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State/Territory Name: IA

State Plan Amendment (SPA) #: 16-021

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Summary Form (with 179-like data)
- 3) Approved SPA Pages



Financial Management Group

JAN 11 2017

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: 16-021

Dear Mr. Palmer:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 16-021. This amendment clarifies that Graduate Medicaid Education payments are now incorporated into managed care rates. The amendment also reclassifies a supplemental payment to the University of Iowa Hospital and Clinics into a disproportionate share hospital payment. In addition, the amendment updates the fee schedule effective date pertaining to inpatient psychiatric services for individuals under 21 years of age.

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 16-021 is approved effective April 1, 2016. We are enclosing the CMS-179 and the amended plan pages.

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

Sincerely,

Kristin Fan
Director

Enclosures

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

1. TRANSMITTAL NUMBER

1 6 — 0 2 1

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

April 1, 2016

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

7. FEDERAL BUDGET IMPACT

a. FFY 2016 \$ 0

b. FFY 2017 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, page 26c, 26d, 26f, 34

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-A, page 26c, 26d, 26f, 34

10. SUBJECT OF AMENDMENT

This modifies language for managed care transition that occurred 4/1/16. Also changes the \$9.9M state-owned hospital supplemental payment to a DSH payment. GME language is also being amended. Changes are budget-neutral as there is no change in funding amounts.

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

CHARLES M. PALMER

14. TITLE

DIRECTOR

15. DATE SUBMITTED

5-5-16

16. RETURN TO

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

17. DATE RECEIVED

18. DATE APPROVED

JAN 11 2017

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL

APR 01 2016

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME

Kristin Fan

22. TITLE

1/11/17

23. REMARKS

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 on a monthly basis.

Direct medical education and indirect medical education payments have been included in all managed care capitation payments as part of the rate-setting methodology.

At the end of the state fiscal year, the Department will reconcile the managed care payments to the total amount for graduate medical education for each qualifying hospital. If the payments made under managed care exceed the total amount, the Department will recoup the overpayment. If the payments made under managed care are less than the total amount, the Department will pay the difference.

Disproportionate share payments have been excluded from all managed care capitation payments as part of the rate-setting methodology.

TN No.

IA-16-021

Effective

APR 01 2016

Supersedes TN No.

IA-14-015

Approved

JAN 11 2017

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care**31. Reserved for future use****32. Iowa State-Owned Teaching Hospital Disproportionate-Share Fund**

In addition to payments from the Graduate Medical Education and Disproportionate Share Fund, payment will be made to Iowa hospitals qualifying for the Iowa state-owned teaching hospital disproportionate share fund. Interim monthly payments based on estimated allowable costs will be paid to qualifying hospitals under this provision. The total amount of funding that is allocated to the Iowa state-owned teaching hospital disproportionate-share fund is as follows 1) \$19,975,072.50 for July 1, 2015 through March 31, 2016; 2) \$9,133,357.50 for April 1, 2016 through June 30, 2016; 3) \$36,533,430 for July 1, 2016 and after.

Hospitals qualify for Iowa state-owned teaching hospital disproportionate-share payments if they meet the disproportionate share qualifications defined in Section 29.g and being an Iowa state-owned hospital with more than 500 beds and eight or more distinct residency specialty or subspecialty programs recognized by the American College of Graduate Medical Education.

The total amount of disproportionate-share payments from the Graduate Medical Education and Disproportionate Share Fund and the Iowa state-owned teaching hospital disproportionate-share fund shall not exceed the amount of the state's allotment under Public Law 102-234. In addition, the total amount of all disproportionate-share payments shall not exceed the hospital-specific disproportionate-share limits under Public Law 103-666.

The Department's total year end DSH obligations to a qualifying hospital will be calculated following completion of the CMS 2552, Hospital and Healthcare Complex Cost Report desk review or audit.

TN No.

IA-16-021

Effective

APR 01 2016

Supersedes TN No.

