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State/Territory Name: OH

State Plan Amendment (SPA) #: 17-029

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

FEB 08 2018

Barbara Sears, Director
Ohio Department of Medicaid
P.O. Box 182709
50 West Town Street, Suite 400
Columbus, Ohio 43218

RE: Ohio State Plan Amendment (SPA) 17-029

Dear Ms. Sears:

The Centers for Medicare and Medicaid Services (CMS) has reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 17-029. Effective 07/06/2017, this State Plan Amendment updates Inpatient Hospital APR-DRG reimbursement methodology.

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 hereby inform you that Medicaid State plan amendment 17-029 is approved effective 07/06/2017. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Fredrick Sebree at (217) 492-4122 or via email at Fredrick.Sebree@cms.hhs.gov.

Sincerely,



Kristin Fan
Director

Enclosure

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
17-029

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 6, 2017

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:
42 CFR 447 Subpart C

7. FEDERAL BUDGET IMPACT:

a. FFY 2017 (\$7,198)
b. FFY 2018 (\$29,004)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A: Pages 1-1-1-26

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-A:
page 1,2 (TN 14-021)
page 3,4,7,11 (TN 03-005)
page 5,8,9,10 (TN 05-025)
page 6 (TN 08-015)
page 12-1,12-2 (TN 16-034)
page 12-a (TN 16-008)
page 12-b (TN 14-006)
Appendix A Table of Contents Page 1 of 2 (TN 14-006)
Appendix Table of Contents Page 2 of 2 (TN 13-015)
5101:3-2-01, page 1-4 (TN 06-006)
5101:3-2-07.1, page 1-3 (TN 04-006)
5101:3-2-07.2, page 1-6 (TN 07-026)
5101:3-2-07.3, page 1-9 (TN 09-020)
5101:3-2-07.4, page 1-11, 13-15 and APPENDIX A, page 1-11
(TN 09-015)
5101:3-2-07.4, page 12 (TN 11-011)
5101:3-2-07.7, page 1-5 (TN 06-011)
5101:3-2-07.8, pages 1-4 (TN 07-026)
5101:3-2-07.9, page 1-5 (TN 11-030)
5101:3-2-07.11, page 1-6 and APPENDIX A, page 1-16
(TN 04-006)
5101:3-2-07.12, pages 1-5 (TN-07-002)
5101:3-2-07.13, pages 1-5 (TN-07-002)
5101:3-2-07.17, pages 1-7 (TN-05-031)
5101:3-2-08, page 1-5 (TN 11-012)
5101:3-2-10, page 1-7 (TN 06-007)
5101:3-2-23, page 1-4 and Appendix page 1-52 (TN 10-006)
5101:3-2-24, page 1-7 (TN 05-033)
5101:3-2-30, page 1 (TN 84-28)
5160-2-65, page 1-2, 4-7 (TN 16-023)
5160-2-65, page 3 (TN 17-028)

10. SUBJECT OF AMENDMENT: Inpatient Hospital Services Reimbursement Methodology

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:
The State Medicaid Director is the Governor's designee

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME: **BARBARA R. SEARS**

14. TITLE: **STATE MEDICAID DIRECTOR**

16. RETURN TO:

**Carolyn Humphrey
Ohio Department of Medicaid
P.O. BOX 182709**

15. DATE SUBMITTED:

Columbus, Ohio 43218

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: FEB 08 2018

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL 06 2017

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Kristin Fan

22. TITLE:

Director, FMC

23. REMARKS:

Instructions on Back

I. Classification for Eligible Providers of Hospital Services

All hospitals are subject to the provisions set forth in subsections (A) and (B) of this section.

(A) Eligible Providers

- (1) All hospitals, except those excluded in subsections (A)(1) and (A)(2) of this section, that meet Medicare (Title XVIII) conditions of participation as described in 42 CFR 482 effective as of October 1, 2016, are eligible to participate in the Ohio Medicaid (Title XIX) program upon execution of a provider agreement. Also considered to be eligible is a hospital that is currently determined to meet the requirements for Title XVIII participation and has in effect a hospital utilization review plan applicable to all patients who receive medical assistance under Title XIX. The following hospitals are excluded from participation:
 - (a) Tuberculosis hospitals; and
 - (b) Hospitals that have 50% or more of their beds registered with the State of Ohio as alcohol and/or drug abuse rehabilitation beds, and have no beds licensed as psychiatric beds with the State of Ohio.
- (2) Freestanding psychiatric hospitals with more than 16 beds may provide inpatient psychiatric services in accordance with subsection (A)(2) of this section:
 - (a) For recipients age 65 or older, hospitals shall operate pursuant to the provisions of 42 CFR 441 subpart C effective as of October 1, 2016.
 - (b) For recipients under age 21, hospitals shall operate pursuant to the provisions of 42 CFR 441 subpart D effective as of October 1, 2016.
 - (c) For recipients age 21 or older, but under age 65, hospitals shall operate pursuant to the provisions of 42 CFR 482 subpart E effective as of October 1, 2016.
 - (d) In the case of a recipient under age 22, the hospital shall provide services before the recipient reaches age 21 or, if the recipient was receiving services immediately before he or she reached age 21, before the earlier of the following:
 - (i) The date he or she no longer requires the services; or
 - (ii) The date he or she reaches age 22.

