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**State/Territory Name: WI**

**State Plan Amendment (SPA) #: 17-0003**

This file contains the following documents in the order listed:

- 1) Technical Correction 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  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601-5519



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September 5, 2018

Heather K. Smith, Medicaid Director  
Division of Medicaid Services  
Wisconsin Department of Health Services  
1 West Wilson Street, Room 350  
Madison, WI 53702

ATTN: Krista Willing, Assistant Administrator

RE: Technical Correction to Wisconsin State Plan Amendment 17-0003

Dear Ms. Smith:

This is a technical correction to Wisconsin State Plan Amendment (SPA) 17-0003 which was approved on July 19, 2018. Effective January 1, 2017, this SPA updates the outpatient hospital rates and methodologies. It was discovered after this SPA was approved that the approved SPA pages were not paginated correctly. As a result, we are issuing this technical correction with the correct SPA pages and an updated CMS-179. The original date of approval will remain as is.

If you have any questions, please have a member of your staff contact Mai Le-Yuen at (312) 353-2853 or by email at [mai.le-yuen@cms.hhs.gov](mailto:mai.le-yuen@cms.hhs.gov).

Sincerely,

/s/

Ruth A. Hughes  
Associate Regional Administrator  
Division of Medicaid and Children's Health Operations

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

1. TRANSMITTAL NUMBER:  
17-0003

2. STATE  
Wisconsin

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  
01/01/2017

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 447 Subpart F, §§447.300, 447.302, 447.304,  
447.321, and 447.325.

7. FEDERAL BUDGET IMPACT:  
a. FFY 2017 ..... \$0K  
b. FFY 2018 ..... \$0K

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
  
Attachment 4.19-B, Pages i and 1 to <sup>15</sup>~~10~~ .....

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

10. SUBJECT OF AMENDMENT:

Outpatient hospital rates and methodologies.

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:

16. RETURN TO:  
Michael G. Heifetz  
State Medicaid Director  
Department of Health Services  
1 W. Wilson St.  
P.O. Box 309  
Madison, WI 53701-0309

13. TYPED NAME:  
Michael G. Heifetz

14. TITLE:  
State Medicaid Director

15. DATE SUBMITTED:  
March 30, 2017

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
March 30, 2017

18. DATE APPROVED:  
July 19, 2018

PLAN APPROVED - ONE COPY ATTACHED

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

20. SIGNATURE OF REGIONAL OFFICIAL:  
/s/

21. TYPED NAME:  
Ruth A. Hughes

22. TITLE:  
Associate Regional Administrator

23. REMARKS:

# **Wisconsin Medicaid Program**

## *Outpatient Hospital State Plan, Attachment 4.19-B Methods and Standards for Determining Payment Rates*

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## SECTION 1000 OVERVIEW

This section is an overview of how the Wisconsin Medicaid Program (WMP) establishes payment rates for hospital outpatient care provided to persons eligible for fee-for-service (FFS) coverage under the WMP. The payment is for outpatient medical services provided by a hospital in its inpatient hospital licensed facility, for which the patient does not need to be admitted for an overnight stay, and for which the WMP does not pay another certified WMP provider.

Effective April 1, 2013, all hospitals that qualify for payment under the WMP are reimbursed for outpatient services under the Enhanced Ambulatory Patient Grouping (EAPG) system. No final cost settlement is done for these hospitals, as EAPG payments are considered final and are not subject to cost settlement.

For additional information, contact:

Bureau of Fiscal Management  
Department of Health Services  
1 W. Wilson Street, Room 318  
P.O. Box 309  
Madison, Wisconsin 53701-0309

Telephone (608) 266-8922  
FAX (608) 264-9847  
E-mail [DHSDMSBFM@dhs.wisconsin.gov](mailto:DHSDMSBFM@dhs.wisconsin.gov)

## SECTION 2000 STATUTORY BASIS

The Wisconsin outpatient hospital payment system is designed to promote the objectives of the Wisconsin state statutes regarding payment for hospital services (Chapter 49, Wis. Stats.) and to meet the criteria for Title XIX hospital payment systems contained in the federal Social Security Act and federal regulations (Title 42 CFR, Subpart C). The outpatient payment system shall comply with all current and future applicable federal and state laws and regulations and reflect all adjustments required under said laws and regulations. Federal regulations (42 CFR §447.321) require that the payment system not pay more for outpatient hospital services than hospital providers would receive for comparable services under comparable circumstances under Medicare.

## SECTION 3000 DEFINITIONS

**Access Payment.** To promote WMP member access to acute care, children's, rehabilitation, and critical access hospitals throughout Wisconsin, the WMP provides a hospital access payment amount per eligible outpatient claim. See §4250 for further details.

**Acute Care Hospital.** A hospital that provides inpatient medical care and other related services for surgery, acute medical conditions, or injuries (usually for a short-term illness or condition).

**Annual Rate Update.** The process of annually adjusting hospital payment rates to be effective January 1 of each year based on more current Medicare cost reports.

