

## **Table of Contents**

**State/Territory Name: OH**

**State Plan Amendment (SPA) #: 18-021**

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

**NOV 21 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) 18-021

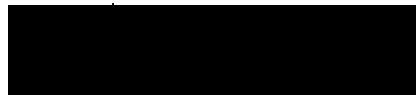
Dear Ms. Sears:

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) 18-021. Effective 09/01/2018, State Plan Amendment Payment for Services: Inpatient Hospital Services 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 18-021 is approved effective 09/01/2018. 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](mailto:Fredrick.Sebree@cms.hhs.gov).

Sincerely,



Kristin Fan  
Director

Enclosure

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: <b>18-021</b>	2. STATE <b>OHIO</b>
<b>FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES</b>		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 <b>September 1, 2018</b>	
5. TYPE OF PLAN MATERIAL ( <i>Check One</i> ):			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> <b>AMENDMENT</b>			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT ( <i>Separate Transmittal for each amendment</i> )			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447 Subpart C		7. FEDERAL BUDGET IMPACT: a. FFY 2018 (\$ 2,581) b. FFY 2019 (\$ 31,043)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  <u>Attachment 4.19-A:</u> Pages 1-6, 1-7, 1-8, and 1-9		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ): <u>Attachment 4.19-A:</u> Pages 1-6, 1-7, 1-8, and 1-9 (TN 17-029)	
10. SUBJECT OF AMENDMENT: Payment for Services: Inpatient Hospital Services Reimbursement Methodology			
11. GOVERNOR'S REVIEW ( <i>Check One</i> ):			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: The State Medicaid Director is the Governor's designee	
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO:	
13. TYPED NAME: <b>BARBARA R. SEARS</b>		Carolyn Humphrey Ohio Department of Medicaid P.O. BOX 182709 Columbus, Ohio 43218	
14. TITLE: <b>STATE MEDICAID DIRECTOR</b>			
15. DATE SUBMITTED: <b>September 24, 2018</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED:		18. DATE APPROVED: <b>NOV 21 2018</b>	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>SEP 01 2018</b>		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: <b>Kristin Fan</b>		22. TITLE: <b>Director, FMG</b>	
23. REMARKS:			

**Instructions on Back**

## 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 determination of hospital base rates 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 a nationally-recognized research firm, which computes similar factors for the Medicare program.
  - (d) The inflation factors were used to apply an inflationary value to the total cost computed for each case inflating it to June 30, 2017.
- (4) The dataset used as inputs in the determination of relative weights consist of:
  - (a) Inpatient hospital claims with dates of discharge from October 1, 2015 through June 30, 2017;
  - (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 2016 and 2017; and
  - (c) Inflation factors computed for Ohio by a nationally-recognized research firm that computes similar factors for the Medicare program.

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(d) The inflation factors were used to apply an inflationary value to the total cost computed for each case inflating it to December 31, 2018.

(5) Computation of hospital base rate.

(a) The base rate for each Ohio children's hospital is equal to:

- (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 have 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.

- (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, the relative weight is equal to:
  - (i) The average inflated cost per case within the DRG/SOI; divided by

- (ii) The average inflated cost per case across all DRG/SOIs.
- (b) 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 3.08%.
- (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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