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- (3) Ohio Medicaid will not reimburse freestanding psychiatric hospitals with more than 16 beds for inpatient psychiatric services rendered to recipients age 21 or older, but under age 65, except in accordance with the provisions of 42 CFR 438.6(e) effective as of October 1, 2016.
- (4) Freestanding psychiatric hospitals with 16 or fewer beds may provide inpatient psychiatric services to recipients of any age and shall operate pursuant to the provisions of 42 CFR 482 subpart E effective as of October 1, 2016.

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(B) Classification of Hospitals

Hospitals shall be classified into mutually exclusive peer groups for purposes of setting rates and making payments under both the inpatient and outpatient prospective payment systems, or to those hospitals excluded from the prospective payment systems.

(1) Definitions

- (a) "Critical access hospitals" (CAH) are those hospitals that are certified as a critical access hospital by the Centers for Medicare and Medicaid Services (CMS) and excluded from Medicare prospective payment in accordance with 42 CFR 400.202 effective October 1, 2016.
- (b) "Rural hospitals" are those hospitals located in counties that are not classified into a core based statistical area (CBSA) as designated in the inpatient prospective payment system (IPPS) case-mix and wage index table as published by CMS for the federal fiscal year beginning in the calendar year immediately preceding the effective date of the hospital rates.
- (c) "Children's hospitals" are those hospitals that primarily serve patients 18 years of age and younger and that are excluded from Medicare prospective payment in accordance with 42 CFR 412.23(d) effective October 1, 2016 or are registered with the Ohio Department of Health.
- (d) "Teaching hospitals" are those hospitals with a major teaching emphasis that have at least two hundred beds and have an intern-and-resident-to-bed ratio of at least .35. For non-Ohio hospitals, only those hospitals classified by the Ohio Department of Medicaid (ODM) as teaching hospitals as of June 30, 2016 will be considered non-Ohio teaching hospitals.
- (e) "Urban hospitals" are those hospitals that are located in a CBSA as designated in the IPPS case-mix and wage index table as published by CMS for the federal fiscal year beginning in the calendar year immediately preceding the effective date of the hospital rates, and not otherwise defined in subsections (B)(1)(a) to (B)(1)(d) of this section.
- (f) "Cancer hospitals" are those hospitals recognized by Medicare that primarily treat neoplastic disease in accordance with 42 CFR 412.23(f) effective October 1, 2016.
- (g) "Freestanding rehabilitation hospitals" are those hospitals in which the Department of Health and Human Services has determined to be excluded from Medicare prospective payment in accordance with 42 CFR 412.23(b) effective October 1, 2016.
- (h) "Freestanding long-term acute care hospitals" are those hospitals in which the Department of Health and Human Services has determined to be excluded from Medicare prospective payment in accordance with 42 CFR 412.23(e) effective October 1, 2016.

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- (i) "Freestanding psychiatric hospitals" are those hospitals that are eligible to provide Medicaid services and are grouped into their natural peer group as defined in subsections (B)(1)(a) through (B)(1)(e) of this section.
- (j) For the purposes of this section, the "number of beds" is the total number of beds reported on the hospital's state fiscal year (SFY) 2014 Ohio Medicaid hospital cost report (ODM 02930, rev. 06/14).
- (k) For the purposes of this section, "interns and residents" is the net number of interns and residents reported on the hospital's SFY 2014 Ohio Medicaid hospital cost report.

(2) Ohio hospital prospective payment peer groups.

Hospitals described in subsections (B)(2)(a) through (B)(2)(h) of this section shall be paid on a prospective payment basis for inpatient and outpatient services:

- (a) Critical access hospitals;
- (b) Rural hospitals;
- (c) Children's hospitals located in Ohio;
- (d) Non-Ohio children's hospitals;
- (e) Teaching hospitals;
- (f) Non-Ohio teaching hospitals;
- (g) Urban hospitals, which are grouped based on geographical regions; and
- (h) Hospitals that are not located in Ohio that are not classified in subsections (B)(2)(d) or (B)(2)(f) of this section.

(3) Hospitals described in subsection (B)(3) of this section shall be paid in accordance with Attachment 4.19-A, Section II, subsection (B).

- (a) Cancer hospitals;
- (b) Rehabilitation hospitals; and
- (c) Long-term acute care hospitals

(4) Reclassification of hospitals among peer groups.

Beginning January 1 of each calendar year, for any hospital that has been determined to have been reclassified as designated in the IPPS case-mix and wage index table as published by CMS for the

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federal fiscal year beginning in the calendar year immediately preceding the effective date of the hospital rates, shall be reclassified into the corresponding Ohio hospital peer group. Such reclassification shall result in a discontinuation of any stop loss or stop gain provisions of the hospital's previous classification.

