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State/Territory Name: Utah

State Plan Amendment (SPA) #: UT-17-0004

This file contains the following documents in the order listed:

1) Approval Letter
2) Additional Companion Letter
3) CMS 179 Form/Summary Form (with 179-like data)
4) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
1961 Stout Street, Room 08-148
Denver, CO 80294

Region VIII

May 1, 2017

Mr. Nathan Checketts
State Medicaid Director
Division of Health Care Financing
Utah Department of Health
P.O. Box 144102
Salt Lake City, UT 84114-4102

RE: Utah #17-0004

Dear Mr. Checketts:

We have reviewed the proposed State Plan Amendment (SPA) submitted under transmittal number (TN) 17-0004. This State Plan Amendment updates the utilization trend for the outpatient hospital upper payment limit in State Fiscal Year 2018.

The Outpatient Upper Payment Limit Demonstration (UPL) for 2018 has also been approved as a result of the SPA approval process.

Please be informed that this State Plan Amendment was approved today with an effective date of July 1, 2017. 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,

[redacted]

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

cc: Craig Devashrayee, UT

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Denver Regional Office
1961 Stout Street, Room 08-148
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REGION VIII - DENVER

May 1, 2017

Mr. Nathan Checketts
State Medicaid Director
Division of Health Care Financing
Utah Department of Health
P.O. Box 144102
Salt Lake City, UT 84114-4102

Re: Utah #17-0004

Dear Mr. Checketts:

This letter is being sent as a companion to our approval of Utah State plan amendment (SPA) 17-0004, which was submitted to update the utilization trend for the outpatient hospital upper payment limit in State Fiscal Year 2018. During the review of this SPA, CMS performed a same page review of the private outpatient hospital supplemental payments approved language. This analysis revealed a reimbursement issue that will require revisions to the State Plan. We welcome the opportunity to work with you and your staff to discuss options for resolving the concern outlined below.

4.19-B Item 13, Private Hospitals Supplemental Payment

Utah has confirmed it is currently not making private supplemental payments as outlined in the State plan, but has received legislative funding to start making payments again contingent upon the partial Medicaid expansion being approved under the pending 1115 Demonstration waiver. Once a CMS determination has been made on the partial Medicaid expansion under the pending 1115 waiver, CMS requests Utah update the approved language to suspend the private supplemental payment with the effective date language or address the following comments specific to the new private supplemental payments that will be made:

a) 42 CFR 430.10 indicates that the State plan must be "a comprehensive written statement submitted by the agency describing the nature and scope of its Medicaid program and giving assurance that it will be administered in conformity with the specific requirements of title XIX, the regulations in this Chapter IV, and other applicable official issuances of the Department. The State plan contains all information necessary for CMS to determine whether the plan can be approved to serve as a basis for Federal financial participation (FFP) in the State program." The

last sentence of the first paragraph under item 13 contains unclear language because it reads "The supplemental payment pool may be up to the total UPL room for this class." Does Utah always pay 100% of the difference between the UPL and the base payment? If so, please remove "may" and replace it with "will." If not, please describe how Utah determines how much of the difference between the UPL and the base payment is calculated.

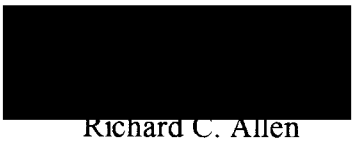
b) Please add language to item 13 that indicates how the quarterly interim supplemental payments are made (i.e. lump sum, per service add-on, etc.).

c) The last paragraph of item 13 indicates that payments will be allocated to each hospital based on the proportion of the hospital's UPL room that is greater than zero. CMS understands this to mean that any provider with room in the UPL to receive an additional payment beyond their base payment will be eligible for a supplemental payment. Please add clarifying language that explains how the state calculates the proportion of each hospital's UPL room in order to properly distribute the supplemental payment to each provider.

d) The last paragraph of item 13 also indicates that rural providers will receive an increase proportion of the supplemental payment pool. Please add clarifying language to the page that quantifies how much of an increased proportion of the pool they will receive.

If you have any questions regarding this letter, please contact Mandy Strom at (303) 844-7068 or mandy.strom@cms.hhs.gov.

Sincerely,



Richard C. Allen
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Cc: Jocelyn Ihrig-CMS
Linda Tavener-CMS
John Curless-Utah
Craig Devashrayee-Utah

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTHCARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

'RANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL
'OR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 17-0004-UT
2. STATE: Utah
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

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

4. PROPOSED EFFECTIVE DATE
July 1, 2017

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 440.20

7. FEDERAL BUDGET IMPACT:
a. FFY 2018 $[284,500]
b. FFY 2019 $[284,500]

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Page 2e of ATTACHMENT 4.19-B

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

Page 2e 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:
[redacted]

13. TYPED NAME: Joseph K. Miner, M.D.

14. TITLE: Executive Director, Utah Department of Health

15. DATE SUBMITTED: March 1, 2017

16. RETURN TO:

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

17. DATE RECEIVED:
March 1, 2017

18. DATE APPROVED:
May 1, 2017

FOR REGIONAL USE ONLY

19. EFFECTIVE DATE OF APPROVED MATERIAL:
July 1, 2017

20. SIGNATURE OF REGIONAL OFFICIAL:
[redacted]

21. TYPED NAME:
Richard C. Allen

22. TITLE:
ARA, DMCHO

PLAN APPROVED – ONE COPY ATTACHED

23. REMARKS:

FORM HCFA-179 (07-92)

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 2018 shall be -1.1 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.