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State/Territory Name: RI

State Plan Amendment (SPA) #: 21-0017

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601

Financial Management Group

May 23, 2022

Womazetta Jones, Secretary
Executive Office of Health and Human Services
State of Rhode Island
3 West Road, Virks Building
Cranston, RI 02920

RE: TN 21-0017

Dear Ms. Jones,

We have reviewed the proposed Rhode Island State Plan Amendment (SPA) to Attachment 4.19-B, RI-21-0017, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on December 10, 2021 for outpatient hospital annual review and inflationary increases.

Based upon the information provided by the State, we have approved the amendment with an effective date of October 1, 2021. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Lindsay Michael at 410-786-7197 or Lindsay.Michael@cms.hhs.gov.

Sincerely,

Todd McMillion
Director
Division of Reimbursement Review

Enclosures

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

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 21-0017

2. STATE: RI

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

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

4. PROPOSED EFFECTIVE DATE
October 1, 2021

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN XX☐ 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, 447.321

7. FEDERAL BUDGET IMPACT:
a. FFY 2021 $ 0
b. FFY 2022 $ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, page 1
Attachment 4.19-B, page 2
Attachment 4.19-B, page 3
Attachment 4.19-B, page 4

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

Attachment 4.19-B, page 1
Attachment 4.19-B, page 2
Attachment 4.19-B, page 3
NEW

10. SUBJECT OF AMENDMENT:
Outpatient Hospital Annual Review and Inflationary Increases

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
XX ☐ OTHER, AS SPECIFIED:
See Attached Letter

[redacted]

13. TYPED NAME: Womazetta Jones

14. TITLE: Secretary

15. DATE SUBMITTED: December 3, 2021

16. RETURN TO:

EOHHS
3 West Rd, Virks Building
Cranston, RI 02920

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 12/6/2021

18. DATE APPROVED: May 23, 2021

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: 10/1/2021

20. SIGNATURE OF REGIONAL OFFICIAL: [redacted]

21. TYPED NAME: Todd McMillion

22. TITLE: Director, Division of Reimbursement Review

23. REMARKS:

STATE OF RHODE ISLAND

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES– OTHER TYPES OF CARE
PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

1. Fee structures will be established which are designed to enlist participation of a sufficient number of providers of services in the program so that eligible persons can receive the medical care and services included in the plan at least to the extent they are available.

2. Participation in the program will be limited to providers of service who accept, as payment in full, the amounts paid in accordance with the fee structure.

3. Payment for physician, dentist and other individual practitioner services will be equal to the lesser of the billed charge or the State's fee for that service. Fee schedules are posted on the Executive Office of Health and Human Services web site under the Providers and Partners tab: http://www.eohhs.ri.gov/ProvidersPartners/GeneralInformation/ProviderDirectories/Hospitals.aspx. All governmental and private service providers are reimbursed according to the same published fee schedule. The Medical Assistance Program rates were set as of July 1, 2017 and are effective for services on or after that date.

4. The following is a description of the payment structure by items of service.

   a. Inpatient hospital services: as described in attachment 4.19A.

   b. Outpatient hospital services: The Medical Assistance Program will pay for outpatient hospital services using a fee schedule approach based on, but necessarily identical to, the Medicare outpatient prospective payment system. Specific provisions are as follows:

      1. In general, payment will be by fee schedule, with the fee multiplied by the number of allowable units on the claim line. Fees will be derived as follows:

         For visits, surgeries, imaging procedures, drugs, and other services where Medicare pays hospitals using Ambulatory Payment Classification (APC) groups, except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of outpatient hospital services. The agency's fee schedule rate was set as of July 1, 2019 and is effective for services provided on or after that date. All rates are published on the EOHHS website at the address listed above. For the period of July 1, 2019 through June 30, 2020 outpatient rates will be increased by 7.2%. For each state fiscal year thereafter, rates will be increased based on the change in the 'actual regulation market basket" as reflected in the CMS Outpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for the calendar year that contains the start of the current state fiscal year.