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II. Methods and Standards for Establishing Payment Rates Inpatient Hospital Services

The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act. Except as noted below, all hospital services provided by Medicaid providers of inpatient hospital services are reimbursed under a Diagnosis Related Groups (DRG) based prospective payment system (PPS).

(A) Inputs Used In the Payment Formula for Hospital Reimbursement.

- (1) The hospital's ratio of cost to charge (CCR) is calculated with Medicaid inpatient costs, as reported on the ODM 02930, schedule H, section I, divided by Medicaid inpatient charges as reported on the ODM 02930, schedule H, section I. The cost report used to complete these calculations is the interim settled cost report ending in the state fiscal year ending in the calendar year preceding the immediate past calendar year prior to January 1 of the calendar year to which the new rate shall apply. For hospital payments, the rate year starts on January 1 of each calendar year.
- (2) DRG/Severity of Illness Assignment (SOI)
 - (a) All inpatient claims are analyzed by the All Patient Refined Diagnosis Related Groups (APR-DRG) grouping software based on the date of discharge. Each discharge is assigned a DRG and one of four Severity of Illness Assignment (SOI) factors based upon the date of discharge.
 - (b) If a claim submitted by a hospital is deemed ungroupable because it does not contain valid values for one or more of the variables required by the APR-DRG grouper, then the claim will be denied payment by the State.
- (3) The dataset used as inputs in the computation of base rates and relative weights consists of:
 - (a) Inpatient hospital claims with dates of discharge from January 1, 2012 through December 31, 2014;
 - (b) Cost reports submitted by Ohio hospitals to the State on its Medicaid cost report for the hospital years that end in state fiscal years 2013, 2014 and 2015; and
 - (c) Inflation factors computed for Ohio by Global Insight, which computes similar factors for the Medicare program.
- (4) The inflation factors were used to apply an inflationary value to the total cost computed for each case inflating it to June 30, 2017.
- (5) Computation of hospital base rate.
 - (a) The base rate for each Ohio children's hospital is equal to:

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- (i) Ninety-seven percent of the total inflated costs for the cases assigned to children's hospitals divided by the number of cases assigned to the children's hospitals; divided by
 - (ii) The peer group case-mix score as calculated in subsection (A)(5)(d) of this section.
- (b) The base rate for each Ohio teaching hospital is equal to:
- (i) Ninety-seven percent of the total inflated costs for the cases assigned to teaching hospitals divided by the number of cases assigned to teaching hospitals; divided by
 - (ii) The peer group case-mix score as calculated in subsection (A)(5)(d) of this section.
- (c) The base rate for hospitals in Ohio peer groups other than Ohio children's or teaching hospitals is equal to:
- (i) Seventy percent of the total inflated costs for the cases assigned to a peer group; divided by the number of cases in the peer group; divided by
 - (ii) The peer group case-mix score as calculated in subsection (A)(5)(d) of this section, except for hospitals described in subsection (A)(5)(c)(iii) of this section.
 - (iii) For the purposes of setting base rates for inpatient services, children's hospitals that has less than 75 beds and are enrolled as a Medicaid provider on or after January 1, 2011 shall be grouped into their natural rural or urban hospital peer group as described in subsections (B)(1)(b) or (B)(1)(e) of this section. These hospitals shall also receive any pricing considerations or differentials as if they were in the children's hospital peer group.
- (d) The peer group case-mix score is equal to:
- (i) The sum of the relative weight values across all cases assigned to a peer group; divided by
 - (ii) The number of cases in the peer group.
- (e) For non-Ohio hospital peer groups, effective for dates of discharge on or after July 6, 2017, the peer group base rate is equal to;
- (i) For non-Ohio children's hospitals, 80% of the base rate in effect on the effective date of this section for Ohio children's hospitals.
 - (ii) For non-Ohio teaching hospitals, 82.02% of the base rate in effect on the effective date of this section for Ohio teaching hospitals.

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- (iii) For all other non-Ohio hospitals, 77.61% of the base rate in effect on the effective date of this section of Ohio hospitals that are not considered teaching, children's and psychiatric hospitals.
 - (iv) For non-Ohio hospitals, the calculated base rate as described in subsection (A)(5)(e) of this section includes an allowance for medical education.
- (f) Peer group risk corridors.

Effective for discharges on or after July 6, 2017, the State will apply the following:

- (i) If a hospital is in the rural hospital or critical access hospital peer groups, then the hospital's base rate is equal to the greater of:
 - (a) The peer group base rate; or
 - (b) Seventy percent of the computed costs of the hospital's cases.
- (ii) For any other Ohio hospital, the hospital's base rate is equal to:
 - (a) The peer group base rate calculated in subsection (A)(5) of this section, if the peer group base rate does not result in more than a 5% reduction or gain in payments compared to the DRG prospective payment system in effect prior to July 6, 2017; or
 - (b) A hospital-specific base rate established to ensure the new peer group base rate does not result in more than a 5% reduction or gain in payments compared to the prior DRG prospective payment system.
- (iii) If the hospital is a psychiatric hospital owned and operated by the state of Ohio, regardless of peer group, then the hospital's base rate is equal to:
 - (a) The hospital base rate calculated in subsection (A)(5) of this section, if the peer group base rate does not result in a reduction in payments compared to the prior DRG prospective payment system; or
 - (b) A hospital-specific base rate established to ensure the new peer group base rate does not result in a reduction.

