



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Region 10  
2201 Sixth Avenue, MS/RX-43  
Seattle, Washington 98121

March 3, 2011

Richard Armstrong, Director  
Department of Health and Welfare  
Towers Building – Tenth Floor  
Post Office Box 83720  
Boise, Idaho 83720-0036

RE: Idaho State Plan Amendment 10-012

Dear Mr. Armstrong:

The Centers for Medicare & Medicaid Services (CMS) National Institutional Reimbursement Team (NIRT) recently approved Idaho State Plan Amendment (SPA) 10-012.

Although the NIRT Team has already sent the State a copy of the approval for this SPA, the Seattle Regional office is following up with an additional copy for the reason that we were in receipt of the original, signed amendment request.

Therefore, enclosed you will find a copy of the official CMS form 179, amended page(s), and copy of the approval letter from the NIRT Team for your records.

If you have any questions or require assistance concerning the Seattle Regional office role in the processing of this state plan amendment, please contact me, or have your staff contact Jan Mertel at (206) 615-2317 or [jan.mertel@cms.hhs.gov](mailto:jan.mertel@cms.hhs.gov).

Sincerely,

Barbara K. Richards  
Associate Regional Administrator  
Division of Medicaid and Children's Health  
Operations

Enclosure

Cc: Leslie Clement, Administrator, Idaho Department of Health and Welfare

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

1. TRANSMITTAL NUMBER:  
**10-012**

2. STATE  
**IDAHO**

**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 3, 2010**

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:  
Pursuant to 42 CFR § 447.205

7. FEDERAL BUDGET IMPACT:  
FFY 2010 (7-1-10 to 9-30-10) (~~\$6.1 million~~) **\$2.8 million (P+I)**  
FFY 2011 (10/1/10 to 6-30-11) (~~\$18.4 million~~) **\$8.5 million (P+I)**

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
ATTACHMENT: 4-19A pages 2, 3, 4, 5, 7

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):  
ATTACHMENT: 4-19A pages 2, 3, 4, 5, 7

10. SUBJECT OF AMENDMENT: The proposed change will alter the reimbursement floor percentage for hospital cost reimbursement calculations. The Department proposes to implement a reduction of in-patient ~~and out-patient~~ reimbursement (P+I) rates by five percent (5%) for all out-of-state hospital providers. The Department has clarified the definition for Principal Year.

11. GOVERNOR'S REVIEW (Check One):

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

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:  
LESLIE M. CLEMENT

14. TITLE:  
Administrator

15. DATE SUBMITTED: **8-18-10**

16. RETURN TO:

Leslie M. Clement, Administrator  
Idaho Department of Health and Welfare  
Division of Medicaid  
PO Box 83720  
Boise ID 83720-0036

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: **AUGUST 20 2010**

18. DATE APPROVED: **MAR 02 2011**

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL: **JUL 03 2010**

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:  
**Barbara K. Richards**

22. TITLE:  
Associate Regional Administrator  
Division of Medicaid &  
Children's Health

23. REMARKS:

Pen and Inc changes authorized by the state on 10/22/10.  
Pen and Inc changes authorized by the state on 2/3/11.

- **Case-Mix Index.** The Case-Mix Index for a hospital is the average weight of values assigned to a range of diagnostic related groups, including but not limited to, those used in the Medicare system or adjoining states and applied to Medicaid discharges included in a hospital's fiscal year end settlement. The index will measure the relative resources required to treat Medicaid inpatients. The Case-Mix Index of the Current Year will be divided by the index of the Principal Year to assess the percent change between the years.
- **Charity Care.** Charity Care is care provided to individuals who have no source of payment third-party or personal resources.
- **Children's Hospital.** A Children's Hospital is a Medicare certified hospital as set forth in 42 CFR Section 412.23 (d)
- **Critical Access Hospitals (CAH).** A rural hospital with twenty five (25) or less beds as set forth in 42 CFR Section 485.602.
- **Cost Report.** A Cost Report is the complete Medicare cost reporting form HCFA 2552, or its successor, as completed in full and accepted by the Intermediary for Medicare cost settlement and audit.
- **Current Year.** Any hospital cost reporting period for which Reasonable Cost is being determined will be termed the Current Year.
- **Customary Charges.** Customary Charges reflect the regular rates for inpatient services charged to patient(s) liable for payment for their services on a charge basis. Implicit in the use of charges as the basis for comparability (or for apportionment under certain apportionment methods) is the objective that services are related to the cost of services billed to the Title XIX program. No more than ninety-one and seven-tenths percent (91.7%) of covered charges will be reimbursed for the separate Operating Costs for either total inpatient services or total outpatient services at the time of final cost settlement for any fiscal year with the exception set forth in subsection 453. For in-state private hospitals that are not specified in Section 56-1408, Idaho Code, no more than one hundred percent (100%) of covered charges will be reimbursed. No more than one hundred one percent (101%) of covered charges will be reimbursed to Critical Access Hospitals (CAH) for in-state private hospitals. No more than eighty-seven and one-tenth (87.1%) of covered charges will be reimbursed to out-of-state hospitals.
- **Disproportionate Share Hospital (DSH) Allotment Amount.** The Disproportionate Share Hospital (DSH) Allotment Amount is determined by CMS which is eligible for federal matching funds in the federal fiscal period for disproportionate share payments.
- **Disproportionate Share Threshold.** The Disproportionate Share Threshold shall be: a. the arithmetic mean plus one (1) standard deviation of the Medicaid Inpatient Utilization Rates of all Idaho hospitals; or, b. a Low Income Utilization Rate exceeding twenty-five percent (25%).