**Border Status Hospital.** A hospital not located in Wisconsin, which has been certified by the WMP as a border status hospital to provide hospital services to WMP recipients. Exact criteria for eligibility for border status are provided in §4240 of the Inpatient Hospital State Plan.

**Centers for Medicare and Medicaid Services (CMS).** The federal agency which regulates the WMP.

**CMS Market Basket.** The inflation index published by CMS used to estimate hospital inflation during the rate setting process.

**Children's Hospital.** Acute care hospital that meets the federal definition of a children's hospital (42 CFR 412.23(d)) and whose primary activity is to serve children.

**Clinical Diagnostic Laboratory Reimbursement.** The lower of the laboratory fee schedule amounts of the WMP and the hospital's laboratory charges for services provided. This payment shall not exceed the Medicare rate on a per-test basis.

**Critical Access Hospital (CAH).** A hospital that meets both the requirements under 42 CFR Part 485, Subpart F and the following requirements: no more than 25 beds for inpatient acute care and/or swing-bed services; no more than 4 beds for observation services; an annual average inpatient stay of no more than 96 hours; provision of emergency services and availability of registered nurses on a 24-hour-per-day basis; and establishment of a written referral agreement with one or more network hospitals.

**Department.** The Wisconsin Department of Health Services (or its agent); the state agency responsible for the administration of the WMP.

**EAPG Base Rate.** The dollar value that is multiplied by the final EAPG weight for each EAPG on a claim to determine the total allowable WMP operating payment for a visit.

**Enhanced Ambulatory Patient Grouping (EAPG).** A group of outpatient procedures, encounters, or ancillary services, which reflect similar patient characteristics and resource utilization, and which incorporate the use of ICD-9-CM (before October 1, 2015) and ICD-10-CM (after October 1, 2015) diagnosis and Healthcare Common Procedure Coding System (HCPCS) procedure codes.

**Fee-for-Service (FFS).** A WMP payment methodology in which providers are reimbursed service-by-service for serving WMP members. Most WMP members are either enrolled with Health Maintenance Organizations (HMOs) or have their services reimbursed on a FFS basis.

**Final EAPG Weight.** The allowed EAPG weight for a given visit as calculated by the EAPG software using the logic in the EAPG definitions manual, including all adjustments applicable to bundling, packaging, and discounting.

**Graduate Medical Education (GME).** The phase of training that occurs after the completion of medical school in which physicians serve as residents, typically at a teaching hospital, and receive several years of supervised, hands-on training in a particular area of expertise. Hospitals that train residents incur real and significant costs beyond those customarily associated with providing patient care; in recognition of this, the WMP provides various payment adjustments to help defray the direct costs of GME programs.

**Healthcare Cost Report Information System (HCRIS).** The centralized electronic clearinghouse for Medicare cost reports maintained by CMS.

**Hospital P4P Guide.** The annual publication, available on the Wisconsin ForwardHealth Portal, that supplements this State Plan with additional details about, among other things, the HWP4P program.

**Hospital Withhold Pay-for-Performance (HWP4P) Program.** A performance-based reimbursement system in which the WMP withholds 1.5% of payment for outpatient hospital services and allows hospitals to earn back those dollars by meeting various quality benchmarks. See §4300 for further details.

**HWP4P Pool Amount.** The amount of money withheld from outpatient hospital reimbursement for use in the HWP4P program.

**Inpatient Hospital Licensed Facility.** For hospitals located in Wisconsin, that part of the physical entity, as surveyed and licensed by the Department, in which inpatient care is provided. Any emergency department, clinic, or other part of the licensed hospital that is not located on the same premises as the inpatient hospital licensed facility is not part of the inpatient hospital licensed facility, irrespective of whether that off-premises emergency department, clinic, or other part is considered to be part of the hospital under the hospital license or for purposes of Medicare reimbursement. For hospitals not located in Wisconsin, the physical entity that is covered by surveying, licensure, certification, accreditation, or such comparable regulatory activities of the state in which the hospital is located.

**Long-Term Care Hospital.** A separately licensed hospital that meets the requirements of 42 CFR 412.23(e) and is reimbursed by Medicare under the Medicare prospective payment system for long-term care hospitals.

**Measurement Year (MY).** The time period from April 1 through March 31 during which an iteration the HWP4P program is administered. The named year of the MY is the calendar year in which the MY ends; for example, MY 2014 runs from April 1, 2013 to March 31, 2014.

**Medicaid Deficit.** The amount by which the cost of providing outpatient services to WMP recipients exceeds the WMP payment for those services. See §7000 for further details.

**Medicaid Management Information System (MMIS).** The system used by the WMP to process and document provider claims for payment.

