

**KANSAS MEDICAID STATE PLAN**

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## Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

9.0000 Public process for proposed changes in methods and standards for establishing payment rates – inpatient hospital care. The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

10.0000 Direct and Indirect Graduate Medical Education Payments

Effective with discharges on and after January 1, 2005, payments will be made for graduate medical education (GME) services for Kansas hospital inpatient claims. This payment is in addition to the standard DRG payment. This section only applies to hospitals being reimbursed using the DRG methodology. This section does not apply to hospitals being reimbursed under Section 4.0000.

The hospital-specific medical education rate has two components, the direct graduate medical education (DGME) rate and the indirect medical education (IME) rate. The sum of the two rates, or fractions, is the overall graduate medical education (GME) factor, or rate, for the hospital and for application to the DRG payment. These are computed as follows:

- Direct Medical Education (DGME): For discharges on and after January 1, 2005, the DGME factor is the lesser of total direct medical education cost or aggregate approved costs divided by the total costs of the hospital. This data is from the most recent available Medicare cost report as of the start of each State fiscal year.
- For discharges on and after July 1, 2009, the DGME ratio will be similar to Medicare's DGME formula. The DGME factor will be determined by dividing the hospital's Medicaid patient days by the hospital's total patient days, per worksheet E-3, Part IV, line 5 of the Medicare cost report. This fraction is multiplied by the hospital's total DGME allowable amount as identified on worksheet E-3, Part IV, line 3.25 of the Medicare cost report form. The resulting amount is divided by the Medicaid DRG base amount, for each hospital from the State's most recent fiscal year end. The data is from the Medicare cost report, for each hospital, used for the annual update of the inpatient MS DRG peer group rates and weights.
- Indirect Medical Education (IME) Factor =  $2.1 \times ((1 + \text{ratio of full time equivalent interns and residents to hospital beds excluding nursery})^{0.405} - 1)$ . This data is from the Medicare cost report, for each hospital, used for the annual update of the inpatient MS DRG peer group rates and weights.
- Hospital-Specific Medical Education Rate = Medicaid hospital DRG Group rate (peer group rate) X (DGME factor + IME factor).
- The hospital's GME claim payment is determined by multiplying the hospital-specific medical education rate times the claim DRG base amount (hospital peer group amount multiplied by the DRG weight for the claim).
- Payments shall be made at least quarterly based upon the claims processed and paid during the previous quarter. This applies to claims that are applicable to this section of the State Plan that have not previously been reimbursed for medical education.

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## OS Notification

**State/Title/Plan Number:** Kansas 09-005

**Type of Action:** SPA Approval

**Required Date for State Notification:** 1/21/2010

**Fiscal Impact:** FFY 09 \$-0- FFY 10 \$1,836,883

**Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment:** 0

**Number of Potential Newly Eligible People:** 0

or

**Eligibility Simplification:** No

**Provider Payment Increase: Yes or Decrease: No**

**Delivery System Innovation: No**

**Number of People Losing Medicaid Eligibility:** 0

**Reduces Benefits: No**

### **Detail:**

Effective July 1, 2009, this amendment modifies the State's indirect medical education payment methodology. The State follows the Medicare program's basic indirect medical education formula in calculating Medicaid indirect medical education payments, but modifies the prescribed Medicare IME multiplier factor in order to fully expend amounts appropriated by the Legislation for medical education. The State is setting the factor at 2.1 for SFY 2010, versus a factor of 1.35 used in the Medicare program. There is adequate room available under the States UPL to make these payments.

### **Other Considerations:**

This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.

This OSN has been reviewed in the context of the ARRA and approval of the OSN is not in violation of ARRA provisions.

### **CMS Contact:**

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National Institutional Reimbursement Team