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**State/Territory Name: Rhode Island**

**State Plan Amendment (SPA) #:15-010**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
JFK Federal Building, Government Center  
Room 2275  
Boston, Massachusetts 02203



Division of Medicaid and Children's Health Operations / Boston Regional Office

December 21, 2016

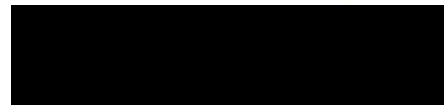
Elizabeth Roberts, Secretary  
Executive Office of Health and Human Services  
State of Rhode Island and Providence Plantations  
74 West Road, Hazard Building  
Cranston, RI 02920

Dear Secretary Roberts:

We are pleased to enclose a copy of approved Rhode Island State Plan Amendment (SPA) No. 15-010, submitted February 3, 2016. Effective January 1, 2016, this SPA grants authority to implement a rate reduction for outpatient hospital services.

If you have any questions regarding this matter you may contact Lynn DelVecchio (617) 565-1201 or by e-mail at [Lynn.DelVecchio@cms.hhs.gov](mailto:Lynn.DelVecchio@cms.hhs.gov)

Sincerely,



Richard R. McGreal  
Associate Regional Administrator

Enclosure

cc: Darren J. McDonald, Ph.D., Interim Medicaid Director  
Melody Lawrence, Interdepartmental Project Manager



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

1. TRANSMITTAL NUMBER:  
15-010

2. STATE  
RI

FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE AND MEDICAID SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
January 1, 2016

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 F

7. FEDERAL BUDGET IMPACT:  
a. FFY 2016                      -\$251,655  
b. FFY 2017                      -\$339,534

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, Pages 1-3

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

Attachment 4.19-B, Pages 1-3

10. SUBJECT OF AMENDMENT:  
Out-patient Hospital Rate Reduction

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

XX  OTHER, AS SPECIFIED:  
See Attached Letter

12. SIGNATURE OF STATE AGENCY OFFICIAL:

[Redacted Signature]

13. TYPED NAME: Elizabeth H. Roberts

14. TITLE: Secretary

15. DATE SUBMITTED: December 12, 2016 2/1/2016

16. RETURN TO:

EOHHS Policy Office  
600 New London Avenue, Bldg. 57  
Cranston, RI 02920

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
2/3/2016

18. DATE APPROVED:  
12/21/2016

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
1/1/2016

20. SIGNATURE OF REGIONAL OFFICIAL:

[Redacted Signature]

21. TYPED NAME: Richard R. McGreal

22. TITLE: Associate Regional Administrator  
Division of Medicaid & Children's Health

23. REMARKS:

Pen and ink change to bot 15 to reflect correct submission date.

[Redacted]

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF CARE  
PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

1. Fee structures will be established which are designed to enlist participation of a sufficient number of providers of services in the program so that eligible persons can receive the medical care and services included in the plan at least to the extent they are available.
2. Participation in the program will be limited to providers of service who accept, as payment in full, the amounts paid in accordance with the fee structure.
3. Payment for physician, dentist and other individual practitioner services will be equal to the lesser of the billed charge or the State's fee for that service. Fee schedules are posted on the Executive Office of Health and Human Services web site under the Providers and Partners tab: <http://www.eohhs.ri.gov/ProvidersPartners/BillingampClaims/FeeSchedule.aspx>. All governmental and private service providers are reimbursed according to the same published fee schedule. The Medical Assistance Program rates were set as of January 1, 2016 and are effective for services on or after that date.
4. The following is a description of the payment structure by items of service.
  - a. Inpatient hospital services: as described in attachment 4.19A.
  - b. Outpatient hospital services: The Medical Assistance Program will pay for outpatient hospital services using a fee schedule approach based on, but necessarily identical to, the Medicare outpatient prospective payment system. Specific provisions are as follows:
    1. In general, payment will be by fee schedule, with the fee multiplied by the number of allowable units on the claim line. Fees will be derived as follows:
      - a. For visits, surgeries, imaging procedures, drugs, and other services where Medicare pays hospitals using Ambulatory Payment Classification (APC) groups, except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of outpatient hospital services. The agency's fee schedule rate was set as of January 1, 2016 and is effective for services provided on or after that date. All rates are published on the EOHHS website at the address listed above.
      - b. For physical, occupational, and speech therapy services, except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of outpatient hospital services. The agency's fee schedule rate was set as of January 1, 2016 and is effective for services provided on or after that date. All rates are published on the EOHHS website at the address listed above.
      - c. For laboratory services with dates of service on or after January 1, 2016, payment will be at the non-hospital community laboratory rate. The fees are effective for claims with a date of service on or after January 1, 2016. The fee schedule can be found on the EOHHS website at the address listed above.
      - d. For observation services, Medical Assistance will pay an hourly fee from the 8<sup>th</sup> to the 24<sup>th</sup> hour of observation. The agency's observation fee was set as of January 1, 2016 and is effective for services provided on or after that date. The observation fee is included in the fee schedule found on the EOHHS website at the address listed above.
      - e. For any remaining outpatient hospital services covered by Medical Assistance, fees will be based on fees for similar services as identified elsewhere in the State plan. For unlisted services and other rare situations where no fee can be calculated, payment will be at a percentage of charges.
    2. Payment by fee will be modified in the following situations:
      - a. For bilateral services as appropriately designated by the modifier 50, payment will be at 150% of the otherwise applicable amount.
      - b. For drugs covered under Section 340B of the Public Health Service Act as appropriately designated by the modifier UD, payment will be at 100% of billed charges.