         a. For physical, occupational, and speech therapy services, except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of outpatient hospital services. The agency's fee schedule rate was set as of July 1, 2019 and is effective for services provided on or after that date. All rates are published on the EOHHS website at the address listed above. For the period of July 1, 2019 through June 30, 2020 outpatient rates will be increased by 7.2% For each state fiscal year thereafter, rates will be increased based on the change in the 'actual regulation market basket" -as reflected in the CMS Outpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for the calendar year that contains the start of the current state fiscal year.
         b. For laboratory services with dates of service on or after January 1, 2016, payment will be at the non-hospital community laboratory rate. The fees are effective for claims with a date of service on or after January 1, 2016. The fee schedule can be found on the EOHHS website at the address listed above.

c. For observation services, EOHHS will pay an hourly fee from the 8th to the 24th hour of observation. The agency's observation fee was set as of July 1, 2019 and is effective for services provided on or after that date. The observation fee is included in the fee schedule found on the EOHHS website at the address listed above. For the period of July 1, 2019 through June 30, outpatient rates will be increased by 7.2%. For each state fiscal year thereafter, rates will be increased based on the change in the "actual regulation market basket" as reflected in the CMS Outpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for the calendar year that contains the start of the current state fiscal year.

d. For any remaining outpatient hospital services covered by Medical Assistance, fees will be based on fees for similar services as identified elsewhere in the State plan. For unlisted services and other rare situations were no fee can be calculated, payment will be at a percentage of charges.

2. Payment by fee will be modified in the following situations:
   a. For bilateral services as appropriately designated by the modifier 50, payment will be at 150% of the otherwise applicable amount.
   b. For drugs covered under Section 340B of the Public Health Service Act as appropriately designated by the modifier UD, payment will be at 100% of billed charges.

3. Certain types of services are subject to discount payment when a claim contains more than one line showing procedure codes within each type of service. The line with the highest fee will be paid at 100%, the line with the second-highest fee will be paid at 50% of the otherwise-applicable fee, the line with the third highest fee will be paid at 25% of the otherwise-applicable fee, and the fourth and all subsequent lines will be paid zero. Discounting will only apply within each type of service. For example, if a claim contains three lines for an x-ray, a CT scan, and an ultrasound, each line will be paid 100%. The seven types of service are as follows:
   a. Significant procedures subject to discounting as designated by Medicare with APC Status "T." (In general, Medical Assistance will use the same list of procedures as Medicare, but specific exceptions may be made.)
   b. Computed topography scans
   c. Ultrasound
   d. X-rays
   e. Therapeutic radiology
   f. Nuclear medicine scans
   g. Magnetic Resonance Imaging

4. Some claim lines will be packaged, that is, the line will be considered paid but with a payment of zero. Packaging will apply to lines with anesthesia and recovery room codes (regardless of procedure code), lines without procedure codes, and lines with procedure codes designated as packaged under Medicare. (In general, Medical Assistance will use the same list of packaged procedures as Medicare, but specific exceptions may be made.)

5. Out-of-State hospitals will be reimbursed for outpatient surgery services provided to Rhode Island Medical Assistance Recipients at a rate equal to fifty-three (53%) of the out-of-state hospital's customary charge(s) for such services to Title XIX recipients in that state. The outpatient reimbursement for all other services, exclusive of laboratory, imaging, and physicians, will be sixty-four percent (64%) of the outpatient surgery rate.

6. Payment for all outpatient services will be final, with no year-end settlement process. .

7. Hospital outpatient claims and payments are processed through MMIS.

STATE OF RHODE ISLAND

8. Only hospitals and provider based entities, in accordance with 42 CFR 413.65. are reimbursed according to the outpatient hospital reimbursement methodology.

