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## **Table of Contents**

**State/Territory Name: Washington**

**State Plan Amendment (SPA) #: 19-0025**

This file contains the following documents in the order listed:

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

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



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**Financial Management Group**

November 19, 2019

Susan Birch, Director  
MaryAnne Lindeblad, Medicaid Director  
Health Care Authority  
626 8<sup>th</sup> Avenue SE  
Post Office Box 45502  
Olympia, Washington 98504-5502

RE: State Plan Amendment (SPA) WA-19-0025

Dear Ms. Birch and Ms. Lindeblad:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number 19-0025. This amendment creates a separate reimbursement rate for long-term psychiatric stays (defined as 90 days or more) at \$1,171 per day (not to exceed 100% of the hospital's eligible costs).

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. We are pleased to inform you that Medicaid State plan amendment 19-0025 is approved effective as of July 31, 2019. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Tom Couch at (208) 861-9838.

Sincerely,



Kristin Fan  
Director

cc:  
Hamilton Johns  
James Moreth  
Tom Couch

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

1. TRANSMITTAL NUMBER:  
**19-0025**

2. STATE  
Washington

FOR: HEALTH CARE FINANCING ADMINISTRATION

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

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

4. PROPOSED EFFECTIVE DATE  
July 31, 2019

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:  
1902(a) of the Social Security Act

7. FEDERAL BUDGET IMPACT:  
a. FFY 2019 \$1,642,000  
b. FFY 2020 \$7,475,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A Part 1 pages 39, 39a, 40

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

Attachment 4.19-A Part 1 pages 39, 39a, 40

10. SUBJECT OF AMENDMENT:

Long-Term Inpatient Psychiatric Rates

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED: Exempt  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

MaryAnne Lindeblad

14. TITLE:

Director

15. DATE SUBMITTED:

9-30-19

16. RETURN TO:

Ann Myers  
Rules and Publications  
Division of Legal Services  
Health Care Authority  
626 8<sup>th</sup> Ave SE MS: 42716  
Olympia, WA 98504-2716

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:

NOV 19 2019

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL 31 2019

21. TYPED NAME:

Kristin Fan

20. SIGNATURE OF REGIONAL OFFICIAL:

22. TITLE: Director, FMCA

23. REMARKS:

9/30/19-State authorizes a P&I change to box 4.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)****E. PER DIEM, PER CASE, AND RCC PAYMENT METHODS (cont.)****1. Per diem rate (cont.)**

To adjust for the wage differences, the labor portion of the statewide-standardized average operating costs was multiplied by the FFY 2007 Medicare wage.

To adjust for the indirect medical costs, the hospital statewide-standardized average adjusted operating and capital costs were multiplied by the FFY 2007 Medicare indirect medical factors.

The hospital's specific per diem rates are the total of the adjusted operating and capital costs per day plus the facility-specific direct medical education cost per day.

The hospital-specific per diem amounts were inflated using the CMS PPS Input Price Index to reflect the inflation between SFY 2005 and 2008.

Effective for dates of admission on or after July 1, 2013, per diem rates for non-specialty services will decrease by seven and sixty-six one hundredths percent (7.66%) from the rates that were established for dates of admission on and after July 7, 2011. This rate adjustment is in accordance with Chapter 74.60 RCW, as amended by the Legislature in 2013. The July 1, 2013 rates will be four percent (4.00%) lower than the July 1, 2009 rates.

For dates of admission after July 1, 2014, Washington State Medicaid no longer pays for unstable DRGs under the per diem method.

**i. Per Diem Rates Determination for Specialty Services**

Washington State Medicaid uses per diem rates to pay for claims grouped into specialty services. AP-DRG and APR-DRG classifications identified as specialty services are grouped into:

- **Psychiatric Services.** Psychiatric claims are claims with a psychiatric diagnosis (i.e., assigned to a psychiatric DRG classification).
- **Rehabilitation Services.** Rehabilitation claims are claims with a rehabilitation diagnosis (i.e., assigned to a rehabilitation DRG classification).
- **Detoxification Services.** Detoxification claims are claims from freestanding detoxification hospitals, and all claims with a detoxification diagnosis (i.e., assigned to a detoxification DRG classification).
- **Chemically Using Pregnant Women (CUP) Program Services.** CUP Program services are claims with units of service (days) submitted with revenue code 129 in the claim record.
- **Long-term psychiatric commitments.** Long-term psychiatric commitments are psychiatric claims for 90 or more days with a psychiatric diagnosis and a legal commitment