**Medicare Cost Report.** The CMS 2552 form.

**Outpatient Visit.** The provision of services by an outpatient department located within an inpatient hospital licensed facility on a given calendar day, regardless of the number of procedures or examinations performed or departments visited, which does not include or lead to an inpatient admission to the facility. Services provided at a facility operated by the University of Wisconsin Hospitals and Clinics Authority need not occur within an inpatient hospital licensed facility to qualify for outpatient status under this definition. Services provided at a facility operated by a free-standing pediatric teaching hospital need not occur within an inpatient hospital licensed facility to qualify for outpatient status under this definition if the facility was added to the hospital's certificate of approval on or after July 1, 2009.

**Psychiatric Hospital.** A general psychiatric hospital which is not a satellite of an acute care hospital and for which the department has issued a certificate of approval that applies only to the psychiatric hospital. A subcategory of psychiatric hospital is Institution for Mental Disease (IMD), which is defined in 42 CFR 435.1009, though IMDs are only eligible for Medicaid reimbursement under specific circumstances.

**Rate Notification Letter.** The notification provided to hospitals at the conclusion of the annual rate update informing each hospital of its updated reimbursement rates and how to appeal them if necessary.

**Rate Year (RY).** The time period from January 1 through December 31 for which prospective outpatient rates are calculated under §4200.

**Rehabilitation Hospital.** A separately licensed hospital that meets the requirements of 42 CFR 412.23(b) and is reimbursed by Medicare under the Medicare prospective payment system for rehabilitation hospitals. The hospital provides intensive rehabilitative services for conditions such as stroke, brain injury, spinal cord injury, amputation, hip fractures, and multiple traumas to at least 75% of its patient population. IMD hospitals cannot be considered rehabilitation hospitals under the provisions of this plan.

**State Fiscal Year (SFY).** July 1 – June 30. For example, SFY 2014 is defined as July 1, 2013 – June 30, 2014.

**Upper Payment Limit (UPL).** The maximum amount the WMP may reimburse a hospital for services provided to WMP members. This is formally specified in 42 CFR 447.321.

**Wisconsin CheckPoint.** A centralized electronic clearinghouse for quality data for Wisconsin hospitals, maintained by the Wisconsin Hospital Association, available at [www.wicheckpoint.org](http://www.wicheckpoint.org).

**Wisconsin ForwardHealth Portal.** A website administered by the WMP listed at [www.forwardhealth.wi.gov](http://www.forwardhealth.wi.gov).

**Wisconsin Medicaid Program (WMP).** The State of Wisconsin's implementation of Medical Assistance as per Title XIX of the federal Social Security Act.



## **SECTION 4000 REIMBURSEMENT OF OUTPATIENT SERVICES OF IN-STATE HOSPITAL PROVIDERS**

### ***4100 Introduction***

This section describes the methodology for reimbursing all acute care, psychiatric, rehabilitation, and critical access hospitals located in the State of Wisconsin for outpatient hospital services provided in outpatient departments of inpatient hospital licensed facilities to persons eligible for FFS medical coverage by the WMP. The EAPG system, described in §4200 through §4240, is used to classify and calculate reimbursement for outpatient visits. EAPGs categorize the amount and type of resources used in various outpatient visits. The WMP base rates and EAPG weights have been updated as of January 1, 2017, effective for services provided on or after that date.

### ***4200 EAPG Reimbursement Methodology***

*4210 EAPG Weights.* EAPG relative weights effective January 1, 2017 are based on 3M's EAPG national weights, scaled to result in the same modeled aggregate case mix as the EAPG weights in the prior rate year. EAPG national weights are published by 3M for each EAPG grouper version, and are calculated based on the average cost per visit using national Medicare Provider and Analysis Review (MEDPAR) data. DHS adjusts the national weight for each EAPG by a single statewide factor such that the aggregate modeled EAPG case mix for the rate year is equal to the aggregate modeled case mix under the EAPG weights used in the prior rate year. The EAPG grouper version and associated weights are updated annually, and are effective January 1 of the current rate year. EAPG relative weights can be found on the Wisconsin ForwardHealth Portal here: <https://www.forwardhealth.wi.gov/WIPortal/Subsystem/SW/StaticContent/Provider/medicaid/hospital/drg/drg.htm.spage#..>

*4211 Calculating EAPG Base Rates for Critical Access Hospitals (CAHs).* CAHs each have a provider-specific EAPG base rate calculated by taking the outpatient WMP costs using the most recently submitted 12-month Medicare cost report and dividing by the total hospital final EAPG weights. The CAH EAPG base rates are effective January 1 of the current rate year and can be found on the Wisconsin ForwardHealth Portal here: <https://www.forwardhealth.wi.gov/WIPortal/Subsystem/SW/StaticContent/Provider/medicaid/hospital/drg/drg.htm.spage#>.

*4212 Calculating EAPG Base Rates for non-CAHs.* Hospitals that do not qualify as Critical Access Hospitals use a statewide EAPG base rate that is calculated by taking the Department's outpatient budget, less projected CAH payments, and dividing this amount by the total final EAPG weights for all other hospitals. The EAPG base rates are effective January 1 of the current rate year and can be found on the Wisconsin ForwardHealth Portal here: <https://www.forwardhealth.wi.gov/WIPortal/Subsystem/SW/StaticContent/Provider/medicaid/hospital/drg/drg.htm.spage#>.

