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State/Territory Name: IL

State Plan Amendment (SPA) #: 13-011

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

JUN 30 2014

Ms. Julie Hamos, Director
Illinois Department of Healthcare and Family Services
Prescott E Bloom Building
201 South Grand Avenue East
Springfield IL 62763-0002

RE: Illinois State Plan Amendment (SPA) 13-011

Dear Ms. Hamos:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-011. Effective for inpatient hospital services on or after July 1, 2013, this amendment clarifies how the potentially preventable readmissions (PPR) policy will be implemented for state fiscal year (SFY) 2014 and each year thereafter. The PPR policy establishes benchmarks for hospitals to measure and align payments to reduce potentially preventable hospital readmissions, inpatient complications and unnecessary emergency room visits.

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 regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 13-011 is approved effective July 1, 2013. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Michelle Beasley at (312) 353-3746 or via email at Michelle.Beasley@cms.hhs.gov.

Sincerely,

[redacted]

Cindy Mann
Director

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTER FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTER FOR MEDICARE AND MEDICAID SERVICES	1. TRANSMITTAL NUMBER 13-011	2. STATE: ILLINOIS
	3. PROGRAM IDENTIFICATION: Title XIX of the *Social Security Act* (Medicaid)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE: July 1, 2013	

5. TYPE OF PLAN MATERIAL *(Check One)*

[ ] NEW STATE PLAN [ ] AMENDMENT TO BE CONSIDERED AS NEW PLAN [X] AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION: Section 1902 of the *Social Security Act*	7. FEDERAL BUDGET IMPACT a. FFY 2013 $0.0 Million b. FFY 2014 $0.0 Million
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Pages 19, 20, 20A and 20B, and 20C	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Attachment 4.19-A, Page 19 and 20, 20A

10. SUBJECT OF AMENDMENT:
Potentially Preventable Readmissions

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
[X] OTHER, AS SPECIFIED: Not submitted for review by prior approval.

12. SIGNATURE OF AGENCY OFFICIAL: [redacted]	16. RETURN TO: Department of Healthcare and Family Services Bureau of Program and Reimbursement Analysis Attn: Mary Doran 201 South Grand Avenue East Springfield, IL 62763-0001
13. TYPED NAME: Julie Hamos	
14. TITLE: Director of Healthcare and Family Services	
15. DATE SUBMITTED 09-30-2013	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: JUN 30 2014
PLAN APPROVED—ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2013	20. SIGNATURE OF REGIONAL OFFICIAL: [redacted]
21. TYPED NAME Penny Thompson	22. TITLE: Deputy Director, Policy & Finance/Mgt. CMCS

23. REMARKS:

FORM CMS-179 (07/92)

Instructions on Back

01/13 3. A determination under Section F.1 of this Chapter, if it is related to a pattern of inappropriate admissions, length of stay and billing practices that has the effect of circumventing the prospective payment system, may result in actions specified in Section A.2 of this Chapter.

01/13 4. Adjustments for Potentially Preventable Readmissions

For claims received on or after January 1, 2013, rates of payment to hospitals that have an excess number of potentially preventable readmissions as defined in accordance with the criteria set forth in this subsection, as determined by a risk adjusted comparison of the actual and targeted number of potentially preventable readmissions in a hospital as described below, shall be reduced as described below.

a. Potentially Preventable Readmission (PPR) Criteria.

i. A potentially preventable readmission is defined as an inpatient readmission within 30 days of discharge that is clinically related to the initial admission, as defined by the Potentially Preventable Readmission (PPR) software created and maintained by the 3M Corporation, and meets all of the following criteria:

A. The readmission is potentially preventable by the provision of appropriate care consistent with accepted standards, based on the 3M software, in the prior discharge or during the post discharge follow-up period.

B. The readmission is for a condition or procedure related to the care during the prior discharge or the care during the period immediately following the prior discharge.

C. The readmission is to the same or to any other hospital.

ii. Admissions data, for the purposes of determining PPRs, excludes the following circumstances:

A. The discharge was a patient initiated discharge and was against medical advice and the circumstances of such discharge and readmission are documented in the patient's medical record.

