

Table of Contents

State/Territory Name: RI

State Plan Amendment (SPA) #: 22-0009

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
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

December 6, 2022

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

RE: Rhode Island 22-0009

Dear Acting Secretary Novais:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 22-0009. Effective July 1, 2022 this amendment proposes a five percent (5%) rate increase for inpatient hospital services.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1923 and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C.

This is to inform you that Medicaid State plan amendment TN 21-0009 is approved effective July 1, 2022. The CMS-179 and the amended plan page(s) are attached.

As described in the state's letter to CMS dated April 29, 2022 regarding its Hospital Licensing Fee (HLF) and in CMS's response letter dated May 19, 2022, please note that CMS's approval of this State Plan Amendment (SPA) whose non-federal share source may include the HLF relates only to the requested change in payment methodology, not the source of non-federal share. Approval of this SPA does not relieve the state of its responsibility to comply with federal laws and regulations, and to ensure that claims for federal financial participation are consistent with all applicable requirements.

If you have any additional questions or need further assistance, please contact Novena James-Hailey at (617) 565-1291 or Novena.JamesHailey@cms.hhs.gov.

Sincerely,



Rory Howe
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

| | |
|---|-----------------------|
| 1. TRANSMITTAL NUMBER <u>2 2 — 0 0 0 9</u> | 2. STATE <u>RI</u> |
| 3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI | |

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
7/1/2022

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR 447.271

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2022 \$ 46,000
b. FFY 2023 \$ 1,380,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Supplement 3 to Attachment 4.19-A, Page 1
Supplement 3 to Attachment 4.19-A, Page 1a
Attachment 4.19-A, Page 1
Attachment 4.19-A, Page 2

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Supplement 3 to Attachment 4.19-A, Page 1
Supplement 3 to Attachment 4.19-A, Page 1a
Attachment 4.19-A, Page 1
Attachment 4.19-A, Page 2

9. SUBJECT OF AMENDMENT

Inpatient UPL Update

10. 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:

11. SIGNATURE OF STATE AGENCY OFFICIAL
[Redacted]

12. TYPED NAME
Ana Novais

13. TITLE
Acting Secretary

14. DATE SUBMITTED
September 8, 2022

15. RETURN TO
EOHHS
3 West Rd. Virks Building
Cranston, RI 02920

FOR CMS USE ONLY

16. DATE RECEIVED
September 8, 2022

17. DATE APPROVED
December 6, 2022

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
Effective July 1, 2022

19. SIGNATURE OF APPROVING OFFICIAL
[Redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, Financial Management Group

22. REMARKS
Pen and ink changes in blocks #7 and #8 per state's request

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: Rhode Island

Payment for inpatient hospital care provided by Rhode Island and out-of-state hospitals under fee-for-service arrangements is as follows:

DRG Base Payment. In general, payment will be by diagnosis related group, using the All Patient Refined Diagnosis Related Group (APR-DRG) algorithm. The DRG Base Payment will equal the DRG Relative Weight specific to APR-DRG times the DRG Base Price times an age adjustor (if applicable as defined in section c below). For inpatient admissions on and after December 1, 2015, the DRG base rate paid to each hospital for inpatient services, as calculated pursuant to this payment methodology, will be reduced by 2.5%.

Effective July 1, 2016 the DRG base price will be increased by 3%, resulting in a base price of \$11,093.

Effective July 1, 2017, and for each state fiscal year thereafter, the DRG base price will be increased by the CMS Hospital Prospective Reimbursement Market Basket for the applicable period, as reported in the quarterly Healthcare Cost Review published by the IHS Markit.

For the period of July 1, 2019 through June 30, 2020 the DRG base rate will be increased by 7.2%. Effective July 1, 2020 the DRG base rate will be increased by the CMS national Prospective Payment System (IPPS) Hospital Input Price Index. Effective July 1, 2022, the DRG base rate will be increased by 5.0%. Effective 7/1/2023, the DRG base rate will be increased by the change in the “actual regulation market basket” as reflected in the CMS Inpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for the current federal fiscal year.

- a. APR-DRG algorithm. Effective July 1, 2016, the Executive Office of Health and Human Services (EOHHS) is using the most current version of the APR-DRG algorithm. It is EOHHS’s intention to update the version each year so that it uses the current version available as of the effective date of the rates.
- b. DRG Relative Weights. Effective July 1, 2016, EOHHS is using the most current version of the national APR-Relative Weights as published by 3M Health Information Systems. For certain services where Medicaid represents an important share of the Rhode Island market, policy adjustors will be used to increase the Relative Weights in order to encourage access to care. These services (defined by APR-DRG) and policy adjustors are: neonatal intensive care, 1.25; normal newborns, 1.15; obstetrics, 1.15; mental health, 1.45; and rehabilitation, 1.45. Policy adjustors are intended to be budget-neutral; because payment for services with policy adjustors is higher than it otherwise would have been, payment for other services is lower than it otherwise would have been. Budget neutrality is achieved through the level of the DRG Base Price.
- c. Age adjustor. To facilitate access to mental health care for children, calculation of the DRG Base Payment will include an “age adjustor” to increase payment for

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Rhode Island

these stays. Effective May 5, 2015, the value of the pediatric mental health age adjustor will be 2.50. This value was calculated so that, overall, payment for pediatric mental health stays would exceed the hospitals' estimated costs of providing this care.