(6) Computation of Relative Weights

- (a) For all DRGs, except for psychiatric DRGs 750-759, the relative weight is equal to:
 - (i) The average inflated cost per case within the DRG/SOI; divided by

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- (ii) The average inflated cost per case across all DRG/SOIs.
 - (b) For psychiatric DRGs 750-759, the relative weight is the relative weight that was in effect on July 5, 2017.
 - (c) Long-acting reversible contraceptive (LARC) devices may be billed and paid separately when the device is provided postpartum during an inpatient hospitalization. To facilitate separate payment, the relative weights for DRGs 540-542 and 560 as calculated in subsection (A)(6)(a) of this section, were reduced by 3.13%.
 - (d) To adjust for the excessive increase in case-mix caused by the implementation of the International Classification of Diseases, Tenth Revision (ICD-10), the State will implement a coding adjustment and reduce the relative weights calculated in subsections (A)(6)(a) through (A)(6)(c) of this section by 3.7%.
- (7) A table of the calculated base rates and relative weights are published on the department's website, <http://medicaid.ohio.gov/PROVIDERS/FeeScheduleandRates.aspx>.

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(B) Hospital Services Subject to Non-DRG Prospective Payment

For hospital services subject to non-DRG prospective payment, providers are paid by applying a percentage of the hospital's CCR, as described in subsection (A)(1) of this section, to allowed charges. Billing must reflect the hospital's customary charge for the service rendered. Payment is made for those items and services recognized as reasonable and allowable under Title XVIII standards and principles. All non-DRG prospective payments are not subject to retrospective reimbursement. Hospital services subject to non-DRG prospective payment include:

- (1) Freestanding rehabilitation hospitals, as described at 42 CFR 412.23(b), which are excluded from the Medicare PPS shall be reimbursed at 90% of historical inpatient costs.
- (2) Freestanding long-term hospitals, as described at 42 CFR 412.23(e), which are excluded from the Medicare PPS shall be reimbursed at 90% of historical inpatient costs.
- (3) Hospitals that are excluded from Medicare's PPS due to providing services, in total; which are excluded due to a combination of long-term care and rehabilitative services.
- (4) Hospitals licensed as Health Insuring Corporations licensed by the Ohio Department of Insurance, which limit services to Medicaid recipients to those enrolled in a health insuring corporation or to short-term services provided on an emergency basis.
- (5) Hospitals recognized by Medicare as cancer hospitals, as described at 42 CFR 412.23(f) shall be reimbursed at 91.7% of historical inpatient costs.

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(C) Inpatient Hospital Services Subject to APR-DRG Prospective Payment

- (1) Payment for inpatient hospital services provided in hospitals other than those described in subsection (B)(3) of this section will be subject a prospective payment methodology utilizing the APR-DRG developed and maintained by 3M Health Information Systems.
- (2) Inpatient hospital services shall include outpatient services provided to the same patient, at the same hospital, within three calendar days prior to the date of an inpatient admission, except, for outpatient Behavioral Health services provided under Attachment 4.19-B, Item 2-a, section I, subsection (I)(2).
- (3) Payments under the prospective payment system are made on the basis of a prospectively determined rate as provided in this section. A hospital may keep the difference between its prospective payment rate and costs incurred in furnishing inpatient services and is at risk for costs which exceed the prospective payment amounts.
- (4) Each DRG is categorized into one of four SOI categories; 1- Minor, 2 - Moderate, 3 - Major and 4 - Extreme. Each DRG/SOI combination is assigned a relative weight and average length of stay.
- (5) The relative weight for a DRG/SOI is multiplied by the hospital base rate to determine the DRG base payment for a claim.
- (6) For hospitals that have a medical education rate, the medical education allowance is calculated by multiplying the medical education rate by the relative weight for the DRG/SOI.
- (7) Each hospital is paid a hospital-specific capital allowance for each claim.
- (8) A claim may also be eligible to receive an additional payment for high cost cases and/or an additional payment related to organ acquisition for transplant cases.
- (9) The final payment for inpatient hospital services is the sum of:
 - (a) DRG Base Payment (see subsection (C)(5) of this section);
 - (b) Capital allowance (see subsection (D) of this section);
 - (c) Medical Education allowance (see subsection (E) of this section);
 - (d) Applicable Outlier allowance (see subsection (F) of this section); and
 - (e) Applicable Organ Acquisition allowance (see subsection (G) of this section).
 - (f) The final payment is rounded to the nearest whole cent.

