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State/Territory Name: Utah

State Plan Amendment (SPA) #: UT-13-022

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

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
1600 Broadway, Suite 700
Denver, CO 80202-4967



Region VIII

September 18, 2013

W. David Patton, Ph.D.
Utah Department of Health
288 North 1460 West
PO Box 143102
Salt Lake City, UT 84114

RE: Utah #13-022

Dear Dr. Patton:

We have reviewed the proposed State Plan Amendment (SPA) submitted under transmittal number (TN) 13-022. This State Plan Amendment applies to Outpatient Hospital Supplemental Payments.

Please be informed that this State Plan Amendment was approved today with an effective date of July 1, 2013. We are enclosing the CMS-179 and the amended plan page(s).

If you have any questions concerning this amendment, please contact Mandy Strom at (303) 844-7068.

Sincerely,

/s/

Richard C. Allen
Associate Regional Administrator
Division for Medicaid and Children's Health

CC: Michael Hales, Medicaid Director, UT
Craig Devashrayee, UT

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:
13-022-UT
2. STATE:
Utah
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)
4. PROPOSED EFFECTIVE DATE
July 1, 2013

TO: REGIONAL ADMINISTRATOR
HEALTHCARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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 440.90

7. FEDERAL BUDGET IMPACT:

- a. FFY 2013 \$0
b. FFY 2014 \$0



8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Pages 2d and 2e of ATTACHMENT 4.19-B

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (*If Applicable*)

Page 2d of ATTACHMENT 4.19-B

10. SUBJECT OF AMENDMENT: Outpatient Hospital Supplemental Payments

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:

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME: W. David Patton, Ph.D.

14. TITLE: Executive Director, Utah Department of Health

15. DATE SUBMITTED: June 28, 2013

16. RETURN TO:

Craig Devashrayee, Manager
Technical Writing Unit
Utah Department of Health
PO Box 143102
Salt Lake City, UT 84114-3102

16

17. DATE RECEIVED

6/28/13

18. DATE APPROVED

9/18/13

FOR REGIONAL USE ONLY

19. EFFECTIVE DATE OF APPROVED MATERIAL:

7/1/13

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPED NAME

RICHARD C. ALLEN

22. TITLE

ARA, DIRECTOR

23. REMARKS

PLAN APPROVED - ONE COPY ATTACHED

11. STATE TEACHING HOSPITAL SUPPLEMENTAL PAYMENTS

The State Teaching Hospital will be paid a supplemental payment for outpatient hospital services based on a reasonable cost methodology. Reasonable cost is determined using Medicare principles by applying a cost-to-charge ratio derived from the latest filed Medicare cost report to Medicaid claims data as described in #14 below. The supplemental payment equals the difference between reasonable costs adjusted for inflation and utilization trends and claims payments made pursuant to otherwise applicable methodologies as described on Page 1 of this Attachment.

Quarterly interim payments will be made that will each be equal to one-fourth of the total projected supplemental payment. Before making the first interim supplemental payment in a state fiscal year, the total projected supplemental payment will be calculated. Using data from the federal HCRIS database, the calculation uses recently filed and available cost reports with provider fiscal year end before the beginning of the state fiscal year for which the calculation is made and as available at the time the calculation is made.

12. NON-STATE GOVERNMENT HOSPITALS SUPPLEMENTAL PAYMENTS

Government owned, other than state owned, hospitals shall be eligible to receive a supplemental payment for outpatient hospital services based on a reasonable cost methodology. Reasonable cost is determined using Medicare principles by applying a cost-to-charge ratio derived from the latest filed Medicare cost report to Medicaid claims data as described in #14 below. The supplemental payment equals the difference between reasonable costs adjusted for inflation and utilization trends and claims payments made pursuant to otherwise applicable methodologies as described on Page 1 of this Attachment.

Quarterly interim payments will be made that will each be equal to one-fourth of the total projected supplemental payment. Before making the first interim supplemental payment in a state fiscal year, the total projected supplemental payment will be calculated. Using data from the federal HCRIS database, the calculation uses recently filed and available cost reports with provider fiscal year end before the beginning of the state fiscal year for which the calculation is made and as available at the time the calculation is made. The payments will be distributed to each hospital based on the proportion of the hospital's UPL room that is greater than zero.

T.N. # 13-022 Approval Date 9/18/13
Supersedes T.N. # 11-008 Effective Date 7-1-13

13. PRIVATE HOSPITALS SUPPLEMENTAL PAYMENTS

Privately-owned hospitals shall be eligible to receive a supplemental payment for outpatient hospital services based on a reasonable cost methodology. Reasonable cost is determined using Medicare principles by applying a cost-to-charge ratio derived from the latest filed Medicare cost report to Medicaid claims data as described in #14 below. The UPL room equals the difference between reasonable costs adjusted for inflation and utilization trends and claims payments made pursuant to otherwise applicable methodologies as described on Page 1 of this Attachment. The supplemental payment pool may be up to the total UPL room for this class.

Quarterly interim payments will be made that will each be equal to one-fourth of the total projected supplemental payment pool. Before making the first interim supplemental payment in a state fiscal year, the total projected supplemental payment will be calculated. Using data from the federal HCRIS database, the calculation uses recently filed and available cost reports with provider fiscal year end before the beginning of the state fiscal year for which the calculation is made and as available at the time the calculation is made.

The payments will be allocated to each hospital based on the proportion of the hospital's UPL room that is greater than zero with an increased proportion being given to rural providers.

14. UPL Calculation Overview

For purposes of calculating the Medicaid outpatient hospital upper payment limits for hospitals, the state shall utilize hospital specific Medicare outpatient cost to charge ratios applied to Medicaid charges. The Medicaid upper payment limit for state hospitals and non-state government owned hospitals are independently calculated. Each Medicaid upper payment limit shall be offset by hospital Medicaid and other third party outpatient payments to determine the available spending room (i.e., the gap) applicable to each Medicaid upper payment limit. The base year utilized to determine each Medicaid upper payment limit shall be trended to the applicable spending year as follows:

- Inflation trend shall be calculated using the consumer price index available at the time of calculation for "Outpatient Hospital Services" as published in Table 5A of the Consumer Price Index Detailed Report Tables Annual Averages published by the U.S. Department of Labor, U.S. Bureau of Labor Statistics.
- Utilization trend shall be calculated using historical Utah Medicaid outpatient hospital services data. The utilization trend for state fiscal year 2014 shall be 8.6 percent.

Following is the data used to calculate the UPL for each state fiscal year:

Medicare Cost to Charge ratio:

- 2552-96: Costs are from Worksheet D, Part V, Columns 9, 9.01, 9.02, 9.03 line 104
- 2552-10: Costs are from Worksheet D, Part V, Columns 5, 6, and 7 line 202
- 2552-96: Charges are from Worksheet D, Part V, Columns 5, 5.01, 5.02, 5.03 line 104
- 2552-10: Charges are from Worksheet D, Part V, Columns 2, 3, 4 line 202

Note: As Medicare may amend the cost report structure from that noted above, corresponding Medicare Cost Report data will be used in place of the elements noted above.

The hospitals in the analysis have fiscal year ends during the state fiscal year Medicaid Charges and payments - Paid hospital outpatient claims from services in a recent period and as available at the time the calculation is made.

Costs for critical access hospitals shall be calculated at 101 percent of cost with any appropriate inflation and utilization added as noted above.

T.N. # 13-022

Approval Date 9/18/13

Supersedes T.N. # New

Effective Date 7-1-13