B. The admission was for the purpose of securing treatment for a major or metastatic malignancy, multiple trauma, burns, neonatal and obstetrical admissions, HIV, alcohol or drug detoxification, non-acute events (rehabilitation admissions), or for hospitals defined in Chapter II.C.4, with an APR DRG code other than 740 through 760.

C. The admission was for an individual who was dually eligible for Medicare and Medicaid, or was enrolled in a Managed Care Organization (MCO).

07/13 D. Effective for state fiscal year 2014 and each year thereafter, admissions for children defined as less than the age of 19 that have a primary diagnosis at discharge for behavioral health. Children treated for an acute service, but have a secondary diagnosis of behavioral health are still included in the analysis, but the Pediatric/Behavioral Health Factor is applied.

iii. Non-events are admissions to a non-acute care facility such as a nursing home or an admission to an acute care hospital for non-acute care. Nonevents are ignored and are not considered to be a readmission.

iv. Planned readmissions as defined by 3M's team of clinicians are accounted for in the 3M PPR software as an "only admission" and are not considered to be a readmission.

b. Methodology to Determine Excess Readmissions.

07/13 i. For State Fiscal Year 2013.

A~~1~~.The baseline to determining any rate adjustment for State fiscal year 2013 for each hospital shall be based on each hospital's 2010 medical assistance paid claims data for admissions that occurred between July 1, 2009, and June 30, 2010.

B~~2~~.The targeted rate of readmission for each hospital shall be adjusted by the percent necessary to achieve a savings of at least $40 million in State fiscal year 2013 for hospitals other than the "large public hospitals" defined in Chapter XXI.

C~~3~~.Excess readmissions for each hospital shall be calculated by multiplying a hospital's qualifying admissions by the difference between the actual rate of PPRs and the targeted rate of PPRs. Each hospital's targeted rate is described at: www2.illinois.gov/hfs/MedicalProvider/PPRReports/Pages/default.aspx

D4.In the event the actual rate of PPRs for a hospital is lower than the targeted rate of PPRs, the excess number of readmissions shall be set at zero.

07/13 ii. For State Fiscal Year 2014 and thereafter.

A. The targeted rate of readmission for the Current Year 2014 shall be based on the inpatient hospital medical assistance services provided in the data year of 2011 for admissions that occurred between July 1, 2010 and June 30, 2011. The data year will be updated one year for determining the targeted rate of readmission for each Current Year thereafter.

B. The average statewide expected rate of readmission will be multiplied by .85 for acute services and .90 for behavioral health services. This multiplication factor sets a goal that is specific to each hospital that lowers the target rate of readmission rather than maintaining the statewide average.

C. A Pediatric/Behavioral Health Factor is applied to those services provided at a Tier I Pediatric Intensive Care Unit (PICU) to account for the higher PPR rate for the higher acuity children.

D. Excess readmissions for each hospital shall be calculated by subtracting the actual number of PPR chains from the targeted number of PPR.

E. In the event the actual number of PPR chains for a hospital is lower than the targeted number of PPR chains, the excess number of readmission shall be set at zero.

c. Payment Reduction Calculation

07/13 i. For state fiscal year 2013, h~~H~~ospitals with excess readmissions shall have their inpatient rates reduced in proportion to the amount of such excess readmission, as necessary to achieve annual savings of $40 million, through reduced payments or cost avoidance attributable to the hospital. Payment Reduction Calculation for State fiscal year 2013

A. ~~i.~~ An average readmission payment per PPR chain for each hospital shall be calculated by dividing the total medical assistance net liability attributable to the readmissions associated with the hospital's PPR chains (excluding the liability associated with the initial admission) by the number of PPR chains for the hospital.

B. ~~ii.~~ The total excess readmission payments shall equal the average readmission payment per PPR chain, as determined in section c.i A multiplied by the excess readmissions as determined in section b.i.C.