- d. DRG Payment. The DRG Payment equals the DRG Base Payment plus the DRG Cost Outlier Payment plus the DRG Day Outlier Payment.
- e. Outlier payments. "Outlier" payments will be payable for medically necessary inpatient hospital services involving exceptionally high costs or exceptionally long lengths of stay. All mental health stays will be eligible for day outlier payments and all physical health (i.e., non-mental health) stays will be eligible for cost outlier payments. This paragraph is intended to meet the requirements of the Social Security Act §1902(s) (1) and to extend outlier protections to all other stays.
- f. Day Outlier Payment. Day outlier payments will be made at a per diem rate for all days in a mental health stay after a day outlier threshold. Effective May 5, 2015, the Day Outlier Payment Rate is \$850 for every day that exceeds the day outlier threshold of 20 days. Day Outlier Payments are made only for days for which the hospital has received prior authorization.
- g. Cost Outlier Payment. Cost outlier payments will be made to stays that qualify as a cost outlier stay, which will be determined by comparing the hospital's estimated loss on a particular stay with the cost outlier threshold amount. If a stay qualifies as a cost outlier then the cost outlier payment will equal the statewide marginal cost percentage times the estimated loss. The estimated loss will be calculated as the hospital's covered charges for a particular stay times the most recent applicable hospital-specific ratio of cost to charges as calculated by EOHHS from Medicare cost reports. (For hospitals outside Rhode Island, proxy ratios of cost to charges will be used.) Effective May 5, 2015, the cost outlier threshold amount is \$27,000 and the statewide marginal cost percentage is 60%.
- h. Transfer adjustments. When a patient is discharged to another acute care hospital or leaves the hospital against medical advice, a transfer adjustment payment will be calculated. This adjustment applies to discharge statuses 02, 05 and 07. The transfer adjustment will involve calculation of a per diem amount equal to the DRG Base Payment divided by the nationwide average length of stay for the particular APR-DRG. The per diem amount will be multiplied by the actual length of stay plus one day, to reflect the additional costs associated with hospital admission. If the transfer adjustment payment is lower than the payment otherwise calculated, then the hospital will be paid the transfer adjustment payment.
- i. Incomplete eligibility. When a patient has Medicaid eligibility for only part of an inpatient stay, payment will be prorated to reflect the incomplete eligibility. A per diem amount will be calculated as described in paragraph k above and will be multiplied by the actual length of stay. If the prorated payment is lower than the

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Rhode Island**INPATIENT HOSPITAL SUPPLEMENTARY PAYMENT**

For inpatient services provided on and after July 1, 2022, each acute care hospital may be paid up to 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 inpatient payments to hospitals made for inpatient services provided during each hospital's preceding fiscal year, including settlements
2. The Inpatient UPL calculation is an estimate of Medicare inpatient cost for private hospitals. Specifically, a ratio of Medicare inpatient costs to Medicare inpatient charges is applied to Medicaid inpatient charges to determine total Medicaid UPL amount. This is then inflated to adjust from the cost report year to the UPL year, and the Medicaid Provider Tax cost is added to determine the Adjusted Medicare UPL amount. Total Medicaid inpatient 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 inpatient supplemental payment. The UPL gap is calculated using an aggregate of the individual hospital gaps for private hospitals. The inpatient UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services.

Except for Bradley Hospital, Medicare routine and ancillary cost information is from each provider's as-filed Medicare cost report (CMS 2552), Worksheet D-1, 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-3, Column 2, Lines 30-41 and 202 (PPS services and sub-providers)

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 I, Line 28. To determine the Bradley Hospital's inpatient cost information:

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

TN# 22-0009Approved: December 6, 2022Effective: July 1, 2022

Supersedes

TN: 21-0011

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Rhode Island

F. Calculate total amount of inpatient 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 23 demonstration submitted in June 2023 (end of SFY23, within FFY 23) would use a Medicare cost report for the hospital fiscal year beginning in FFY 21 (10/1/2020 and 1/1/2021 reporting start dates, both in FFY 21)

RI's UPL calculations rely on Medicare and Medicaid data from prior periods. Rhode Island trends data for a Medicaid Inflation Factor and a UPL inflation Factor. The Medicaid Inflation Factor shall be the change in the "actual regulation market basket" as reflected in the CMS Inpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for federal fiscal year 2021 (SFY 22) multiplied by a 5.0% hospital rate increase enacted by the Rhode Island General Assembly for SFY 23. Effective July 1, 2023, the Medicaid Inflation factor will be 5% multiplied by the "actual regulation market basket" as reflected in the CMS Inpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for federal fiscal year 2023.

The UPL Inflation Factor is the product of the change in the "actual regulation market basket" as reflected in the CMS Inpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for federal fiscal years corresponding to each hospital's Medicare Cost Report (Report) end date. For example, a SFY 23 demonstration due 6/30/2023 uses hospital data from Report end dates of 9/30/2021 (FFY 2021) and 12/31/2021 (FFY 2022). Therefore, the inflationary adjustments are the FFY 21 and FFY 22 CMS Inpatient Hospital PPS Market Basket Updates without productivity adjustment. The amounts of these two inflationary adjustments are multiplied together to determine the total UPL inflation factor to use in RI's UPL demonstration.

An amount not to exceed 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 the private hospitals. No hospital will be paid more for inpatient hospital services under Medicaid than the provider's customary charges to the general public for the services. Eligible hospitals are actual facilities and buildings in existence in Rhode Island that are licensed by the Rhode Island Department of Health to provide short-term acute inpatient care to persons who require definitive diagnosis and treatment for injury, illness, disabilities, or pregnancy

TN# 22-0009

Supersedes

TN: 21-0011

Approved: December 6, 2022Effective: July 1, 2022