TN No: 15-010  
Supersedes  
TN No: 09-007

Approval Date: 12/21/2016 Effective Date: January 1, 2016



3. Certain types of services are subject to discount payment when a claim contains more than one line showing procedure codes within each type of service. The line with the highest fee will be paid at 100%, the line with the second-highest fee will be paid at 50% of the otherwise-applicable fee, the line with the third highest fee will be paid at 25% of the otherwise-applicable fee, and the fourth and all subsequent lines will be paid zero. Discounting will only apply within each type of service. For example, if a claim contains three lines for an x-ray, a CT scan, and an ultrasound, each line will be paid 100%. The seven types of service are as follows:
  - a. Significant procedures subject to discounting as designated by Medicare with APC Status "T." (In general, Medical Assistance will use the same list of procedures as Medicare, but specific exceptions may be made.)
  - b. Computed topography scans
  - c. Ultrasound
  - d. X-rays
  - e. Therapeutic radiology
  - f. Nuclear medicine scans
  - g. Magnetic Resonance Imaging
4. Some claim lines will be packaged, that is, the line will be considered paid but with a payment of zero. Packaging will apply to lines with anesthesia and recovery room codes (regardless of procedure code), lines without procedure codes, and lines with procedure codes designated as packaged under Medicare. (In general, Medical Assistance will use the same list of packaged procedures as Medicare, but specific exceptions may be made.)
5. Out-of-State hospitals will be reimbursed for outpatient surgery services provided to Rhode Island Medical Assistance Recipients at a rate equal to fifty-three (53%) of the out-of-state hospital's customary charge(s) for such services to Title XIX recipients in that state. The outpatient reimbursement for all other services, exclusive of laboratory, imaging, and physicians, will be sixty-four percent (64%) of the outpatient surgery rate.
6. Payment for all outpatient services will be final, with no year-end settlement process. .
7. Hospital outpatient claims and payments are processed through MMIS.
8. Only hospitals and provider based entities, in accordance with 42 CFR 413.65, are reimbursed according to the outpatient hospital reimbursement methodology.
9. Outpatient Supplemental Payment and UPL Calculation
  - a. For the outpatient services provided for the period after July 1, 2009 each hospital licensed by the RI Department of Health, except those hospitals whose primary services and bed inventory are psychiatric, is paid an amount determined as follows:
    - 1) Determine the sum of all Medicaid payments from Rhode Island MMIS to hospitals made for outpatient and emergency department services provided during each hospital's fiscal year ending during 2008, including settlements.
    - 2) Multiplying the result of (1) above by a percentage consistent with Medicare cost finding principles; and
    - 3) The Outpatient UPL calculation is an estimate of Medicare outpatient cost for private hospitals. Specifically, a ratio of Medicare outpatient costs to Medicare outpatient charges is applied to Medicaid outpatient and emergency room charges to determine total Medicaid cost (the limit). Total Medicaid outpatient and emergency room payments are then subtracted to determine the UPL gap, which is the basis for the size of the outpatient supplemental payment. The UPL gap is calculated using an aggregate of the individual hospital gaps for state owned and operated, non-state owned and operated, and private hospitals. The outpatients UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services.

Cost information is from each providers Medicare cost report (CMS 2552), Worksheet D, Part V, Column 5, Line 202.

Charge information is from each providers Medicare cost report (CMS 2552), Worksheet D, Part V Columns 2, Line 202.

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The UPL is trended for inflation and utilization using CPI-U: Hospital and Related Service – CMS Health Care Indicators, Table 7: Percent Change in Medical Prices, and OP PPS Payment Increase and Market Basket Update

- 4) Pay each hospital on July 20, October 20, January 20, and April 20 one-quarter of the product created by multiplying the result of (1) above and (2) above.
- c. Payment will be made for rural health clinic services at the reasonable cost rate per visit established by the Medicare carrier. Payment for each ambulatory service, other than rural health clinic services, will be made in accordance with the rates or charges established for those services when provided in other settings.

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