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This sum is the total DRG payment. The formula to calculate the total DRG payment is:

$$\begin{array}{rcccccc} \text{Total} & & & & & & \text{Organ} \\ \text{DRG} & = & \text{DRG} & & \text{Medical} & & \text{Acquisition} \\ \text{Payment} & & \text{Base} & + & \text{Education} & + & \text{Allowance} \\ & & \text{Payment} & & \text{Allowance} & & \text{Allowance} \\ & & & & & & \text{(if applicable)} \\ & & & & & & \text{(if applicable)} \\ & & & & & & \text{(if applicable)} \\ & & & & & & \text{(if applicable)} \end{array}$$

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(D) Computation of Capital Allowance Payments

- (1) Capital costs include the categories of costs recognized by Medicare on the Centers for Medicare and Medicaid Services (CMS) CMS 2552-10 revised October 2012 and filed in accordance with CMS instructions, available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Paper-Based-Manuals.html> (revised September 2016).
- (2) Capital-related costs for services provided by Ohio hospitals paid under prospective payment will be subject to prospective payment without subsequent settlement to actual capital costs.
- (3) On an annual basis, the interim capital payments will be re-determined by identifying 85% of the capital-related costs reported on the ODM 02930, "Ohio Medicaid Hospital Cost Report"; multiplying that cost by the percent of Medicaid inpatient charges to total charges; and dividing the result by the number of Medicaid discharges that occurred during the cost-reporting period. The cost report used to complete these calculations is the interim settled cost report ending in the state fiscal year ending in the calendar year preceding the immediate past calendar year prior to January 1 of the calendar year to which the new capital rate shall apply.
- (4) Non-Ohio hospital capital reimbursement.
 - (a) The average statewide capital cost is computed by summing, for all Ohio hospitals, the identified capital costs as described in subsection (D)(3) of this section and multiplying that cost by the percent of Medicaid inpatient charges to total charges for all Ohio hospitals, and dividing by total discharges for all Ohio hospitals as described in subsection (D)(3) of this section.
 - (b) The capital allowance for non-Ohio hospitals shall be 85% of the amount calculated in subsection (D)(3) of this section.
 - (c) The average statewide capital cost is updated annually using capital costs from cost reports as described in subsection (D)(3) of this section.
 - (d) The amounts derived in subsection (D)(4) of this section will reflect a statewide average calculated to be in effect on January 1 of the calendar year and not subject to retrospective adjustments.

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(E) Computation of Medical Education Allowance Payments

Effective for dates of discharge on or after July 6, 2017, to qualify for a medical education allowance rate as described in this section, Ohio hospitals must have an approved medical education program as defined in 42 CFR 415.152 effective as of October 1, 2016 and the costs of the approved medical education program were reflected in their state fiscal year 2014 Ohio Medicaid hospital cost report (ODM 02930 rev. 6/2014). This section describes the methodology used for computing the direct graduate medical education and indirect medical education components of each hospital's medical education allowance rate.

- (1) Computation of direct graduate medical education (DGME) costs, which are the costs that are directly related to the training of interns & residents and allied professionals in an approved medical education program.
 - (a) Tabulate the costs captured on the cost report for interns & residents and allied professionals.
 - (b) Tabulate the total facility charges and total Medicaid fee-for-service and managed care charges reported on the cost report. Calculate the Medicaid factor by dividing the sum of total Medicaid fee-for-service and managed care charges by total charges.
 - (c) Tabulate the total Medicaid fee-for-service and managed care discharges from the cost report.
 - (d) The Medicaid portion of DGME costs equal the total DGME costs as described in subsection (E)(1)(a) of this section multiplied by the Medicaid factor as described in subsection (E)(1)(b) of this section.
 - (e) A cost per discharge is computed using the Medicaid portion of DGME costs as described in subsection (E)(1)(d) of this section divided by the total number of Medicaid discharges as described in subsection (E)(1)(c) of this section.
- (2) Computation of indirect medical education (IME) costs, which are the costs that recognize the increased costs of patient care that results from operating an approved medical education program.
 - (a) Identify the number of interns & residents and number of beds reported on the cost report.
 - (b) Compute the IME factor by using the logarithmic formula $1.35 * ((1 + ((\text{interns} \& \text{residents}) / \text{beds})^{0.405}) - 1)$.
 - (c) Tabulate the total Medicaid fee-for-service and managed care net operating costs reported on the cost report.
 - (d) The Medicaid portion of IME is the Medicaid net operating costs as described in subsection

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(E)(2)(c) of this section multiplied by the IME factor as described in subsection (E)(2)(b) of this section.

(e) A cost per discharge is computed using the Medicaid portion of IME costs as described in subsection (E)(2)(d) of this section divided by the total number of Medicaid discharges as described in subsection (E)(1)(c) of this section.

(i) The IME cost per discharge is capped. The capped value is the statewide mean IME cost per discharge plus one standard deviation.

(ii) If the hospital's IME cost per discharge is greater than the capped IME cost per discharge as described in subsection (E)(2)(e)(i) of this section, then the IME cost per discharge is limited to the capped value.

(3) Case-mix adjustment of medical education allowance rate.

(a) The case-mix score for each hospital equals the sum of the relative weight values for all state fiscal year 2014 discharges divided by the total number of Medicaid discharges as described in subsection (E)(1)(c) of this section.

(b) Sum the DGME cost per discharge as described in subsection (E)(1)(e) of this section and the IME cost per discharge as described in subsection (E)(2)(e) of this section.