- DSH Survey. The DSH Survey is an annual data request from the Department to the hospitals to obtain the information necessary to compute DSH pursuant to Subsection 454.02.
- Excluded Units. Excluded Units are distinct units in hospitals which are certified by Medicare according to 42 CFR Sections 412.25, 412.27 and 412.29 for exclusion from the Medicare prospective payment system.
- Hospital Inflation Index. The table named Global Insight Hospital Market Basket in the reference manual published by Global Insight titled "Health-Care Cost Review," or its successor, is used to calculate the quarterly moving average inflation rate.
- Medicaid Inpatient Utilization Rate (MUR). The MUR for each hospital will be computed using the Department's record of paid inpatient days for the fiscal year divided by the total inpatient days for the same fiscal year as reported in the DSH Survey. In this paragraph, the term "inpatient days" includes newborn days, days in specialized wards, and days provided to an inappropriate level of care. Days provided at an inappropriate level of care includes administrative necessary days, and Medicaid inpatient days from other states. In this paragraph, "Medicaid inpatient days" includes paid days not counted in prior DSH Threshold computations.
- Low Income Utilization Rate. The Low Income Utilization Rate is the sum of the following fractions, expressed as a percentage: a. Total Medicaid inpatient revenues paid to the hospital, plus the amount of the cash subsidies received directly from state and local governments in a cost reporting period, divided by the total amount of revenues and case subsidies of the hospital for inpatient services in the same cost reporting period; plus b. the total amount of the hospital's charges for inpatient hospital services attributable to charity care in the same cost reporting period, divided by the total amount of the hospital's charges for inpatient services in the hospital in the same period. The total inpatient charges attributed to charity care shall not include contractual allowances and discounts and reduction in charges given to Medicare, Medicaid, other third-party payers, or cash for inpatient services received directly from state and local governments county assistance programs.
- Medicaid Inpatient Day. For purposes of DSH payments, an inpatient day is defined as a Medicaid payment day in a hospital for which there is also no Medicare inpatient day counted.
- Obstetricians. For purposes of an adjustment for hospitals serving a disproportionate share of low income patients, and in the case of a hospital located in a rural area, as defined by the Federal Executive Office of Management and Budget, the term obstetrician includes any physician with staff privileges at the hospital to perform non-emergency obstetric procedures.

**Operating Costs.** For the purposes of hospital reimbursement, Operating Costs are the allowable costs included in the cost centers established in the finalized Medicare Cost Report to accumulate costs applicable to providing routine and ancillary services to patients for the purposes of cost assignment and allocation in the step-down process.

**Other Allowable Costs.** Other Allowable Costs are those Reasonable Costs recognized under the Medicaid Reasonable Cost principles for services not subject to Medicaid limitations of coverage or reimbursement limits. Costs which are not reimbursed as Operating Costs, but recognized by Medicare principles as Allowable Costs will be included in the total Reasonable Costs. Other Allowable Costs include, but are not necessarily limited to, physician's component which was combined-billed, Capital Costs, ambulance costs, excess costs carry-forwards and medical education costs.

**Principal Year.** The Principal Year is the period from which the Title XIX inpatient operating cost limit is derived: a. For November 1, 2002, the Principal Year shall be the provider's fiscal year ending in calendar year 1998, in which a finalized Medicare Cost Report or its equivalent is prepared for Medicaid cost settlement. For inpatient services rendered on or after January 1, 2007, the principal year is the provider's fiscal year ending in calendar year 2003. For fiscal years ending in or subsequent to calendar year 2010, the principal year will be the Medicare cost report period.

