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State/Territory Name: Oklahoma

State Plan Amendment (SPA) #: 14-13 NIRT

This file contains the following documents in the order listed:

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- 2) Companion Letter
- 3) CMS 179 Form
- 4) Approved SPA Page(s)

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

DEC 18 2014

Dr. Garth Splinter
State Medicaid Director
Oklahoma Health Care Authority
4345 North Lincoln Blvd.
Oklahoma City, OK 73105

RE: Oklahoma 14-13

Dear Dr. Splinter:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 14-13. This amendment proposes a 7.75 percent rate reduction for inpatient hospital services provided in freestanding rehabilitation hospitals, freestanding psychiatric hospitals and long term care hospitals serving children.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. As part of the review process the State was asked to provide information regarding funding of the State share of expenditures under Attachment 4.19-A.

Based on the information provided by the State, the Medicaid State plan amendment 14-13 is approved effective July 1, 2014. We are enclosing the HCFA-179 and the new plan pages.

If you have any questions, please call Tamara Sampson at (214) 767-6431.

Sincerely,



Timothy Hill
Director

A handwritten signature in black ink, appearing to be "TH", located to the right of the printed name and title.

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
1301 Young Street, Room 833
Dallas, Texas 75202



Division of Medicaid & Children's Health, Region VI

December 18, 2014

Dr. Garth Splinter
State Medicaid Director
Oklahoma Health Care Authority
4345 North Lincoln Blvd.
Oklahoma City, OK, 73105

RE: Oklahoma Companion letter to #14-13

Dear Dr. Splinter:

This letter is being sent as a companion to our approval of Oklahoma State plan amendment (SPA) 14-13 that proposes a 7.75 percent rate reduction for inpatient hospital services provided in freestanding rehabilitation hospitals, freestanding psychiatric hospitals and long term care hospitals serving children. This amendment is effective July 1, 2014.

The State provided an Upper Payment Limit (UPL) demonstration as part of their meeting the requirements in SMD #13-003 dated March 18, 2013. The Dallas Regional Office staff reviewed the demonstration and found errors. It was determined that the State plan was out of compliance because the plan included the specific lines from the Medicare cost report from 2009. Medicare revised the cost report in 2011. It appears the State was utilizing the incorrect lines from the Medicare cost report. Consequently, we are issuing a companion letter to inform you that the State plan for inpatient hospital supplemental payment is out of compliance.

The State will need to revise Section 4.19-A pages 32.3 to 32.5 for their Supplemental Hospital Offset Payment Program (SHOPP) in order to come into compliance.

The State has 90 days from the date of this letter to address the issues described above. Failure to respond may result in the initiation of a formal compliance process. During the 90 days, CMS will provide any required technical assistance.

If you have any questions, please contact Tamara Sampson, of my staff, at (214) 767-6431 or by e-mail at Tamara.Sampson@cms.hhs.gov.

Sincerely,

A black rectangular box redacting the signature of Bill Brooks.

Bill Brooks
Associate Regional Administrator
Division of Medicaid and Children's Health Operations

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER 1 4 - 1 3	2. STATE Oklahoma
	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, 2014	

5. TYPE OF PLAN MATERIAL (Check One)

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS A 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 440.10, 42 CFR 440.50, 42 CFR 440.60, 42 CFR 440.166	7. FEDERAL BUDGET IMPACT a. FFY <u>2014</u> (\$7,944,540) b. FFY <u>2015</u> (\$30,458,145)
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-A, Page 06 Attachment 4.19-A, Page 13	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Same Page, Revised 07-01-12, TN # 12-08 Same Page, Revised 04-01-10, TN # 10-21

10. SUBJECT OF AMENDMENT

7.75% reduction in reimbursement for Inpatient Hospital Services

11. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED The Governor does not review State Plan material.
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL 	16. RETURN TO Oklahoma Health Care Authority Attn: Cindy Roberts 4345 N. Lincoln Blvd., Suite 124 Oklahoma City, OK 73105
13. TYPED NAME Joel Nico Gomez	
14. TITLE Chief Executive Officer	
15. DATE SUBMITTED September 29, 2014	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED 29-Sep-14	18. DATE APPROVED DEC 18 2014
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL 01-Jul-14	20. SIGNATURE OF REGIONAL OFFICIAL
21. TYPED NAME <i>Kristin Fan</i>	22. TITLE Associate Regional Administrator <i>Deputy Director, FMG</i>
23. REMARKS c. Joel Nico Gomez Cindy Roberts Tywanda Cox Joseph Fairbanks	

