

## Table of Contents

State/Territory Name: Oklahoma

State Plan Amendment (SPA) #: 16-0028 NIRT

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved Pages

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



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**Financial Management Group**

**MAR 21 2017**

Ms. Becky Pasternik-Ikard  
State Medicaid Director  
2401 NW 23rd Street, Suite 1A  
Oklahoma City, Oklahoma 73107

RE: Oklahoma 16-28

Dear Ms. Pasternik-Ikard:

We have reviewed the proposed State plan amendment (SPA) to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 16-28. This amendment removes outdated information such as ICD procedure codes and specific software utilized to compute the relative weights, and provides clarification on hospital bed size and the compilation of managed care encounter data in relation to the relative weights payment computation.

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 implementing Federal regulations at 42 CFR 447 Subpart C.

Based upon the information provided by the State, Medicaid State plan amendment 16-28 is approved effective October 1, 2016. We are enclosing the Form CMS-179 and the new plan pages.

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

Sincerely,

A black rectangular redaction box covering the signature of Kristin Fan.

Kristin Fan  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>	1. TRANSMITTAL NUMBER <b>1 6 - 2 8</b>	2. STATE <b>Oklahoma</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>October 1, 2016</b>	

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)

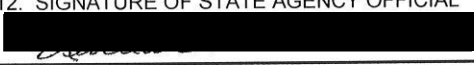
6. FEDERAL STATUTE/REGULATION CITATION <b>42 CFR 412.2</b>	7. FEDERAL BUDGET IMPACT a. FFY 2017      \$ <b>\$0</b> b. FFY 2018      \$ <b>\$0</b>
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  Attachment 4.19-A; Page 10 Attachment 4.19-A; Page 11 Attachment 4.19-A; Page 12	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  Attachment 4.19-A, Page 10, TN# 14-10 Attachment 4.19-A, Page 11; TN# 05-06 Attachment 4.19-A, Page 12; TN# 05-06

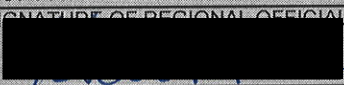
10. SUBJECT OF AMENDMENT

**Computation of DRG Relative Weights**

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  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      Plan material.

12. SIGNATURE OF STATE AGENCY OFFICIAL 	16. RETURN TO  Oklahoma Health Care Authority Attn: Tywanda Cox 4345 N. Lincoln Blvd Oklahoma City, OK 73105
13. TYPED NAME <b>Becky Pasternik-Ikard</b>	
14. TITLE <b>Chief Executive Officer</b>	
15. DATE SUBMITTED <b>December 21, 2016</b>	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED <b>21-Dec-16</b>	18. DATE APPROVED <b>MAR 21 2017</b>
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL <b>01-Oct-16</b>	20. SIGNATURE OF REGIONAL OFFICIAL 
21. TYPED NAME <b>Kristin Fan</b>	22. TITLE <b>Director, FMCO</b>
23. REMARKS c: Becky Pasternik-Ikard Tywanda Cox	

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INPATIENT HOSPITAL SERVICES

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

A. Services Included in or Excluded from the Prospective Rate(continued)

3. Services which may be billed separately include:

- a. Ambulance service when the patient is transferred from one hospital to another and is admitted as an inpatient in the second hospital
- b. Physician services furnished to individual patients
- c. Long Acting Reversible Contraception (LARC)

The agency's fee schedule rate is updated annually in July. All rates are published on the agency's website at [www.okhca.org](http://www.okhca.org). A uniform rate is paid to governmental and non-governmental providers.

B. Computation of DRG Relative Weights

1. Relative weights used for determining rates for cases paid by DRG under the State Plan shall be derived, to the greatest extent possible, from Oklahoma hospital claim data. All such claims are included in the relative weight computation, except as described below.