**Public Hospital.** For purposes of Subsection 453.02 a Public Hospital is a government agency or instrumentality.

- Reasonable Costs. Except as otherwise provided in section 453, Reasonable Costs includes all necessary and ordinary costs incurred in rendering the services related to patient care which a prudent and cost-conscious hospital would pay for a given item or service, which do not exceed the Title XIX cost limit.
- Reimbursement Floor Percentage. The floor calculation for out-of state hospitals is seventy three and five tenths percent (73.5%) of Medicaid cost, and the floor calculation for in-state Critical Access Hospitals (CAH) hospitals is one hundred and one percent (101%) of Medicaid costs. For in-state hospitals that are not specified in section 56-1408 Idaho code effective 7-1-2010, the floor calculation is eighty five percent (85%) of Medicaid costs. For in-state hospitals that are specified in section 56-1408 Idaho code, passed in the 2009 Legislative session, the floor calculation is seventy seven and four tenths (77.4%) of Medicaid costs.
- TEFRA. TEFRA is the Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248.
- Uninsured Patient Costs. For purposes of determining additional costs beyond uncompensated Medicaid costs that may be reimbursed as a DSH payment without exceeding the State Allotment Amount, only inpatient costs of uninsured patients will be considered.
- Upper Payment Limit. The Upper Payment Limit for hospital services shall be as defined in Chapter 42 of the Code of Federal Regulations.

453. ADJUSTMENTS TO THE TITLE XIX COST LIMIT. A hospital's request for review by the Bureau of Medicaid Policy and Reimbursement, or its successor, concerning an adjustment to or exemption from the cost limits imposed under the provisions set forth in Sections 450 through 499, shall be granted under the following circumstances (see Appendix I.):

- Adjustments Because of Extraordinary Circumstances. Where a provider's costs exceed the Title XIX limit due to extraordinary circumstances beyond the control of the provider, the provider can request an adjustment to the cost limit to the extent the provider proves such higher costs result from the extraordinary circumstances including, but not limited to, increased costs attributable to strikes, fires, earthquake, flood, or similar, unusual occurrences with substantial cost effects.
- Reimbursement to Public Hospitals. A Public Hospital that provides services free or at a nominal charge, which is less than or equal to fifty percent (50%) of its total allowable costs, will be reimbursed at the same rate that would be used if the hospital's charges were equal to or greater than its costs.
- Adjustment to Cost Limits. A hospital shall be entitled to a reasonable increase in its Title XIX Cost Limits if the hospital shows that its per diem costs of providing services have increased due to increases in case-mix, the adoption of new or changed services, the discontinuation of services or decrease in average length of stay for Medicaid inpatients since the Principal Year. Any hospital making such showing shall be entitled to an increase in its prevailing Title XIX Cost Limits commensurate with the increase in per diem costs. The Title XIX Operating Cost Limit may be adjusted by multiplying the ratio of the Current Year's Case-Mix Index divided by the Principal Year's Case-Mix Index. The contested case procedure set forth in IDAPA 16.05.03.330.02 shall be available to larger hospitals seeking such adjustments to their Title XIX Cost Limits.

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



**Center for Medicaid , CHIP, and Survey & Certification**

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Richard Armstrong, Director  
Department of Health & Welfare  
Towers Building – Tenth Floor  
PO Box 83720  
Boise, Idaho 83720-0036

MAR - 2 2011

RE: Idaho SPA TN# 10-012

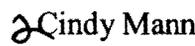
Dear Mr. Armstrong,

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-012. This amendment will alter the inpatient hospital reimbursement floor and ceiling percentages for specific in-state hospitals participating in the Idaho Medicaid program. In addition, this amendment reduces the inpatient hospital reimbursement for out-of-state hospitals by five-percent.

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 10-018 is approved effective as of July 3, 2010. For your files, we are enclosing the HCFA-179 transmittal form and the amended plan pages.

If you have any questions concerning this state plan amendment, please contact Tom Couch, CMS' Boise Outstation Office, at 334-9482 or [Thomas.Couch@cms.hhs.gov](mailto:Thomas.Couch@cms.hhs.gov) .

Sincerely,

  
Cindy Mann  
Director  
Center for Medicaid, CHIP, and Survey & Certification

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**FOR: HEALTH CARE FINANCING ADMINISTRATION**

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 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

16. RETURN TO:

13. TYPED NAME:  
**LESLIE M. CLEMENT**

Leslie M. Clement, Administrator  
Idaho Department of Health and Welfare  
Division of Medicaid  
PO Box 83720  
Boise ID 83720-0036

14. TITLE:  
Administrator

15. DATE SUBMITTED: **8-18-10**

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: **AUGUST 20 2010**

18. DATE APPROVED: **08-02-11**

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL: **JUL - 3 2010**

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: **William Lasowski**

22. TITLE: **Deputy Director CMCS**

23. REMARKS:  
**Per and Inc changes authorized by the state on 10/22/10  
Per and Inc changes authorized by the state on 2/3/11.**