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES

III. PAYMENT METHODOLOGY FOR FREESTANDING REHABILITATION, AND FREESTANDING PSYCHIATRIC HOSPITALS (continued)

C. Updates

1. The level of care operating and fixed capital per diem rates in effect on December 31, 2006, for psychiatric hospitals will be updated by a factor of 9.76% and 22.9% for rehabilitation hospitals. The rates in effect on December 31, 2007 will be updated by a factor of 3.2%.
2. Effective 05-01-09, Valir Rehab Hospital will be paid at a fixed rate per-diem based on its reported cost per day reported on the 12-31-07 cost report brought forward to the base rate period of Calendar year 2009 by the latest available Global Insight published "2002 Based CMS Hospital Prospective Reimbursement Market Basket" forecasts.
3. The rates will be reviewed annually and any annual updates will not exceed the marketbasket increase in rehabilitation, psychiatric, and long term care facilities (RPL) marketbasket index for the current rate year.
4. Effective 04-01-10, the rate in effect as of 03-31-10 will be decreased by 3.25%.
5. Effective 07-01-14, the rate in effect as of 06-30-14 will be decreased by 7.75%.

IV. PAYMENT METHODOLOGY FOR LONG TERM CARE HOSPITALS SERVING CHILDREN (LTCHs-C)

Effective for services provided on or after July 1, 2012, payment will be made to freestanding long term care hospitals serving children for sub-acute care level of services.

A. Definitions

1. Ancillary Services. Refers to those services that are not considered inpatient routine services. Ancillary services include laboratory, radiology, and prescription drugs. Ancillary services may also include other special items and services for which charges are customarily made in addition to a routine service charge.
2. Average Length of Stay. To be determined a long term care hospital, the hospital must have a Medicaid average length of stay of greater than 25 days.
3. Children. For the purpose of this reimbursement rate, children are defined as individuals under the age of 21.
4. Routine Services. Services include but are not limited to: regular room, dietary and nursing services, minor medical and surgical supplies, over-the-counter medications, transportation, and the use and maintenance of equipment and facilities essential to the provision of routine care. Routine services should be patient specific and in accordance with standard medical care.

Revised 07-01-14

TN#	14-13	Approval Date	DEC 18 2014	Effective Date	July 1, 2014
Supersedes	TN # 12-08	State: Oklahoma Date Received: September 26, 2014 Date Approved: DEC 18 2014 Date Effective: July 1, 2014 Transmittal Number: 14-13			

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES

VI. PER DISCHARGE PROSPECTIVE PAYMENT METHODOLOGY FOR HOSPITALS
(continued)

C. Computation of Hospital Base Rates (continued)

4. The five hospital classification variables were joined to claim and encounter records that had been assigned a DRG by the DRG diagnosis grouper. Due to underreporting of encounter records, discharges that were reported as managed care encounters were given greater weight (1.335) than discharges reported as FFS claims (1.0) to account for the estimated likelihood that denied encounters would have been revised and resubmitted if providers had a financial incentive to do so. A multiple regression equation was estimated from the claim and encounter data to determine the expected cost associated with each of the five classification variables, controlling for DRG and length of stay.
5. The five classification variables formed 32 possible combinations, or classes. Impossible combinations were eliminated. The expected cost for each remaining class was computed with the regression equation. Expected costs were totaled over all classes and the cumulative proportion of expected cost computed. Classes were grouped into five quintiles, such that each group accounts for 20% of the total expected cost.
6. For each group, the discharge-weighted average expected cost was calculated. After computing the discharge-weighted average expected cost for each peer group, the overall discharge weighted average was computed. The relative base rate was computed for each group as the ratio of the group-specific average to the over-all average.
7. The base year expected cost for each group was updated by the method in Section VI.B.4. of this plan.
8. The OHCA will determine the peer group assignment and appeal of assignment will be allowed only through the methods described in Section VI. F. of this Plan.

D. Updates

The DRG rates will be updated annually using the above described method.

Effective 4-01-10, the rate in effect on 03-31-10 is reduced by 3.25%.

Effective 7-01-14, the rate in effect on 06-30-14 is reduced by 7.75%.

E. Special Prospective Payment Provisions

1. Cost Outlier Adjustment

- a. Effective for discharges on or after October 1, 2005, and in accordance with Section 4605 of the Omnibus Budget Reconciliation Act (OBRA) of 1990, the OHCA provides for an outlier adjustment in payment amounts for medically necessary inpatient services involving exceptionally high costs for children who have not attained the age of six years in disproportionate share hospitals, and for infants under age one in all hospitals.

Revised 07-01-14

TN# 14-13 Approval Date DEC 18 2014 Effective Date JULY 1, 2014

Supersedes TN # 10-21

State: Oklahoma
Date Received: September 29, 2014
Date Approved: **DEC 18 2014**
Date Effective: July 1, 2014
Transmittal Number: 14-13