

KANSAS MEDICAID STATE PLAN

Attachment 4.19-A

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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.
 - o Effective for discharges on and after July 1, 2011, the IME factor is 1.42.
- 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.

TN# 11-07 Approval Date DEC 20 2011 Effective Date 07/01/11 Supersedes TN # 10-09

OS Notification

State/Title/Plan Number: Kansas 11-007

Type of Action: SPA Approval

Required Date for State Notification: 1/10/2012

Fiscal Impact: FFY 11 \$ 0 FFY 12 (\$589,157)

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: No or **Decrease:** Yes

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Detail:

Effective July 1, 2011, this amendment proposes to adjust the Indirect Medical Education multiplier used to calculate quarterly payments from 1.72 to 1.42. GME is calculated and paid as a supplemental payment on a quarterly basis. The payments are based on activity from the previous quarter. Therefore, the payment for services rendered in the 4th quarter of Federal fiscal year 2011 are made in the 1st quarter of FFY 2012, resulting in no budget impact for FFY 2011.

The State funds payments with appropriations and a previously approved provider tax. There are no UPL issues. Tribal consultation was not required for this SPA.

When questioned on this SPA's impact on beneficiary access to care, the State responded that the SPA would not impact access to care for the following reasons: The adjusted IME multiplier will still be higher than Medicare's IME multiplier. The GME payment is a derivative of the DRG base payment, and the base peer group payment rates are not being changed. The adjustment will slightly impact payments to teaching hospitals and any remaining uncompensated care will be factored into the State's Disproportionate Share Hospital qualification and distribution methodologies for potential recovery.

Further analysis by the NIRT determined that there will be 8 hospitals affected by this change. These 8 hospitals receive 96% of their Medicaid reimbursement through regular DRG service payments. The reduction in GME payments will amount to only approximately 0.6% of their total expected Medicaid reimbursement. Access to care should not be an issue.

Other Considerations:

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

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National Institutional Reimbursement Team