*4213 Cost Reports for Recent Hospital Combinings.* A "hospital combining" is the result of two or more hospitals combining into one operation, under one WMP provider certification, either through merger or consolidation, or a hospital absorbing a major portion of the operation of another hospital through purchase, lease, or donation of a substantial portion of another hospital's operation or a substantial amount of another hospital's physical plant. For combining hospitals, the Department will perform calculations based upon the most recently submitted 12-month Medicare cost reports of the combining hospitals prior to the combining.

*4214 Changes of Ownership.* Payment rates will not change solely as a result of a change of ownership. At the time of ownership change, the new owner will be assigned the hospital-specific EAPG base rate of the prior owner. Subsequent changes to the hospital-specific EAPG base rate for the new owner will be determined as if no change in ownership had occurred; that is, the prior owner's Medicare cost reports will be used until the new owner's Medicare cost reports come due for use in the annual rate update.

**4221 Direct Graduate Medical Education Add-On.** For in-state, non-CAH providers that have a GME program, the Department adds an amount to a hospital's specific EAPG base rate for costs directly associated to the program. The Department determines the direct GME add-on to the EAPG base rate from a hospital's Medicare cost report. The Department performs the calculation as follows:

1. The Department determines the direct GME costs attributable to WMP outpatient services by multiplying the projected outpatient costs attributable to WMP recipients by the ratio of total allowed direct GME costs to total allowed hospital costs. The total allowed direct GME costs are taken from Worksheet B Part I, Columns 21 and 22 for the CMS 2552-10 (Worksheet B Part I, Columns 22 and 23 for the CMS 2552-96). The total allowed hospital costs are taken from Worksheet B Part I, Column 26 for the CMS 2552-10 (Worksheet B Part I, Column 27 from the CMS 2552-96).
2. The Department divides the resulting amount by the total hospital-specific final EAPG weights for the current RY to form the direct GME add-on for that hospital.

**4222 Approved Nursing and Allied Health Activities Add-On.** For non-CAH providers that engage in approved nursing and allied health (ANAH) activities, the Department adds an amount to a hospital's specific EAPG base rate for costs directly associated to the activities. The Department determines the ANAH add-on to the EAPG base rate from a hospital's Medicare cost report. The Department performs the calculation as follows:

1. The Department determines the ANAH activities costs attributable to WMP outpatient services by multiplying the projected outpatient costs attributable to WMP recipients by the ratio of total allowed ANAH activities costs to total allowed hospital costs. The total allowed ANAH activities costs are taken from Worksheet B Part I, Columns 20 and 23 for the CMS 2552-10 (Worksheet B Part I, Columns 21 and 24 for the CMS 2552-96). The total allowed hospital costs are taken from Worksheet B Part I, Column 26 from the CMS 2552-10 (Worksheet B Part I, Column 27 for the CMS 2552-96).
2. The Department divides the resulting amount by the total hospital-specific final EAPG weights for the current RY to form the ANAH activities add-on for that hospital.

There are non-reimbursable cost centers which are excluded from the total allowed direct GME costs, total allowed ANAH activities costs, and total allowed hospital costs. These exclusions are provided below.

**Cost Center and HCRIS Line Number Exclusions:**

CMS 2552-10

Line Numbers	Cost Center
04400	44
04500	45
04600	46
08800-08900	88-89
09400-09700	94-97
09900-10100	99-101
11600	116
19000-19400	190-194

CMS 2552-96

HCRIS Codes	Cost Center
03400	34
03500	35
03600	36
06310-06319	63.5-63.59
06400	64
06500	65
07950-07999	100
09300-09304	93
09600-09619	96
09700-09719	97
09800-09819	98
09900-09919	99

*4230 Calculating Final EAPG Payment.* Each line of an outpatient hospital claim is assigned to an EAPG and therefore has a distinct weight. These weights are multiplied by the hospital's specific EAPG base rate. The total reimbursement for an outpatient hospital claim is the sum of these multiplications, with the following exceptions:

- Clinical Diagnostic Laboratory Services are paid on a fee schedule basis.

*4240 Exclusions from the EAPG Reimbursement System.* The following services are not included within the EAPG reimbursement system:

- Therapy Services
- Clinical Diagnostic Laboratory Services
- Durable Medical Equipment (DME)
- Provider-Based End Stage Renal Disease (ESRD) Services

*4250 Outpatient Access Payment.* To promote WMP member access to acute care, children's, rehabilitation, and critical access hospitals throughout Wisconsin, the WMP provides a hospital access payment amount per eligible outpatient FFS claim. Access payments are intended to reimburse hospital providers based on WMP volume. Therefore, the payment amounts per claim are not differentiated by hospital based on acuity or individual hospital cost. However, critical access hospitals receive a different access payment per claim than do acute care, children's, and rehabilitation hospitals.

