraph (D)(4), payments shall be made to all privately owned Ohio hospitals that are paid under the inpatient prospective payment system, excluding Children's hospitals, based upon the ratio of each privately owned Ohio hospital that is paid under the inpatient prospective payment system inpatient Medicaid fee-for-service days to the total Medicaid fee-

for-service inpatient days for all privately owned Ohio hospitals, excluding Children's hospitals. This ratio will be derived from actual inpatient MMIS Medicaid fee-for-service date of service claims data in the state fiscal year ending prior to the month of payment.

E. From a pool of funds calculated in paragraph (C) less the payments made in paragraph (D), privately owned Ohio hospitals shall receive payments for the provision of inpatient hospital services. These payments will be based on subgroups according to hospital characteristics, that are mutually exclusive and are presented in hierarchical order:

Specialty hospitals – Private hospitals which are reimbursed on a cost basis.
Critical Access hospitals (CAHs) – Private hospitals with critical access designation.
Rural hospitals – Private hospitals that are classified as rural hospitals by the Centers for Medicare and Medicaid Services.
Children's hospitals – Private hospitals centered on providing care to children.
Adult High Disproportionate Share Hospitals (DSH) – Private hospitals with adult high DSH designation as of Federal Fiscal Year 2012.
Magnet education hospitals – Private hospitals with an education component which have received magnet designation by the American Nurses Credentialing Center as of December 31, 2012.
Education hospitals – Private hospitals with a residency program.
General hospitals paid under the inpatient prospective payment system– Private hospitals which do not qualify for any of the preceding categories.

1. From the specialty hospital subgroup, payments shall be made in the form of a percentage increase applied to hospital specific SFY 2012 Medicaid inpatient fee-for-service payments. This percentage increase will be equal to the pool amount of $13,572,897 in both SFY 2014 and SFY 2015 divided by total private specialty hospital SFY 2012 Medicaid inpatient fee-for-service payments.
2. From the critical access and rural subgroup, payments shall be made to all CAHs and rural hospitals in the form of a per diem payment applied to hospital specific SFY 2012 Medicaid fee-for-service days. This payment will be equal to the pool amount of $10,002,400 in both SFY 2014 and SFY 2015 divided by the total CAH and rural hospital SFY 2012 Medicaid fee-for-service days.
3. From the children's hospitals subgroup, payments shall be made to all children's hospitals and shall be equal to $27,540,622 in both SFY 2014 and SFY 2015. The payments to each children's hospital will be made on an annual basis, based upon children's hospitals actual inpatient Medicaid fee for service days derived from actual Medicaid discharges paid during the prior twelve month period.
4. From the magnet education subgroup, payments shall be made to all magnet education hospitals in the form of a percentage increase applied to hospital specific SFY 2012 Medicaid fee-for-service inpatient payments. This percentage increase will be equal to the pool amount of $16,911,462 in both SFY 2014 and SFY 2015 divided by total magnet education hospital SFY 2012 Medicaid inpatient fee-for-service payments.

5. From the total education subgroup, all education hospitals and magnet education hospitals shall receive a percentage increase in Medicaid payments applied to their total hospital specific SFY 2012 Medicaid fee-for-service inpatient payments. This percentage increase will be equal to the pool amount of $39,022,622 in both SFY 2014 and SFY 2015 divided by total education hospitals' SFY 2012 Medicaid inpatient fee-for-service payments. This amount is in addition to the amount paid to magnet education hospitals in (E)(4).
6. From the pooled amount calculated in (C) less payments made in (D) and (E)(1) through (E)(5), all private hospitals excluding children's hospitals (private general acute hospitals) shall receive a payment. These payments will be in the form of an additional payment per discharge applied to SFY 2012 inpatient Medicaid discharges from the SFY 2012 MMIS date of service claims data. This increase will be equal to the pool amount divided by the total private general acute hospital SFY 2012 Medicaid discharges. These payments are in addition to the payments in (D) and (E)(1) through (E)(5).

F. Supplemental payments in paragraph (D) will be paid semiannually and (E) shall be paid in four installments within the state fiscal year.

G. Supplemental payments to cost-based providers will be excluded from the cost settlement process.

H. Hospital payments made under this section, when combined with other payments made under the State plan shall not exceed the limit specified in 42 CFR 447.272.

I. The total funds that will be paid to each hospital will be included in the calculation of hospital specific DSH limit.