9. Outpatient Supplemental Payment and UPL Calculation

a. For the outpatient services provided for the period after July 1, 2021 each hospital licensed by the RI Department of Health, except those hospitals whose primary services and bed inventory are psychiatric, is paid an amount determined as follows:

1) Determine the sum of gross Medicaid payments (including TPL but excluding the cross-over claims for which Medicare is the primary payer) from Rhode Island MMIS and all other Medicaid FFS outpatient payments to hospitals made for outpatient and emergency department services provided during each hospital's fiscal year, including settlements.

2) The Outpatient UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services for outpatient services ~~cost~~ for non-state owned hospitals. Specifically, a ratio of Medicare outpatient costs to Medicare outpatient charges is applied to Medicaid outpatient and emergency room charges to determine the total Medicaid UPL amount. This is then inflated to adjust from the cost report year to the UPL year. The UPL Inflation factor is a composite factor: the Rhode Island General Assembly's inflationary adjustment enacted for the state demonstration year multiplied by the Rhode Island General Assembly's inflationary adjustment for enacted for the prior state fiscal year. The Medicaid Provider Tax cost is added to the Inflated UPL amount to determine the Adjusted Medicare UPL amount.

Except for Bradley Hospital, Medicare routine and ancillary cost information is from each provider's as-filed Medicare cost report (CMS 2552), Worksheet D, Part V, Column 5, Line 202. Part 2, Line 49 (PPS services and sub-providers)

Medicare routine and ancillary charge information is from each provider's as-filed Medicare cost report (CMS 2552), Worksheet D, Part V, Column 2, Line 202. 30-40 (PPS services and subproviders)

For Bradley Hospital, Medicare routine and ancillary charge information is from the provider's as filed Medicare cost report (2552-10), Worksheet G-2, Part I, Column II, Line 28. To determine Bradley Hospital's outpatient cost information:

A. Identify total inpatient charges (As filed Medicare cost report 2552-10, Worksheet G-2, Part I, Column I, Line 28)
B. Identify total outpatient charges (detailed above)
C. Calculate total inpatient and outpatient charges (A + B)
D. Calculate the percentage of outpatient charges to total charges (B / C)
E. Identify total inpatient and outpatient costs from as filed Medicare Cost report 2552-20, Worksheet G-2, Part II, Column 2, Line 43.
F. Calculate total amount of outpatient costs (D * E)

The State shall use a Medicare cost report for the hospital's fiscal year beginning in the federal fiscal year two years prior to the state demonstration year. For example, a SFY 22 demonstration submitted in June 2022 (end of SFY 22, within FFY 22) would use a Medicare cost report for the hospital fiscal year beginning in FFY 20 (10/1/2019 and 1/1/2020 report start dates, both in FY 20)

3) Total Medicaid outpatient and emergency room payments Inflated to Demonstration Year are then subtracted from the Adjusted Medicare UPL amount to determine the UPL gap, which is the basis for the size of the outpatient supplemental payment. The UPL gap is calculated using an aggregate of the individual hospital gaps non-state owned hospitals.

Because RI's UPL calculations rely on Medicare and Medicaid data from prior periods, RI trends the base data to the current demonstration rate year using the inflationary adjustments stipulated in Rhode Island General Law for the periods between the base data and the rate demonstration year. The amounts of each statutorily required inflationary adjustment occurring between the base data and UPL rate demonstration year are multiplied together to determine the total inflationary adjustment to use in RI's UPL demonstration.

4) The aggregate UPL gap is distributed quarterly (by the 20th of July, October, January, and April) among all eligible hospitals based on the percentage relationship of each hospital's Medicaid payments to total Medicaid payments for all non-state-owned hospitals. Eligible hospitals are actual facilities and buildings in existence in Rhode Island, that provide short-term acute outpatient care to persons who require definitive diagnosis and treatment for injury, illness, disabilities, or pregnancy.

c. Payment will be made for rural health clinic services at the reasonable cost rate per visit established by the Medicare carrier. Payment for each ambulatory service, other than rural health clinic services, will be made in accordance with the rates or charges established for those services when provided in other settings.