(c) Divide the sum of the DGME cost per discharge and IME cost per discharge as described in subsection (E)(3)(b) of this section by the case-mix score as described in subsection (E)(3)(a) of this section. The resulting value is the hospital's total medical education allowance rate.

(d) The hospital's total medical education allowance rate as described in subsection (E)(3)(c) of this section shall be subject to a payment neutrality adjustment of 59.70%.

(4) Medical education and stop-loss/stop-gain.

(a) For each hospital, determine the total value of current medical education payments as reimbursed by the APR-DRG prospective payment system prior to July 1, 2017 by multiplying the hospital's medical education allowance rate effective January 1, 2017 by the hospital's case-mix score in effect prior to July 1, 2017 by the total number of Medicaid discharges for the 12 month period used to estimate the fiscal impact.

(b) Determine the hospital's projected medical education payments by multiplying the case-mix adjusted medical education allowance rate as described in subsection (E)(3) of this section by the total number of Medicaid discharges for the 12 month period used to estimate the fiscal impact.

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- (c) If the hospital's current medical education payments as described in subsection (E)(4)(a) of this section are greater than the projected medical education payments as described in subsection (E)(4)(b) of this section, then the hospital's medical education allowance rate shall be the medical education allowance rate used to calculate current medical education payments as described in subsection (E)(4)(a) of this section.
 - (d) If the hospital's projected medical education payments as described in subsection (E)(4)(b) of this section are more than 110% of current medical education payments as described in subsection (E)(4)(a) of this section, then the hospital's medical education payments shall be the current medical education allowance rate multiplied by 110%.
 - (e) If the hospital's projected medical education payments as described in subsection (E)(4)(b) of this section are greater than its current medical education payments as described in subsection (E)(4)(a) of this section but less than 110% of its current medical education payments as described in subsection (E)(4)(a) of this section, then the hospital's medical education allowance rate is the allowance rate used to calculate projected medical education payments as described in subsection (E)(4)(b) of this section.
- (5) Recognition of approved medical education programs outside of rebasing.
- (a) For rate years when rebasing is not being conducted, hospitals that have added an approved graduate medical education program and demonstrate such costs on the interim-settled cost report that ends in the state fiscal year ending in the calendar year preceding the immediate past calendar year prior to January 1 of the rate year, the interim medical education allowance rate shall be the sum of 80% of the statewide average DGME allowance rate plus 50% of the statewide average IME allowance rate.
 - (b) For a hospital that only demonstrates costs for medical education of allied professionals on the interim-settled cost report that ends in the SFY ending in the calendar year preceding the immediate past calendar year prior to January 1 of the rate year, the medical education allowance rate will be 50% of the statewide average DGME allowance rate.
 - (c) For a hospital that has a newly approved graduate medical education program but whose costs are not yet reflected on a cost report, the medical education allowance rate will be 50% of the statewide average DGME allowance rate.
 - (i) A hospital with a newly approved graduate medical education program must notify the State no later than October 1 of the calendar year in order for the State to develop rates for the following rate year.
 - (ii) Notification to the State must include documentation from the Accreditation Council of Graduate Medical Education that the hospital has an approved medical education program or documentation of Medicare's recognition of the hospital's approved full-time equivalent interns

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& residents count, or both.

- (d) For a hospital whose interim-settled cost report no longer reflects costs for interns & residents, and that ends in the state fiscal year ending in the calendar year preceding the immediate past calendar year prior to January 1 of the rate year, the medical education allowance rate will be reduced by the portion of the allowance rate that represented their IME costs.
- (e) For a hospital whose interim-settled cost report no longer reflects costs for interns & residents and allied professionals, and that ends in the state fiscal year ending in the calendar year preceding the immediate past calendar year prior to January 1 of the rate year, the medical education allowance rate will be reduced to zero.
- (6) Each hospital's medical education allowance rate as determined in either subsections (E)(3), (E)(4), or (E)(5) of this section shall be multiplied by the relative weight of the assigned APR-DRG and SOI as described in subsection (C)(4) of this section.

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(F) Computation of Outlier Payments

- (1) If a discharge is eligible for an outlier payment, the payment will be equal to 90% of the value of eligible outlier costs.
- (2) Eligible outlier costs are equal to the cost of the case minus an outlier threshold.
 - (a) When claims are submitted for payment by hospitals, the cost of the case is computed as the product of covered billed charges and a hospital-specific Medicaid inpatient CCR. The inpatient CCR is computed by dividing the Medicaid inpatient costs as reported on the Medicaid cost report by the Medicaid inpatient charges as reported on the Medicaid cost report.
 - (b) The outlier threshold is equal to the DRG base payment as described in subsection (C)(5) of this section plus a fixed outlier threshold as described in subsection (F)(2)(c) of this section.
 - (c) The fixed outlier threshold varies and can be either DRG specific or peer group specific. The fixed outlier threshold for neonate and tracheostomy DRGs is \$25,000. The fixed outlier threshold for DRGs other than neonate and tracheostomy DRGs billed by hospitals in a children's peer group or the teaching peer group is \$60,000. The fixed outlier threshold for cases other than neonate and tracheostomy billed by hospitals among other peer groups is \$75,000.
- (3) For any claim that qualifies for an outlier payment, the final claim payment shall be limited to the lessor of covered billed charges or the total payment calculated in subsection (C)(9) of this section.