IA-10-017

Approved

JAN 11 2017

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Care**35. Final Settlement for Iowa State-owned Teaching Hospital**

For dates of service July 1, 2010, through, June 30, 2015:

Final payment made to an Iowa state-owned teaching hospital shall be a methodology based on 100% of allowable medical assistance program cost not to exceed the sum of the following:

- Payments for inpatient hospital services calculated in accordance with the methods and standards for establishing payment rates per Attachment 4.19-A including graduate medical education payments;
- Payment for outpatient hospital services calculated in accordance with the methods and standards for establishing payment rates per Attachment 4.19-B and Supplement 2 to Attachment 4.19-B including graduate medical education payments ;
- \$9,900,000.

The distribution of the additional \$9,900,000 shall be made on a monthly basis and shall equal one-twelfth of the annual amount. The Iowa Medicaid Enterprise shall complete a final settlement based on the hospital's Medicare cost report.

Distribution methodology for the \$9,900,000

The \$9,900,000 will first be applied to bring inpatient hospital reimbursement (interim payments plus GME) to 100% of inpatient hospital cost (calculated in accordance with Attachment 4.19-A). The remaining amount of the \$9,900,000 will then be applied to bring outpatient hospital reimbursement to 100% of outpatient hospital cost (calculated in accordance with Attachment 4.19-B and Supplement 2 to Attachment 4.19-B).

If the total \$9,900,000 is used in bringing inpatient hospital reimbursement to 100% of inpatient cost, then no further outpatient payments will be made.

In no case will total inpatient hospital payments exceed 100% of inpatient cost.

If the sum of the inpatient hospital service payments plus outpatient hospital service payments plus the \$9,900,000 exceeds 100% of allowable inpatient and outpatient cost the amount by which payments exceed actual medical assistance program costs will be requested and collected from the hospital. If the aggregate payments are less than the hospital's actual medical assistance program costs, no additional payment will be made.

For dates of service July 1, 2015, through March 31, 2016:

The additional amount shall be \$7,425,000. The same distribution methodology as described above shall apply.

TN No.

IA-16-021

Effective

APR 01 2016

Supersedes TN No.

IA-10-012

Approved

JAN 11 2017

**Methods and Standards for Establishing Payment Rates for Inpatient Psychiatric
Services for Individuals Under 21 Years of Age**

1. Non-State Owned Providers

For services provided by non-state-owned providers on July 1, 2014 and after, inpatient psychiatric services for individuals under 21 years of age will be reimbursed according a fee schedule without reconciliation. The agency's fees were set as of July 1, 2015 and are effective for dates of service provided on or after April 1, 2016. All rates are published on the Department of Human Services website: www.dhs.iowa.gov.

2. State-Owned Providers

The basis of payment for state-owned providers of inpatient psychiatric services for individuals under 21 years of age is 100 percent of actual and allowable cost. Actual and allowable cost is based on the cost report information the facility submits to the Department on Form 470-0664, Financial and Statistical Report. Rates are calculated as total actual and allowable cost divided by total patient days on a retrospective cost-related basis and adjusted retroactively.

Interim Rates

Providers shall be reimbursed through a prospective interim rate equal to the previous year's retrospectively calculated cost per day.

Retroactive Cost Adjustment

Reimbursement payments made to state-owned psychiatric institution providers for services on or after July 1, 2009, shall be cost settled to actual cost. Following completion of a cost report desk review, cost settlement will be calculated using reasonable and proper actual cost per day from a 12-month period through retroactive adjustments. The retroactive adjustment represents the difference between the amount received by the provider during the year for covered services and the amount determined in accordance with an accepted method of cost apportionment to be the actual cost of service rendered, not to exceed the maximum reimbursement rate. Providers will receive advance notice of the retroactive adjustments and will also receive transaction detail after the adjustments have been completed.

TN No.	IA-16-021	Effective	APR 01 2016
Supersedes TN No.	IA-14-013	Approved	JAN 11 2017