2. Hospital fee-for-service (FFS) claims and adjusted managed care encounter data for discharges occurring from July 1, 2000, through June 30, 2003 (and updated annually with more recent data), are included in the computation and prepared as follows:

a. All interim and final claims for single inpatient stay were combined into a single record per discharge.

b. All Medicaid inpatient discharges were classified using the Diagnostic Related Group (DRG) methodology, a patient classification system that reflects clinically cohesive groupings of inpatient resources. Input files were created for the Medicare grouper software. Lines containing detail ICD procedure codes were transposed and attached to the claim header record to produce a single claim record per line. Historical diagnosis and procedure codes that are no longer valid and not recognized by the CMS Medicare grouper were updated to reflect their placement codes.

c. Claims that were grouped into Major Diagnostic Category 15 "Newborns and other Neonates with Conditions Originating in the Perinatal Period" were further grouped using enhanced neonate logic. The enhanced neonate logic creates 20 groupings. The groupings are hierarchical based on discharge state, transfer status, neonate weight, major operating room procedure performed, and the existence of a major or minor diagnosis.

Revised 10-01-2016

TN# 16-28

Approval Date **MAR 21 2017**

Effective Date 10-01-2016

Supersedes  
TN# 14-10

State: Oklahoma
Date Received: December 21, 2016
Date Approved: <b>MAR 21 2017</b>
Date Effective: October 1, 2016
Transmittal Number: 16-28



METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INPATIENT HOSPITAL SERVICES

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

B. Computation of DRG Relative Weights (continued)

d. Claims included in the computation of DRG relative weights were restricted to those claims for cases to be included in the proposed PPS. Claims for services otherwise exempt from the PPS were not used to compute DRG relative weights.

3. Claims "charges" were converted to "cost" using the overall cost-to-charge ratios from the most recently available cost reports cost reports or from CMS' Health Care Cost Report Information System (HCRIS). No adjustments were made to remove medical education costs prior to establishing the DRG weights.

4. Average cost per stay was computed for all claims. Costs were inflated forward to the final quarter of the projected payment year using Inpatient Hospital Prospective Reimbursement market basket indices produced by Global Insight. Due to the variety of cost report time periods and discharge dates, the schedule below is an example of how the tool was used to inflate total costs.

Qtr (yyqtr)	Total Index (TI)	Qtr Inflation Factor (1.372/TI)	Qtr 2006:2 Inflation Factor 1.372
003	1.1060	1.25407	
004	1.1170	1.24172	
011	1.1320	1.22527	
012	1.1440	1.21241	
013	1.1550	1.20087	1.19158
014	1.1640		
021	1.1760	1.17942	
022	1.1850	1.17046	
023	1.1970	1.15873	
024	1.2080	1.14818	
031	1.2240	1.13317	
032	1.2300	1.12764	

Revised 10-01-2016

TN# 16-28

Approval Date **MAR 21 2017**

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TN# 05-06

State: Oklahoma  
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Transmittal Number: 16-28

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INPATIENT HOSPITAL SERVICES

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**VI. PER DISCHARGE PROSPECTIVE PAYMENT METHODOLOGY FOR HOSPITALS**

(continued)

**B. Computation of DRG Relative Weights (continued)**

5. Average cost within each DRG was also calculated. Claims with costs and costs per day that were outside of three standard deviations from the mean of the log distribution within each DRG were excluded from the weight calculation.
6. Initial relative weights were computed by calculation of the average Medicaid costs of discharges for each DRG category divided by the average costs for all discharges.
7. The relative weights computed as described above shall remain in effect until the next year. At that time, the relative weights will be recalibrated using whatever DRG Grouper version is currently in use by Medicare.

**C. Computation of Hospital Base Rates**

1. Each hospital is assigned a “base rate peer group”. Five base rate peer groups were computed for small groups of hospitals that all share common cost-related characteristics.
2. Five classification variables were obtained from the Centers for Medicare and Medicaid Services (CMS) Healthcare Cost Report Information System (HCRIS):
  - a. Bed Size
  - b. Urban
  - c. Teaching
  - d. Sole Community Hospital (SCH)
  - e. Critical Access Hospital (CA)
3. Hospital bed size is defined into two groups: “Big” (greater than 300 beds) and “Small” (less than or equal to 300 beds). Hospitals with missing data received a default classification of “not” urban, “not” big, “not” teaching, “not” CA, not SCH.

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Approval Date **MAR 21 2017**

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TN# 05-06