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(G) Other Payments for Transplant Related Services

- (1) Reimbursement for all organ transplant services, except for kidney transplants, is contingent upon review and recommendation by the "Ohio Solid Organ Transplant Consortium" based on criteria established by Ohio organ transplant surgeons and authorization from the State.
- (2) Reimbursement for bone marrow transplant and hematopoietic stem cell transplant is contingent upon review and the recommendation by the "Ohio Hematopoietic Stem Cell Transplant Consortium" based on criteria established by Ohio experts in the field of bone marrow transplant and authorization from the State. Reimbursement is further contingent upon:
 - (a) Membership in the "Ohio Hematopoietic Stem Cell Transplant Consortium"; or
 - (b) Compliance with the performance standards and the performance of ten autologous or ten allogeneic bone marrow transplants, dependent on which volume criteria is appropriate for the transplant requested.
- (3) Organ acquisition and transportation costs for heart, heart/lung, liver, pancreas, single/double lung, and liver/small bowel transplant services will be reimbursed at 100% of billed charges.
- (4) For harvesting costs for bone marrow transplant services, the prospective payment amount will be either:
 - (a) The DRG amount if the donor is a Medicaid recipient or if the bone marrow transplant is autologous.
 - (b) The product of the covered billed charges times the hospital-specific Medicaid inpatient CCR if the donor is not a Medicaid recipient.

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(H) Other Payment Policies

- (1) No coverage is available for days of inpatient care which occur solely for the provision of rehabilitation services related to a chemical dependency.
- (2) A claim for inpatient services qualifies for interim payment on the 30th day of a consecutive inpatient stay and at 30-day intervals thereafter. Under interim payment, hospitals will be paid on a percentage basis of charges. The percentage will represent the hospital-specific Medicaid inpatient CCR as described in subsection (A)(1) of this section. For those hospitals which are not required to file a cost report, the statewide average Medicaid inpatient CCR will be used. The statewide average Medicaid inpatient CCR is computed by dividing the sum of the Medicaid inpatient costs as reported on the Medicaid cost report for all Ohio hospitals by the sum of Medicaid inpatient charges as reported on the Medicaid cost report for all Ohio hospitals. Interim payments are made as a credit against final payment of the final discharge bill. Amounts of difference between interim payment made and the prospective payment described in subsection (C) of this section, for the final discharge will be reconciled when the final admit thru discharge bill is processed.
- (3) Except for psychiatric hospitals, payments for transfers are subject to the following provisions. If a hospital paid under the prospective payment system transfers an inpatient to another hospital or receives an inpatient from another hospital and that transfer is appropriate, then each hospital is paid a per diem rate for each day of the patient's stay in that hospital. The State's payment is based on the DRG/SOI under which the patient was treated at each hospital. The per diem rate is determined by dividing the product of the hospital's base rate multiplied by the DRG/SOI relative weight as described in subsection (C)(4) of this section by the statewide average length of stay calculated for the specific DRG/SOI into which the case falls. The sum of the per diem rate for each day is known as the per diem base payment. The per diem base payment cannot exceed the DRG base payment as described in subsection (C)(5) of this section, that would have been paid for the appropriate DRG/SOI. The total transfer payment is the sum of the lesser of the per diem base payment or the DRG base payment, plus capital, medical education and outlier allowances, as applicable.
- (4) For inpatient services provided to patients who are discharged, within the same hospital, from an acute care bed and admitted to a bed in a psychiatric unit distinct part, payment will be made based on the DRG representing services provided in the acute care section and the services provided in the psychiatric unit distinct part.
- (5) Transfers received by or discharging from a freestanding psychiatric hospital are not subject to the provisions of subsection (H)(3) of this section. For transfers from one unit of a hospital to another distinct unit of the same hospital, the claim with an admit source indicating that the transfer results in a separate claim to Medicaid is not subject to the provisions of subsection (H)(3) of this section, provided that the discharge status does not indicate transfer.

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- (6) In instances when a recipient's eligibility begins after the date of admission to the hospital or is terminated during the course of a hospitalization, payment will be made on a per diem basis as described in subsection (H)(3) of this section plus the allowance for capital, medical education and outliers, as applicable.
- (7) A readmission within one calendar day of discharge, to the same institution, is considered to be one discharge for payment purposes so that one DRG payment is made. If two claims are submitted, the second claim processed will be rejected. In order to receive payment for the entire period of hospitalization, the hospital will need to submit an adjustment claim reflecting services and charges for the entire hospitalization.
- (8) In the case of deliveries, the State requires hospitals to submit separate claims based respectively on the mother's individual eligibility and the child's individual eligibility.
- (9) Payment for LARC devices provided postpartum will be paid in accordance with the State's Provider-Administered Pharmaceuticals fee schedule at the rate in effect on the date of service, when submitted on a separate claim. The fee schedule is published on the department's website, <http://medicaid.ohio.gov/PROVIDERS/FeeScheduleandRates.aspx>. Payment for related obstetrical services will be made in accordance with the State's inpatient payment policies in effect on the date of discharge from the hospital.