The amount of the hospital access payment per claim is based on an available funding pool appropriated in the state budget and aggregate hospital UPLs. This amount of funding is divided by the estimated number of paid outpatient FFS claims for the SFY to develop the per claim access payment rate.

The access payment per claim amounts are effective for dates of service on or after July 1, 2017 and are identified on the hospital reimbursement rate web page of the Wisconsin ForwardHealth Portal here: [https://www.forwardhealth.wi.gov/wiportal/content/provider/medicaid/hospital/resources\\_01.htm.spage](https://www.forwardhealth.wi.gov/wiportal/content/provider/medicaid/hospital/resources_01.htm.spage). This payment per claim is in addition to the EAPG base payment described in §4230. Access payments per claim are only provided until the FFS access payment funding pool amount has been expended for the SFY.

Access payments are subject to the same federal UPL standards as base rate payments, described in 42 CFR §447.321. Access payment amounts are not interim payments and are not subject to settlement. Psychiatric hospitals are not eligible for access payments because of the unique rate setting methods used to establish rates for those hospitals.

### 4300 Performance-Based Payments

The Department has a Hospital Withhold Pay-for-Performance (HWP4P) program that provides for payments for acute care, children's, critical access, and psychiatric hospital services. Long-term care, rehabilitation, and out-of-state hospitals are exempt from the HWP4P program.

The Department administers the HWP4P program on a measurement year (MY) basis. The chart below shows the start and end dates for the first two MYs of the HWP4P program, which did not occupy a full 12 months.

<b>MY 2013</b>	<b>Start:</b> July 1, 2012	<b>End:</b> March 31, 2013
<b>MY 2014</b>	<b>Start:</b> May 15, 2013	<b>End:</b> March 31, 2014

Subsequent MYs are on a 12-month cycle, from April 1 through March 31 of the next calendar year.

For each MY, the Department pays FFS claims for services at the rate of 98.5% of the reimbursement in effect during the MY. The HWP4P pool amount is the remaining 1.5% of the reimbursement in effect during the MY for those same FFS claims.

Hospital supplemental payments made to eligible providers, including access payments, are excluded from the HWP4P pool amount.

The Department makes HWP4P payments for each MY annually by the December 31 following the conclusion of the MY.

The remainder of this section describes the program's design and requirements for MY 2017. In order to be eligible for HWP4P program payments, hospitals are required to report performance measure data and meet performance-based targets as specified in the Hospital Pay-for-Performance (P4P) Guide (effective April 1 2016 for MY 2017) published on the Wisconsin ForwardHealth Portal at [https://www.forwardhealth.wi.gov/WIPortal/content/provider/medicaid/hospital/P4P\\_MY2017\\_040116.pdf.spage](https://www.forwardhealth.wi.gov/WIPortal/content/provider/medicaid/hospital/P4P_MY2017_040116.pdf.spage).

Hospitals that meet both reporting requirements and performance-based targets, for the measures described later in this section, are eligible to receive payments from the HWP4P pool as follows:

- a. The Department calculates individual HWP4P pool amounts for each eligible hospital. At the end of the MY, the Department divides each individual HWP4P pool amount by the number of measures applicable to the respective hospital to determine the value of each measure. (E.g., if a hospital's individual pool equals \$100,000 and it qualifies to participate in four measures, then each measure is worth \$25,000.) As a result, the value of a given measure will vary from hospital to hospital, impacted by both the size of the individual hospital's HWP4P pool amount and the number of measures for which the hospital qualified.
- b. If a hospital meets all of its performance targets for all applicable measures, it receives a payment equal to its individual HWP4P pool amount.
- c. If a hospital does not meet all of its performance targets, it earns dollars for those measures where the targets were met, in a graduated manner as specified in the Hospital P4P Guide.
- d. If all participating hospitals meet all of their individually applicable targets, no additional HWP4P pool funds are available and thus no bonus payments beyond those described above can be made to any hospital.
- e. If at least one participating hospital does not receive its full HWP4P pool amount, the Department aggregates all remaining HWP4P pool funds and distributes them as additional bonus payments to hospitals that met their performance targets.

The Department ensures that all HWP4P pool dollars are paid back to hospitals by providing bonus payments. If a hospital meets all reporting requirements and performs in the highest tier on at least one applicable pay-for-performance (as opposed to pay-for-reporting) measure, it qualifies to receive a bonus payment. Bonus dollars are shared proportionally among hospitals weighted by two factors: the relative magnitudes of the individual HWP4P pool amounts for all hospitals that qualified for the additional bonus and the percentage of applicable measures for which the hospitals performed in the highest performance tier. Therefore, hospitals with a larger HWP4P pool amount receive a larger portion of the additional bonus dollars available, while high-performing hospitals are also rewarded. The University of Wisconsin Medical Center and CAHs are only eligible for WMP payment, including the HWP4P payments, up to cost.