C. ~~iii.~~ The total annual payment reduction for each hospital shall be the lesser of the total excess readmission payments as determined above not to exceed 7% of the hospitals inpatient claims payments.

ii. For state fiscal year 2014 and each year thereafter, hospitals with excess readmissions hospitals will have one year to reduce their readmissions. After the fiscal year is closed and all inpatient hospital data has been submitted to the department and analysis will be performed to determine if hospitals were able to reduce their readmissions and cost avoid any of the payment penalty owed. For those hospitals that still owe a payment penalty, one half of the amount owed will paid to the department in 12 equal monthly payments beginning July 1, 2015, and each year thereafter.

A. An average readmission payment penalty per PPR chain for each hospital shall be calculated by dividing the total medical assistance net liability attributable to the readmissions associated with the hospital's PPR chains (excluding the liability associated with the initial admission) by the number of PPR chains for the hospital..

B. The total excess readmission payment penalty shall equal the average readmission payment per PPR chain, as determined in subsection c.ii.A.above multiplied by the excess readmissions as determined in subsection F.4.b.ii.D. of this Chapter.

C. The total annual payment reduction for each hospital shall be the total excess readmission payment penalty as determined above not to exceed 3% of the hospitals inpatient payments.

D. Prior to collection of the payment penalty, an analysis will be conducted of the Current Year data to determine if any of the payment penalty was cost avoided. Once the Current Year is complete and all inpatient hospital claims data has been received and adjudicated by the Department, the Department will calculate the hospital's Actual Rate of readmission using the same version of the PPR software that was used to calculate the Base Year. A comparison of the Base Year to the Current Year will be done to see if hospitals were able to reduce their readmissions and their average cost per PPR chain

d. Definitions

"Qualifying Admission" shall mean the number of PPR chains plus the number of "Only Admissions", but specifically excludes the admissions detailed in 4.a.ii.of this section.
"Actual Rate" shall mean the number of PPR chains for a hospital divided by the total number of qualifying admissions for the hospital.
"Targeted Rate of Readmissions" shall mean a risk adjusted readmission rate for each hospital that accounts for the severity of illness, APR-DRG, presence of behavioral health issues, and age of patient at the time of discharge preceding the readmission.

"Tier I Pediatric Intensive Care Unit (PICU)" means a hospital that is either freestanding or has a Distinct Part Unit having pediatric trauma units and provides two of the three following sets of procedures: pediatric transplants, Extracorporeal Membrane Oxygenation (ECMO), or complex pediatric cardiac surgeries.

"Pediatric/Behavioral Health Factor" means a factor that is a calculation of PPR for both children and adult with and without a secondary diagnosis of behavioral health. This is a risk adjustment factor. This factor is multiplied by a hospitals' Actual Rate of PPR at the service level before it is compared to the statewide average rate of PPR in order to calculate the hospital's Actual Rate of readmission. There are 3 categories of factors that are calculated and within each category there are three factors that are calculated for a total of 9 factors. The categories include pediatric at a non Tier 1 PICU Facility, a pediatric at a Tier 1 PICU facility and an adult. Within each

category the three factor calculations include a primary diagnosis of non behavioral health with no presence of behavioral health, a primary diagnosis of non behavioral health with a secondary diagnosis of behavioral health and a primary diagnosis of behavioral health.

"Base Year" means state fiscal year 2010 and it is the initial data year the department used to calculate the statewide average PPR rate. Each hospital's Current Year is compared to the Base Year to measure the hospital's PPR performance over time.

"Current Year" means the state fiscal year in which targeted rate of readmission is set for hospitals to achieve their targeted rates of readmission.

"Data Year" means the most recent fully adjudicated claims data in a state fiscal year available to the department which is used to calculate the actual rate of readmission and the targeted rate of readmission for each hospital.

10/93 G. Furnishing of Inpatient Hospital Services Directly or Under Other Arrangements

1. The applicable payments made under the PPS are payment in full for all inpatient hospital services other than for the services of non-hospital-based physicians to individual program participants and the services of certain hospital-based physicians as described in Sections G.1.b.i.through G.1.b.v. of this Chapter.