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State Name: Virginia

State Plan Amendment (SPA) #: 18-017

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
801 Market Street - Suite 9400
Philadelphia, Pennsylvania 19107



Region III/Division of Medicaid and Children's Health Operations

SWIFT #081620184053

September 7, 2018

Jennifer S. Lee, M.D., Director
Department of Medical Assistance Services
600 East Broad Street, Suite 1300
Richmond, VA 23219

Dear Dr. Lee:

The Centers for Medicare & Medicaid Services (CMS) has reviewed Virginia's State Plan Amendment (SPA) 18-017, Fee-for-Service Supplemental Payments – Outpatient.

This SPA proposes to cease quarterly supplemental payments to qualifying private hospital partners of Type One hospitals for dates of service on or after October 1, 2018. This SPA also proposes that effective October 1, 2018, supplemental payments will be issued to qualifying private hospitals for outpatient services provided to Medicaid patients. Qualifying hospitals are all in-state private acute care hospitals excluding public hospitals, freestanding psychiatric and rehabilitation hospitals, children's hospitals, long stay hospitals, long-term acute care hospitals and critical access hospitals. The supplemental payment shall equal outpatient hospital claim payments times the "UPL gap percentage."

The CMS is approving SPA 18-017 with an effective date of October 1, 2018. Enclosed are the approved SPA pages and signed CMS-179 form. If you have further questions about this SPA, please contact Margaret Kosherzenko of my staff at 215-861-4288.

Sincerely,

/S/

Francis McCullough
Associate Regional Administrator

Enclosures

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

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER
1 8 - 0 1 7

2. STATE
Virginia

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

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

4. PROPOSED EFFECTIVE DATE
October 1, 2018

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 Part 447

7. FEDERAL BUDGET IMPACT

a. FFY 2019 \$ 99,799,925 10,500,000
b. FFY 2020 \$ 66,111,111 10,500,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

4.19-B: revised page 4.3, new page 4.4

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Same pages

10. SUBJECT OF AMENDMENT

FFS Supplemental Payments - Outpatient

11. GOVERNOR'S REVIEW (Check One)

- GOVERNOR'S OFFICE REPORTED NO COMMENT²⁰¹⁹
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED

Secretary of Health and Human Resources

12. SIGNATURE OF STATE AGENCY OFFICIAL

[Redacted Signature] /S/

13. TYPED NAME

Jennifer S. Lee, M.D.

14. TITLE

Director

15. DATE SUBMITTED

7/23/18

16. RETURN TO

Dept. of Medical Assistance Services
600 East Broad Street, #1300
Richmond VA 23219

Attn: Regulatory Coordinator

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED
August 13, 2018

18. DATE APPROVED
September 6, 2018

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL
October 1, 2018

20. SIGNATURE OF REGIONAL OFFICIAL
/S/

21. TYPED NAME

Francis McCullough

22. TITLE

Associate Regional Administrator

23. REMARKS

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES –
OTHER TYPES OF CARE**

5. Supplemental Payments for Private Hospital Partners of Type One Hospitals. Quarterly supplemental payments shall be issued to qualifying private hospitals for outpatient services rendered during the quarter. Maximum aggregate payments to all qualifying hospitals in this group shall not exceed the available upper payment limits per state fiscal year. These supplemental payments will cease effective for dates of service on or after October 1, 2018.

- a. Qualifying criteria. In order to qualify for the supplemental payment, the hospital must be currently enrolled as a Virginia Medicaid provider, and must be owned or operated by a private entity where a Type One hospital has a non-majority interest. Qualifying hospitals and their effective dates are listed below:
 1. Culpeper Hospital, effective October 25, 2011;
 2. Prince William Hospital, effective February 11, 2017;
 3. Haymarket Hospital, effective February 11, 2017.

- b. Reimbursement methodology. Each qualifying hospital shall receive quarterly supplemental payments for the outpatient services rendered during the quarter. Each quarterly payment distribution shall occur not more than 2 years after the year in which the qualifying hospitals' entitlement arises. The annual supplemental payments in a fiscal year will be the lesser of:
 1. The difference between each qualifying hospital's outpatient Medicaid billed charges and Medicaid payments the hospital receives for services processed for fee-for-service Medicaid recipients during the fiscal year; or
 2. \$1,894 per Medicaid outpatient visit at Culpeper Hospital for state plan rate year 2012, \$1,908 per Medicaid outpatient visit for state plan rate year 2017 for Prince William Hospital, and \$1,844 per Medicaid outpatient visit for state plan rate year 2017 for Haymarket Hospital. For future state plan rate years, this number shall be adjusted by inflation based on the Virginia moving average values as compiled and published by Global Insight (or its successor), under contract with the department);
 3. For hospitals participating in the Medicaid Disproportionate Share Hospital (DSH) Program, the difference between the limit calculated under the Social Security Act § 1923(g) and the hospital's DSH payments for the applicable payment period.

- c. Limit. Maximum aggregate payments to all qualifying hospitals in this group shall not exceed the available upper payment limit per state fiscal year.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**State of VIRGINIA****METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES –
OTHER TYPES OF CARE**

6. Supplemental Outpatient Payments for Private Acute Care Hospitals.

A. Effective October 1, 2018, supplemental payments will be issued to qualifying private hospitals for outpatient services provided to Medicaid patients.

B. Definitions. See definitions in Attachment 4.19-A, page 17.5.

C. Qualifying Criteria. Qualifying hospitals are all in-state private acute care hospitals excluding public hospitals, freestanding psychiatric and rehabilitation hospitals, children's hospitals, long stay hospitals, long-term acute care hospitals and critical access hospitals.

D. Reimbursement Methodology. The supplemental payment shall equal outpatient hospital claim payments times the "UPL gap percentage".

1. The annual UPL gap percentage is the percentage calculated where the numerator is the UPL gap for outpatient services for private hospitals and the denominator is Medicaid claim payments to all qualifying hospitals for outpatient hospital services provided to Medicaid patients in the same year used in the numerator.

2. The annual UPL gap percentage will be calculated annually.

E. Quarterly Payments. After the close of each quarter, beginning with the quarter including the CMS effective date of all necessary state plan amendments authorizing increased payments to qualifying hospitals, each qualifying hospital shall receive supplemental payments for the outpatient services paid during the prior quarter. The supplemental payments for each qualifying hospital for each quarter shall be calculated based on the Medicaid outpatient hospital payments paid in that quarter multiplied by the annual UPL gap percentage. Payments will be made quarterly based on applying a uniform per service add on (UPL gap percentage described in the SPA) to outpatient hospital payments in the prior quarter.