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State/Territory Name: RI

State Plan Amendment (SPA) #: 22-0011

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
Center for Medicaid & CHIP Services
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601



Financial Management Group

December 7, 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: TN 22-0011

Dear Ms. Novais,

We have reviewed the proposed Rhode Island State Plan Amendment (SPA) to Attachment 4.19-B, RI-22-0011, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on September 8, 2022 to update outpatient UPL.

Based upon the information provided by the State, we have approved the amendment with an effective date of July 1, 2022. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

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 Lindsay Michael at 410-786-7197 or Lindsay.Michael@cms.hhs.gov.

Sincerely,



Todd McMillion
Director
Division of Reimbursement Review

Enclosures

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

1. TRANSMITTAL NUMBER <u>2 2</u> — <u>0 0 1 1</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 440.20, 447.321

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2022 \$ 50,000
b. FFY 2023 \$ 147,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Supplement 3 to Attachment 4.19-B, 3
Supplement 3 to Attachment 4.19-B, 4

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Supplement 3 to Attachment 4.19-B, 3
Supplement 3 to Attachment 4.19-B, 4

9. SUBJECT OF AMENDMENT

Outpatient 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
9/8/22

17. DATE APPROVED
December 7, 2022

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
7/1/22

19. SIGNATURE OF APPROVING OFFICIAL
[Redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Todd McMillion

21. TITLE OF APPROVING OFFICIAL
Director, DRR

22. REMARKS

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, 2022 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.

The Outpatient UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services for outpatient services 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 State uses two inflation factors:

- a UPL Inflation factor which is the product of the "actual regulation market basket" as reflected in the CMS Outpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for the calendar years between the base data and the demonstration year. For example, a SFY 23 demonstration due 6/30/2023 uses hospital data from Report end dates of 9/30/2021 and 12/31/2021 (CY 2021); therefore, the UPL Inflation factor would be the product of CY 21 and CY 22 CMS Outpatient Hospital PPS Market Basket Updates without productivity adjustment.
- a Medicaid Inflation factor which is 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.

2)

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.

STATE OF RHODE ISLAND

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 23 demonstration submitted in June 2023 (end of SFY 23, 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 report start dates, both in FFY 21)

- 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.
 - 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.

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