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

## E. PER DIEM, PER CASE, AND RCC PAYMENT METHODS (cont.)

## 1. I. PER DIEM RATE (cont.)

- ✓ Effective for dates of admission on or after July 1, 2013, per diem rates for specialty services will decrease by eleven and fifty one-hundredths (11.50%) from the rates that were established for dates of admission on and after February 1, 2010. This rate adjustment is in accordance with Chapter 74.60 RCW, as amended by the Legislature in 2013. The July 1, 2013, rates will be equal to the July 1, 2009, rates.
- ✓ Effective for dates of admission on or after July 1, 2014, psychiatric rates were rebased at cost using the same methods as described above, based on cost information for hospital fiscal years ending in 2013. The Agency applied a budget adjuster so that aggregate inpatient payments would remain constant after the rebased costs were determined. The Agency increased funding by psychiatric services by \$3,500,000.
- ✓ Effective for dates of admission on and after October 1, 2017, psychiatric per diem rates were increased as directed by the Legislature. The increase was applied to any hospital with 200 or more psychiatric bed days. The increase was prioritized for hospitals not currently paid based on provider-specific costs using a similar methodology to set rates for existing inpatient facilities utilizing cost report information for hospital fiscal years ending in 2016. To distribute the funds for each fiscal year, free-standing psychiatric hospitals were given 68.15% of the statewide average cost per day. All other hospitals were given the greater of 78.41% of their provider-specific cost, or their current Medicaid psychiatric per diem rate. Rate increases for providers were set so as not to exceed the amounts provided by the Legislature. The Agency will conduct annual reviews for updated cost information to determine whether new and/or existing providers meet the 200+ bed criteria. The Agency will apply the same cost percentage criteria for future rebasing of the psychiatric per diem rates.
- ✓ Effective for dates of admission beginning May 8, 2019 through June 30, 2019, psychiatric per diem rates were increased to \$1,050.00 as directed by the Legislature. The increase was applied to any hospital that is designated as a rural hospital by the Department of Health (DOH), has less than fifty staffed acute care beds as reported by DOH, is not participating in the certified public expenditure full cost reimbursement program, and has combined Medicare and Medicaid inpatient days greater than fifty percent of total days. The Agency set the rate increases for qualifying providers so as not to exceed the amounts provided by the Legislature.
- ✓ Effective for dates of admission beginning July 31, 2019, long-term psychiatric per diems were set at \$1,171 or the hospital-specific psychiatric per diem rate, whichever is greater as directed by the Legislature. The increase is applied to any hospital that accepts patients committed to a psychiatric facility for a period of 90 days or greater. The Agency set the rate so as not to exceed the amounts provided by the Legislature.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)****E. PER DIEM, PER CASE, AND RCC PAYMENT METHODS (cont.)**

- For non-distinct psychiatric unit hospitals with less than 200 psychiatric days:
  - ✓ The hospital's specific per diem rates were defined as the greater of the two statewide-standardized average operating and capital costs adjusted by the wage differences, indirect medical education, and direct medical education calculation. The two statewide-standardized average operating and capital costs determination processes were described in the "Statewide-standardized average operating and capital cost per day calculation" section.
  - ✓ Effective for dates of admission on or after February 1, 2010, the psychiatric per diem rates for prospective payment system hospitals will be increased by thirteen percent.
  - ✓ Effective for dates of admission on or after July 1, 2013, per diem rates for specialty services will decrease by eleven and fifty one-hundredths (11.50%) from the rates that were established for dates of admission on and after February 1, 2010. This rate adjustment is in accordance with Chapter 74.60 RCW, as amended by the Legislature in 2013. The July 1, 2013, rates will be equal to the July 1, 2009, rates.
  - ✓ Effective for dates of admission on or after July 1, 2014, the statewide-standardized average cost was recalculated using the same methods as described above, based on cost information for hospital fiscal years ending in 2013. The Agency applied a budget adjuster so that aggregate inpatient payments would remain constant after the rebased costs were determined.

**j. New Hospitals Rate Methodology**

New hospitals are those entities that have not provided services prior to August 1, 2007. A change in ownership does not necessarily constitute the creation of a new hospital. For their per diem rate, the statewide average rate is used. For new hospitals that have direct medical education costs and a submitted Medicare cost report with at least twelve months of data, the Agency will identify and include the direct medical education cost to the hospital-specific rate. For a new hospital that has direct medical education cost and Medicare cost report submitted to Medicare with less than twelve months of data, the Agency will not identify and include the direct medical education cost to the hospital-specific rate.

**k. Change in ownership**

When there is a change in ownership and/or the issuance of a new federal identification, the new provider's cost-based rate is the same rate as the prior owner's.

Depreciation and acquisition costs are recaptured as required by Section 1861 (V) (1) (0) of the Social Security Act. Mergers of corporations into one entity with sub-providers receive a blended rate based on the old entities rates. The blended rate is weighted by admission for the new entity.

**2. PER CASE RATE**

The per case rate methodology is effective August 1, 2017, through September 30, 2018, only; effective October 1, 2018, the per case rate methodology is obsolete