The Department notifies each eligible hospital, prior to the MY, of the minimum performance requirements to receive the HWP4P pool payment. Complete details, including technical information regarding specific quality and reporting metrics, performance requirements, and HWP4P adjustments, are available in the Hospital P4P Guide. The performance measures that are in effect in this State Plan on the first day of each MY are the measures that are used for that MY. Except in cases of emergency rule, providers are given at least 30 days' written notice of any and all changes to the Hospital P4P Guide.

The measures for MY 2017 are:

- 1) Thirty-day hospital readmission – Hospitals are scored on the percentage of patients that had a qualifying readmission within 30 days of a qualifying discharge. This measure is applicable to a hospital that has at least 30 observations during the MY. To qualify for its earn-back on this measure, a hospital must exceed either the state average or its past performance (MY 2015).
- 2) Mental health follow-up visit within 30 days of discharge for mental health inpatient care – Hospitals are scored on the percentage of patients that had a mental health follow-up appointment within 30 days of a qualifying mental health discharge. This measure is applicable to a hospital that has at least 30 observations during the MY. To qualify for its earn-back on this measure, a hospital must exceed either the state average or its past performance (MY 2015)..
- 3) Asthma care for children – Hospitals are scored on the percentage of children admitted to a hospital with a qualifying asthma diagnosis that were discharged with a Home Management Plan of Care (HMPC). This measure is applicable to children’s hospitals that have at least 30 observations during the MY. To qualify for its earn-back on this measure, a hospital must submit its data to the Joint Commission by the September 30 following the MY and must exceed either the national average or its past performance (MY 2015) on this measure.
- 4) Healthcare personnel influenza vaccination – Hospitals are evaluated on their performance on the Health Care Personnel Influenza Vaccination measure submitted via the Centers for Disease Control and Prevention’s (CDC’s) National Healthcare Safety Network (NHSN) module. To qualify for its earn-back on this measure, a hospital must exceed either the national average (as published by NHSN) for the previous flu season or its past performance (MY 2015). Hospitals must report their healthcare personnel influenza vaccination results to the NHSN module prior to the deadline set by NHSN.
- 5) Early elective induced deliveries - PC-01– Hospitals are evaluated on their percentage of patients with elective deliveries at greater than 37 and less than 39 weeks of gestation. This measure is applicable to a hospital that has at least 25 observations during the MY. To qualify for its earn-back on this measure, a hospital must submit its data to CheckPoint prior to the September 30 following the MY and must outperform either the statewide average or its past performance (MY2015).
- 6) Catheter Associated Urinary Tract Infections (CAUTI) – Hospitals are evaluated on a standardized infection ratio.. This measure is applicable to a hospital that has at least 25 observations during the MY. To qualify for its earn-back on this measure, a hospital must submit its data to CheckPoint prior to the September 30 following the MY and must outperform either the statewide average or its past performance (MY2015).
- 7) Clostridium Difficile Infection (CDI) (Pay-for-Reporting) - Hospitals are evaluated on their submission of CDI data to Wisconsin CheckPoint. To qualify for its earn-back on this measure, a hospital must submit its data to CheckPoint prior to the September 30 following the MY.
- 8) Methicillin-resistant Staphylococcus aureus Infection (MRSA) (Pay-for-Reporting) – Hospitals are evaluated on their submission of MRSA data to Wisconsin CheckPoint. To qualify for its earn-back on this measure, a hospital must submit its data to CheckPoint prior to the September 30 following the MY.
- 9) Surgical Site Infection (SSI) Colon Surgery – Hospitals are evaluated on a standard infection ratio. This measure is applicable to a hospital with at least 25 observations during the MY. To qualify for its earn-back on this measure a hospital must submit its data to Wisconsin CheckPoint prior to the September 30 following the MY and must outperform either the statewide average or its past performance (4/1/2015 – 3/31/2016).
- 10) Surgical Site Infection (SSI) Abdominal Hysterectomy - Hospitals are evaluated on a standard infection ratio. This measure is applicable to a hospital with at least 25 observations during the MY. To qualify for its earn-back on this measure, a hospital must submit its data to Wisconsin CheckPoint prior to the September 30 following the MY and must outperform either the statewide average or its past performance (4/1/2015 -3/31/2016).

HWP4P payments, including the additional bonus payments, are limited by the federal UPL regulations at 42 CFR §447.321. All HWP4P payments, including the additional bonus payments, are included in the UPL calculation for the MY regardless of when payments are actually made.

## **SECTION 5000 REIMBURSEMENT FOR OUTPATIENT SERVICES PROVIDED OUT-OF-STATE**

Outpatient hospital services provided at all out-of-state hospitals, including border status hospitals, are paid using EAPGs. The EAPG weights applied to out-of-state outpatient hospital claims are the same weights used for in-state hospitals. The EAPG base rate for out-of-state hospitals is the statewide EAPG base rate for non-CAH hospitals, as outlined in §4200. Payment for outpatient services provided by out-of-state hospitals without border status is limited to emergency services and services prior authorized by the WMP.

