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State/Territory Name: IA

State Plan Amendment (SPA) #: 14-0015

This file contains the following documents in the order listed:

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

Financial Management Group

MAR 18 2015

Charles M. Palmer, Director
Iowa Department of Human Services
1305 East Walnut, 5th Floor
Des Moines, IA 50319-0114

RE: Iowa State Plan Amendment TN: 14-015

Dear Mr. Palmer:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 14-015. This amendment discontinues disproportionate share hospital (DSH) payments to out-of-state hospitals and modifies the qualification criteria for children's hospitals to receive DSH payments.

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(g) 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 14-015 is approved effective October 1, 2014. We are enclosing the CMS-179 and the amended plan page.

If you have any questions, please call Tim Weidler at (816) 426-6429.

Sincerely,

Timothy Hill
Director

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 & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 14 — 015

2. STATE: IOWA

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

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

4. PROPOSED EFFECTIVE DATE: October 1, 2014

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

42 US Code, Section 1396r-4

7. FEDERAL BUDGET IMPACT
a. FFY '14 $ 0
b. FFY '15 $ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, Page 4, 20, 26a, 26c

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*

Attachment 4.19-A, Page 4, 20, 26a, 26c

10. SUBJECT OF AMENDMENT

SF 2463 required DHS to adopt rules & amend language to make OOS hospitals not eligible for Medicaid DSH payments & removed the requirement of being a voting member of the NACHRI to quality as a children's hospital for DSH payments.

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
☐ OTHER, AS SPECIFIED

12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME: CHARLES M. PALMER

14. TITLE: DIRECTOR

15. DATE SUBMITTED

16. RETURN TO

CHARLES M. PALMER
DIRECTOR
DEPARTMENT OF HUMAN SERVICES
1305 EAST WALNUT 5TH FLOOR
DES MOINES IA 50319-0114

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED

18. DATE APPROVED: MAR 18 2015

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT 01 2014

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME: KRISTIN FAN

22. TITLE: Deputy Director, FMG

23. REMARKS

FORM CMS-179 (07/92)

Instructions on Back

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care

- Either provides services predominately under 18 years of age or includes a distinct area or areas that provide services predominantly to children under 18 years of age, and
- Is a member of the National Association of Children's Hospitals and Related Institutions.

"Cost outlier" means a case that has an extraordinarily high cost, so as to be eligible for additional payments above and beyond the initial DRG payment.

"Diagnosis-related group (DRG)" means a group of similar diagnoses based on patient age, organ systems, procedure coding, comorbidity, and complications.

"Direct medical education costs" means costs directly associated with the medical education of interns and residents or other medical education programs, such as a nursing education program or allied health programs, conducted in an inpatient setting, that qualify for payment as medical education costs under the Medicare program. The amount of direct medical education costs is determined from the hospital's base-year cost reports, and is inflated and case-mix-adjusted in determining the direct medical education rate. For purposes of calculating the disproportionate share rate only, separate direct medical education costs are determined for any hospital that qualifies for a disproportionate share payment only as a children's hospital based on a distinct area or areas serving children, using only costs associated with the distinct area or areas in the hospital where services are provided predominantly to children under 18 years of age.

Payment for direct medical education costs is made from the Graduate Medical Education and Disproportionate Share Fund and is not added to the reimbursement for claims.

"Direct medical education rate" means a rate calculated for a hospital reporting medical education costs on the Medicare cost report (CMS-2552). The rate is calculated using the following formula: Direct medical education costs are multiplied by inflation factors. The result is further divided by the hospital's case-mix index, then is divided by net discharges. For purposes of calculating the disproportionate share rate only, a separate direct medical education rate is determined for any hospital that qualifies for a disproportionate share payment only as a children's hospital based on a distinct area or areas serving children, using the direct medical education costs, case-mix index, and net discharges of the distinct area or areas in the hospital where services are provided predominantly to children under 18 years of age.

"Disproportionate-share payment" means a payment that shall compensate for costs associated with the treatment of a disproportionate share of poor patients. The disproportionate-share payment is made directly from the Graduate Medical Education and Disproportionate Share Fund and is not added to the reimbursement for claims.

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care

Hospitals choosing Option B must submit a form CMS-2552, Hospital and Healthcare Complex Cost Report or a CMS-accepted substitute, using data for Iowa Medicaid patients only. This should be the hospital's most recent fiscal-year end cost report and should be received no later than May 31 in a rebasing year. Hospitals that elect to submit cost reports will receive a case-mix-adjusted blended base rate using hospital-specific Iowa-only Medicaid data and the Iowa statewide average cost per discharge amount. Capital costs will be reimbursed using the blended capital rate if choosing Option B.