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(I) Audits and Appeals

Audits are performed for hospital services subject to reasonable cost reimbursement to determine reasonable and allowable costs. Underpayments or overpayments are adjusted through settlement. For hospital services subject to PPS, audits are performed to determine reasonable and allowable base year costs and discharge statistics; to determine whether, overall, payments exceeded charges; to verify that services billed were provided and provided to eligible recipients; and to determine whether third party payments received were reported.

In general, hospitals may request reconsideration of payment rates if they believe source data used by the State is inaccurate. Certain components of rate calculation are excluded from reconsideration in order to preserve the predictability of the prospective payment system.

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III. Potentially Preventable Readmissions (PPRs)

All hospitals that are subject to the all patient refined diagnosis related groups (APR-DRG) prospective payment methodology are subject to the Potentially Preventable Readmissions Program. Hospitals that have 20 or more Medicaid discharges in the reporting year are subject to a PPR rate adjustment.

Hospitals with excess clinically-related and clinically-preventable readmissions in the reporting year as determined by the 3M Health Information Systems PPR software will be subject to a one percent reduction of their inpatient hospital-specific base rate. The excess readmission penalty will be applied on January 1 of each calendar year and will remain in effect for that calendar year.

(A) Definitions

- (1) "Potentially preventable readmission (PPR)" is a readmission that follows a prior discharge from any hospital within 30 days and that is deemed clinically-related and clinically-preventable by the PPR software.
- (2) "Clinically-related readmission chain" is a series of admissions for the same patient where the underlying reason for admission is related, as determined by the PPR software, to the care rendered during or within 30 days following a prior hospital admission. The hospital in which the initial admission occurred is the hospital that is responsible for the clinically-related readmission chain.
- (3) "Actual PPR rate" is the PPR rate computed as total clinically-related readmission chains divided by the sum of initial admissions and only admissions.
- (4) "Expected PPR rate" is the PPR rate computed as total clinically-related readmission chains divided by the sum of initial admissions and only admissions. The expected PPR rate is adjusted, by the PPR software, for severity of illness and risk of mortality.
- (5) "Actual-to-expected ratio" is the actual PPR rate divided by the expected PPR rate.

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(B) Readmission Criteria

- (1) A readmission is a return hospitalization within 30 days of a prior discharge that meets all of the following criteria:
 - (a) The readmission is potentially preventable by the provision of appropriate care consistent with accepted care standards, based on the PPR software, in the prior discharge or during the post-discharge follow-up period.
 - (b) The readmission is for a condition or procedure that is clinically -related to the care provided during the prior discharge or resulting from inadequate discharge planning during the prior discharge.
 - (c) The PPR chain may contain one or more readmissions that are clinically-related to the initial admission. If the first readmission is within thirty days after the initial admission, the thirty day timeframe may begin again at the discharge of either the initial admission or the most recent readmission clinically-related to the initial admission.
 - (d) The readmission is to the same or any other hospital.
- (2) Readmissions, for the purposes of determining PPRs, exclude the following circumstances:
 - (a) The original discharge was a patient initiated discharge, was against medical advice (AMA), and the circumstances of such discharge and readmission are documented in the patient's medical record.
 - (b) The original discharge was for the purpose of securing treatment of a major or metastatic malignancy, major trauma, neonatal and obstetrical admission, transplant, HIV, and nonevents as defined by the PPR software.
 - (c) Only admissions and planned admissions as defined by the PPR software.

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(C) Methodology

- (1) Rate adjustments for calendar year 2017 for each hospital shall be based on each hospital's paid fee for-service and managed care claims data for discharges that occurred on July 1, 2014 through June 30, 2015. For each calendar year thereafter, rate adjustments shall be based on each hospital's paid claims data from the state fiscal year ending in the calendar year preceding the calendar year immediately preceding the effective date of the PPR rate adjustment.
- (2) Excess readmission rates are determined by examining hospital-specific actual-to-expected ratios.
 - (a) An actual-to-expected ratio of one indicates that the hospital had readmissions within 30 days at a rate that is expected given their patient mix.
 - (b) An actual-to-expected ratio of less than one indicates that the hospital had less readmissions within 30 days than is expected given their patient mix.
 - (c) An actual-to-expected ratio of greater than one indicates that the hospital had more readmissions within 30 days than is expected given their patient mix.

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IV. Provider Preventable Conditions (PPCs)

The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4), 1902(a)(6), and 1903 of the Social Security Act with respect to non-payment for provider-preventable conditions (PPCs).

The State identifies the following Health Care-Acquired Conditions (HCACs) for non-payment: Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or hip replacement surgery in pediatric and obstetric patients. Non-payment of HCACs applies to all inpatient hospitals.

The State identifies the following PPCs for non-payment in any health care setting where they may occur: Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

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