## **SECTION 5700 HOSPITAL OUTPATIENT EXTENDED NURSING SERVICES**

Effective for dates of service July 1, 2009 through December 27, 2017, hospital outpatient extended nursing services (HOENSs) are nursing services and respiratory care provided by nurses, for part of a day, in a group setting, on the site of an acute care hospital approved under Wis. Admin. Code Ch. HS 124 or in a building physically connected to an acute care hospital approved under Wis. Adm. Code Ch. HS 124. The nursing services must be administered by or under the direct on-site supervision of a registered nurse. All medical care services must be prescribed by a physician.

*Prior Authorization.* HOENSs must be prior authorized by the WMP and, if not prior authorized, will not be reimbursed. Only persons who require eight or more hours per day of nursing services as determined by the WMP may qualify for HOENSs. The WMP uses its criteria for private duty nursing services to determine a person's need for nursing services. The request for prior authorization must describe the expected means by which the participant will regularly be transported between the participant's residence and the hospital.

*Reimbursement.* Reimbursement for HOENSs covers all nursing services and recognizes the additional costs associated with individuals who must remain for observation for extended periods of time. The WMP reimburses the services at an hourly rate. The hourly HOENSs rate may be billed only for the time during which a HOENSs patient is physically present at the hospital and attended by a nurse or a hospital staff person under the direct supervision of a nurse. Any portion of a quarter of an hour of presence at the hospital for HOENSs can be charged as a full quarter of an hour.

The payment rate is the lesser of the provider's usual and customary charge per hour and the maximum hourly fee established by the WMP for private duty nursing services provided by a registered nurse (RN) certified for respiratory care. The methods and standards for establishing the maximum fee are described in Item F, Methods and Standards for Establishing Payment Rates for Non-Institutional Care, of Attachment 4.19B of this State Plan.

*No Final Settlement.* The reimbursement for HOENSs is not included in any outpatient final settlement.

*Cost Reporting.* In its cost report, a hospital must separately identify and report those direct and indirect costs attributable to HOENSs in order to qualify for this reimbursement.

## **SECTION 6000 ADMINISTRATIVE ADJUSTMENT ACTIONS FOR IN-STATE HOSPITALS**

### ***6100 Introduction***

The Department provides an administrative adjustment procedure through which an in-state hospital may receive prompt administrative review of its outpatient reimbursement. Department staff will review a request for an adjustment and determine if it should be denied or approved; if a request is approved, Department staff will determine the amount of adjustment.

An in-state hospital may appeal its outpatient reimbursement for one of the reasons listed in §6200 within 60 days of the date of its rate notification. If the appeal results in a new rate determination, the rate will apply to all claims with dates of service in the RY.

If, at any time during the RY, the Department identifies a rate calculation error (that is, qualifications (a) through (c) below), it may, at its own discretion, recalculate a hospital rate and apply the new rate to all claims with dates of service in the RY.

### ***6200 Criteria for Administrative Adjustment***

Allowable reasons for an outpatient payment rate appeal include:

- (a) the application of the rate setting methodology or standards to incomplete or incorrect data contained in the hospital's Medicare cost report or to other incomplete or incorrect data used to determine the hospital's outpatient payment rate; or
- (b) a clerical error in calculating the hospital's outpatient payment rate; or
- (c) incorrect or incomplete application by the Department of provisions of the reimbursement methodology or standards in determining one or more components of the hospital's outpatient payment rate or in determining any administrative adjustment of a hospital's outpatient payment rate.

## **SECTION 7000 FUNDING OF OUTPATIENT MEDICAID DEFICIT**

### ***7100 General Introduction***

A hospital in Wisconsin can receive additional reimbursement from the WMP for costs it incurred for providing outpatient hospital services to WMP recipients if provisions of this section are met. This is referred to as Medicaid deficit reduction funding and is an adjustment to prior year costs as defined in 45 CFR §95.4. The reimbursement as described below is available beginning September 1, 2013 and is determined based on a hospital's Medicare cost report for its completed fiscal year.

#### *7110 Qualifying Criteria.*

A hospital can qualify for Medicaid deficit reduction funding if:

- (a) it is an acute care hospital operated by the State or a local government in Wisconsin or is a non-state public psychiatric hospital located in Wisconsin; and
- (b) it incurred a deficit from providing WMP outpatient services (described in §7120 below).

#### *7120 Deficit from Providing WMP Outpatient Services.*

The deficit from providing outpatient services to WMP recipients (that is, the Medicaid deficit) is the amount by which the cost, reduced for excess laboratory cost, of providing the services exceeds the WMP payment for those services. The cost of providing the WMP outpatient services is identified from the hospital's audited Medicare cost report for the hospital's fiscal year under consideration for the Medicaid deficit reduction.

Payment refers to the total of the reimbursement provided for outpatient services under the provisions of §4000 and §8000 of this Attachment 4.19B of the State Plan for the respective hospital fiscal year. Excess laboratory cost is the amount by which the costs of laboratory procedures exceed the clinical diagnostic laboratory reimbursement for those procedures.



