METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER TYPES OF CARE

OUTPATIENT HOSPITAL SERVICES (continued)

7. Public Hospital Outpatient Adjustment

Effective October 10, 2001, all publicly owned (state and local) hospitals shall qualify for a public hospital outpatient rate adjustment up to the allowable percentage of each hospital's outpatient Medicare Upper Payment Limit. For purposes of this rate adjustment, the Medicare Upper Payment Limit will be equal to a reasonable estimate of the amount that would be paid for these services using Medicare payment principles.

The payment will be calculated based on each hospital's inflated outpatient charges, times the Medicare ratio of cost to charges, times the net difference between the allowable percentage of the Medicare Upper Payment Limit and the Medicaid outpatient reimbursement percentage of 72%.

This is a prospective payment system. The charge and payment data will be two-year old historical data available at the time of rate setting. This cost and payment data will be inflated forward to the payment period using the most recent available CPI-W, Medical Care for Denver. The cost to charge ratios will be historical data from the most recently audited Medicare cost reports available at the time of rate setting.

Any other Medicare Upper Payment Limit reimbursements and Disproportionate Share Hospital reimbursements to that hospital for the same services will be subtracted from the amount available for additional reimbursement. The reimbursement will be an amount that will not exceed the allowable percentage of the Medicare Upper Payment Limit for outpatient services. The allowable percentage of the Medicare Upper Payment Limit will not exceed 100%, unless a higher percentage is allowed by an Act of Congress or the Centers for Medicare and Medicaid Services.

Effective July 1, 2009 the Outpatient Hospital adjustment commonly referred to as "Public Hospital Outpatient Adjustment" is suspended.

8. Supplemental Medicaid Outpatient Hospital Payment

Colorado hospitals shall qualify to receive an additional supplemental Medicaid reimbursement for outpatient hospital services provided to Medicaid clients, such that the total of all payments shall not exceed the Upper Payment Limit for outpatient hospital services (as defined by the Centers for Medicare and Medicaid Services). This additional supplemental Medicaid reimbursement shall be commonly referred to as the "Supplemental Medicaid Outpatient Hospital payment" which shall be calculated on an annual Federal Fiscal Year (October 1 through September 30) basis and dispensed in monthly installments.

The Supplemental Medicaid Outpatient Hospital payment is only made if there is available federal financial participation under the Upper Payment Limit for outpatient hospital services after the

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER TYPES OF CARE

OUTPATIENT HOSPITAL SERVICES (continued)

Medicaid reimbursement (as defined under number 1 of this Section of attachment 4.19B as a Medicaid Outpatient Hospital Reimbursements for Colorado Providers).

To qualify for the Supplemental Medicaid Outpatient payment a hospital shall meet the following criteria:

a. Is licensed or certified as a General Hospital by the Colorado Department of Public Health and Environment; and

b Provides outpatient hospital services to Medicaid clients.

Inflated hospital specific outpatient billed costs are calculated by converting hospital specific outpatient hospital billed charges (as extracted from the MMIS Decision Support System [DSS]) multiplied by the ancillary cost center cost-to-charge ratio (CCR) calculated from the hospital's most recently filed CMS 2552-96 or CMS 2552-10 available as of the time of payment calculation and inflated forward to the payment year using by the Outpatient Hospital PPS Market Basket and adjusted by the utilization adjustment factor. The utilization adjustment factor is the predicted change in outpatient hospital utilization as a function of changes in Medicaid caseload, and is calculated as follows:

Using ordinary least-squares linear regression, a trend line is established using

- Outpatient hospital visits extracted from the MMIS-DSS from state fiscal year 2005 to the most recent state fiscal year,
- Medicaid caseload excluding dual eligibles from state fiscal year 2005 to the most recent state fiscal year as published in the Department's annual February 15 Budget Amendments, and
- The Medicaid caseload estimate excluding dual eligibles for the payment year as published in the Department's annual February 15 Budget Amendments.

The percent change in the trend line for outpatient hospital visits will be the utilization adjustment factor.

For each qualified hospital, the Supplemental Medicaid Outpatient Hospital payment shall be calculated as inflated hospital specific outpatient costs multiplied by a percentage adjustment factor. The percentage adjustment factor may vary for state-owned, non-state government owned, and private hospitals, for urban and rural hospitals, for State University Teaching Hospitals, for Major Pediatric Teaching Hospitals, for Urban Center Safety Net Specialty Hospitals, or for other hospital classifications. By December 1 of the payment year the percentage adjustment factor for each hospital will be published in the Colorado Medicaid Provider Bulletin.

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OUTPATIENT HOSPITAL SERVICES (continued)

Payment to Urban Center Safety Net Specialty hospitals may be dispensed such that more than one installment may be paid in one month. At no time will payments be disbursed prior to the state fiscal year or federal fiscal year for which they apply.

In the event that data entry or reporting errors, or other unforeseen payment calculation errors, are realized after a Supplemental Medicaid Payment has been made, reconciliations and adjustments to impacted hospital payments will be made retroactively.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER TYPES OF CARE

OUTPATIENT HOSPITAL SERVICES (continued)

9. Supplemental Medicaid Outpatient High-Volume Small Rural Hospital Payment

Effective October 1, 2011, the Supplemental Medicaid Outpatient High-Volume Small Rural Hospital Payment is suspended.