Hospitals that qualify for disproportionate share payments based upon their home state's definition for the calculation of the Medicaid inpatient utilization rate are eligible to receive disproportionate share payments from the Graduate Medical Education and Disproportionate Share Fund.

Out-of-State hospitals do not qualify for direct or indirect medical education payments or disproportionate share hospital (DSH) payments from the Graduate Medical Education and Disproportionate Share Fund.

19. Payment for Medicaid-Certified Special Units

Medicaid certification of substance abuse, psychiatric and rehabilitation units is based on the Medicare reimbursement criteria for these units. The Department of Inspection and Appeals is responsible for Medicaid certification of these units for Iowa hospitals. Certification for reimbursement is done by the Iowa Medicaid Enterprise (IME) Provider Services Units. Without reimbursement certification, no physical rehabilitation, psychiatric or substance abuse units will receive reimbursement at the higher certified rates.

To become certified for reimbursement for either a physical rehabilitation unit or a psychiatric unit, the hospital must forward the Medicare PPS exemption notice to the IME Provider Services Unit every fiscal year when it becomes available. Supplemental Form 2977, indicating all the various certified programs for which the hospital may become certified, must also accompany the other notices. This form is available from the IME Provider Services Unit as part of the enrollment process or on request.

Medicaid-certified inpatient psychiatric units will be paid a per diem rate based on historical costs. The per diem rate will be rebased in the implementation year and every three year thereafter using the base year cost report. In non-rebasing years, the per diem rate will be trended forward using the factor in Section 9 of Attachment 4.19-A. The inpatient psychiatric per diem rate is calculated as total Medicaid inpatient

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care

For those hospitals that qualify for disproportionate share under the low-income utilization rate definition, but do not qualify under the Medicaid inpatient utilization rate definition, the disproportionate share percentage shall be 2 ½ percent.

For those hospitals that qualify for disproportionate share under the Medicaid inpatient utilization rate definition, but do not qualify under the low-income utilization rate definition, the disproportionate share percentage shall be the product of 2 ½ percent multiplied by the number of standard deviations by which the hospital's own Medicaid inpatient utilization rate exceeds the statewide mean Medicaid inpatient utilization rate for all hospitals.

For those hospitals that qualify for disproportionate share as a children's hospital, the disproportionate share percentage shall be the greater of:

- 2 ½ percent, or
- The product of 2 ½ percent multiplied by the number of standard deviations by which the Medicaid inpatient utilization rate for children under 18 years of age at the time of admission in all areas of the hospital where services are provided predominantly to children under 18 years of age exceeds the statewide mean Medicaid inpatient utilization rate for all hospitals.

Information contained in the hospitals' base-year cost report is used to determine the hospital's low-income utilization rate and the hospital's inpatient Medicaid utilization rate.

Additionally, a qualifying hospital other than a children's hospital must also have at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to Medicaid-eligible persons who are in need ob obstetric services. In the case of a hospital located in a rural area as defined in Section 1886 of the Social Security Act, the term "obstetrician" includes any physician with staff privileges at the hospital to perform non-emergency obstetric procedures.

Out-of-state hospitals serving Iowa Medicaid patients do not qualify for disproportionate share hospital payments from the fund.

Hospitals qualify for disproportionate share payments from the fund without regard to the facility's status as a teaching facility or bed size.

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care

If a hospital fails to qualify for disproportionate share payments from the fund due to closure or for any other reason, the amount of money that would have been paid to that hospital shall be removed from the fund.

j. Qualifying for disproportionate share as a children's hospital. Licensed hospitals qualify for disproportionate share payments as a children's hospital if they provide services predominantly to children under 18 years of age or include a distinct area or areas providing services predominantly to children under 18 years of age, are a member of the National Association of Children's Hospitals and Related Institutions, and have Medicaid utilization and low-income utilization rates for children under 18 years of age at the time of admission in all distinct areas of the hospital where services are provided predominantly to children under 18 years of age of one percent or greater.

Hospitals wishing to qualify for disproportionate share payments as a children's hospital, must provide the following information to the IME Provider Cost Audits and Rate Setting Unit within 20 business days of a request:

1. Base-year cost reports.

2. Medicaid claims data for children under age 18 at the time of admission to the hospital in all distinct areas of the hospital where services are provided predominantly to children under 18 years of age.

3. Other information needed to determine a disproportionate share rate encompassing the periods used to determine the disproportionate share rate and distribution amounts.

30. Relationship to Managed Care

All monetary allocations made to fund the Graduate Medical Education and Disproportionate Share Fund for direct medical education, indirect medical education, and routine disproportionate share payment are reimbursed directly to hospitals. These payments have been deducted from all managed care capitation payments as part of the rate-setting methodology. No additional payments for these components will be made to any managed care organization.