*7125 Interim Payment, Interim Reconciliation, and the Final Reconciliation*

The Department identifies the total amount of uncompensated WMP FFS outpatient hospital costs as described in §7120 to determine interim payments under this section until finalized hospital Medicare cost reports are available. For the hospital fiscal year, the Department determines cost-to-charge ratios for routine (hospital-based clinic services) and ancillary cost centers using the hospital's most recently filed Medicare cost report as available on HCRIS. The process for the interim payment calculation is as follows:

Step 1

The Department identifies total hospital costs from Worksheet C, Column 1, Lines 50-76 and Lines 90-92 for the CMS 2552-10 (Worksheet C, Column 1, Lines 37 through 62 for the CMS 2552-96). The Department uses these costs to determine the outpatient cost-to-charge ratios.

Step 2

The Department identifies the hospital's total charges by cost center from Worksheet C Part I, Columns 6 and 7 for both the CMS 2552-10 and CMS 2552-96.

Step 3

For each outpatient routine and ancillary cost center, the Department calculates the cost-to-charge ratio by dividing the total hospital costs identified in Step 1 by the total hospital charges identified in Step 2.

The Department uses the cost-to-charge ratios determined through the above process (steps 1-3) to determine the hospital's outpatient costs for the hospital fiscal year. These costs for WMP FFS are determined as follows:

Step 4

To determine outpatient WMP costs for the hospital fiscal year, the Department aggregates the hospital's WMP FFS outpatient charges by cost center. These charges are obtained from MMIS. To project WMP cost, the Department inflates the WMP charges from MMIS by the CMS Market Basket for hospitals. The Department then multiplies the projected charges by the cost-to-charge ratios from Step 3 for each respective routine and ancillary cost center to determine the WMP FFS outpatient costs for each cost center.

Step 5

The WMP FFS cost eligible to be reimbursed via certified public expenditure (the Medicaid deficit) is the difference between the WMP FFS outpatient payments as recorded in MMIS and the WMP FFS outpatient costs from Step 4.

Final Reconciliation

Once the Medicare cost report for the hospital fiscal year has been finalized and audited, the Department conducts a reconciliation of the finalized amounts. This settlement is completed no more than one year after the Medicare cost report has been audited. The Department uses the same method as described above for the interim reconciliation for the final reconciliation, except that the finalized amounts are substituted as appropriate.

*7130 Limitations on the Amount of Deficit Reduction Funding.*

The combined total of (a) the Medicaid deficit reduction funding and (b) all other payments to the hospital for outpatient WMP services shall not exceed the hospital's total charges for the services for the hospital fiscal year. If necessary, the Medicaid deficit reduction funding shall be adjusted so the combined total payments do not exceed charges.

The aggregate Medicaid deficit reduction funding provided to hospitals under this section shall not exceed the amount for which federal matching dollars are available under federal UPLs at 42 CFR §447.321.

## SECTION 8000 SUPPLEMENTAL FUNDING FOR ADULT LEVEL ONE TRAUMA CENTERS

For services provided on or after July 1, 2012, the WMP provides annual statewide funding of \$4,000,000 per SFY to hospitals with an Adult Level One Trauma Center, as designated by the American College of Surgeons. The WMP makes this payment to hospitals with an Adult Level One Trauma Center to assist with the high costs associated with operating a center with this designation. The WMP distributes the funds proportionately among qualifying hospitals based on the number of eligible hospitals as described below.

The WMP pays the trauma outpatient supplement monthly. A qualifying hospital's outpatient supplement is determined as follows:

$$\text{Hospital's annual trauma supplement} = \frac{\text{Qualifying Trauma Hospital}}{\text{Total Number of Hospitals Qualifying as Trauma Hospital}} \times \$4,000,000 \text{ Statewide Annual Funding}$$

## **SECTION 9000 PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

### Payment Adjustment for Provider Preventable Conditions

The Department meets the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for provider-preventable conditions.

### Health Care-Acquired Conditions

The Department identifies the following Health Care-Acquired Conditions for non-payment under Attachment 4.19-A:

Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or hip replacement surgery in pediatric and obstetric patients.

### Other Provider-Preventable Conditions

The Department identifies the following Other Provider-Preventable Conditions for non-payment under Attachment 4.19-B.

Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

Additional Other Provider-Preventable Conditions identified below.

In compliance with 42 CFR 447.26 (c), the Department provides:

- 1) That no reduction in payment for a provider preventable condition (PPC) will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of the treatment for that patient by that provider.
- 2) That reductions in provider payment may be limited to the extent that the following apply:
  - a. The identified PPC would otherwise result in an increase in payment.
  - b. The Department can reasonably isolate for nonpayment the portion of the payment directly related to treatment for, and related to, the PPC.
- 3) Assurance that non-payment for PPCs does not prevent access to services for WMP beneficiaries.