

Table of Contents

State/Territory Name: KS

State Plan Amendment (SPA) #: 13-05

This file contains the following documents in the order listed:

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

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



Center for Medicaid and CHIP Services

DEC 05 2013

Susan Mosier, Director
Division of Health Care Finance
Kansas Department of Health and Environment
900 SW Jackson, Room 900N
Topeka, KS 66612-1220

RE: Kansas State Plan Amendment TN: 13-05

Dear Ms. Mosier:

We have reviewed the proposed amendment to Attachments 4.19-A and 4.19-B of your Medicaid State plan submitted under transmittal number (TN) 13-05. This amendment modifies the payment provisions for Large Public Kansas Teaching Hospitals and Border City Children's Hospitals and modifies the rate setting methodology for Critical Access Hospitals. This amendment was submitted as required by Special Term and Condition No. 67.c. of the KanCare 1115 waiver.

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 13-05 is approved effective January 1, 2013. We are enclosing the HCFA-179 and the amended plan pages.

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

Sincerely,

Cindy Mann /
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: SPA #KS 13-05	2. STATE Kansas
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE January 1, 2013	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> 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 2013 \$(15,528,259) b. FFY 2014 \$(32,409,553)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Pages 25c, 25d, 25e & 25f Attachment 4.19-B, Page #5, 1a		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, Pages 25c, 25d, 25e & 25f Attachment 4.19-B, Page #5, 1a	
10. SUBJECT OF AMENDMENT: Critical Access Hospital			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		X OTHER, AS SPECIFIED: Kari Bruffett is the Governor's Designee	
12. SIGNATURE OF STATE AGENCY OFFICIAL:			
13. TYPED NAME: for Kari Bruffett			
14. TITLE: Director, Division of Health Care Finance			
15. DATE SUBMITTED: March 13, 2013			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: DEC 05 2013	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JAN 01 2013		20. SIGNATURE OF REGIONAL OFFICIAL:	
21. TYPED NAME: Penny Thompson		22. TITLE: Deputy Director, Policy & Financial Mgt. CRES	
23. REMARKS:			

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

2.6000 Settlements and Recoupments

There shall be no year end settlements under the DRG reimbursement system. However, some settlements and recoupments may occur because of Surveillance/Utilization Review or other reviews which determine that payments were in error.

3.0000 General Hospital Reimbursement for Inpatient Services Excluded from The DRG Reimbursement System

Effective January 18, 2013, reimbursement for heart, liver and bone marrow transplant services shall be excluded from the DRG payment system. Reimbursement for these transplants shall be based upon the lesser of reasonable costs or customary charges, contingent upon transplant surgery. Due to the unusual nature of these services, negotiated rates which pay no more than the DRG daily rate may be paid. For services provided prior to the transplant surgery, or if transplant surgery is not performed, reimbursement shall be made according to the DRG payment system.

3.1000 Critical Access Hospital Reimbursement

The Critical Access Hospital (CAH) cost settlement process will end for inpatient discharges and outpatient dates of services on or after 1/1/2013. Settlement related to inpatient discharges and outpatient dates of service prior to 1/1/2013 will continue per previous State Plan Amendment methodology until finalized.

Effective 1/1/2013, a CAH Adjustment Factor (CAF) will be applied to CAH reimbursement for the Inpatient Discharges and Outpatient dates of service on or after 1/1/2013. The hospital-specific CAF is a prospective factor calculated using experience in previous cost reporting years. The factor for Year 1 (calendar 2013) is based upon the 2011 cost reporting period. Year 2 will be calculated using year-end 2012 cost reports, and so forth. The funds associated with the CAF are capped prospectively with hospital specific factors. (By contract, managed care organizations adopt the CAF methodology as the basis for their CAH reimbursement.)

For calendar year 2013, the CAF is calculated as the difference between each hospital's Fee For Service incurred costs and Fee For Service payments received as a ratio to total payments received. The period for this calculation is based on each CAH's cost reporting period ending in 2011, and factors are developed separately for both inpatient and outpatient. The CAF is adjusted to make it consistent prospectively with statewide aggregate CAH cost settlements during the 2011 cost reporting period.

After 2013, an adjustment to the CAF will be included for prior year overpayment or underpayment that may have occurred in the aggregate relative to the estimated cap. CAHs will always receive at least the fee-for-service rate. Beginning with cost reporting year 2013, all allowable Medicaid charges will be used to calculate the CAF.

Allowable Medicaid costs are defined as the costs Medicare defines as allowable on the Medicare finalized cost report. The Medicare fiscal intermediary's review of the Medicare cost report is

relied on for the determination of reasonable costs and the finalized Medicare cost report will be used for determining final Medicaid allowable costs. TN#KS 13-05 Approval Date
Effective Date 01/01/13 Supersedes TN # 09-04

DEC 05 2013

KANSAS MEDICAID STATE PLAN

Attachment 4.19-A

Page 25d

4.0000 Reimbursement for Inpatient Services in State Operated Psychiatric and Large Public Kansas Teaching Hospital

Reimbursement for inpatient services in state operated psychiatric hospitals shall be based upon the lesser of reasonable costs or customary charges for covered services rendered to eligible individuals. These costs shall include Medicare allowable costs, including but not limited to malpractice, capital, physician services, and education as allowed under federal law.

Reimbursement for inpatient services in large public Kansas teaching hospitals is determined upon the Standard DRG payment plus an additional amount for outlier claims. Outlier payments for large public Kansas teaching hospitals are calculated consistent with the method described at 2.5100 and 2.5300.

4.1000 Reimbursement for Inpatient Services in Border City Children's Hospitals

Reimbursement for inpatient services in border city children's hospitals is determined upon the Standard DRG payment plus an additional amount for outlier claims. Outlier payment for border city children's hospitals are calculated consistent with the method described at 2.5100 and 2.5300.

KANSAS MEDICAID STATE PLAN

**Attachment 4.19-A
Page 25e**

(Reserved for future use)

KANSAS MEDICAID STATE PLAN

**Attachment 4.19-A
Page 25f**

(Reserved for future use)

TN#KS 13-05 Approval Date DEC 05 2013 Effective Date 01/01/13 Supersedes TN # 08-07

KANSAS MEDICAID STATE PLAN

Attachment 4.19-B

#5

Page 1a

Methods and Standards for Establishing Payment Rates

Outpatient Services

Critical Access Hospital (CAH) Outpatient Services (continued)

Effective for dates of service on or after October 5, 2007, critical access hospital outpatient services are reimbursed 100% of the reasonable cost of providing the services, as determined under applicable Medicare principles of reimbursement, except that the following principles do not apply: the lesser of cost or charges (LCC) rule and the reasonable compensation equivalent (RCE) limits for physician services to providers. Payments are adjusted to reflect elimination of fee schedule methods for specific services such as laboratory and radiology services. Final reimbursement for these and other outpatient services is made in accordance with reasonable cost principles.

Allowable Medicaid costs are defined as the costs Medicare defines as allowable on the Medicare finalized cost report. The Medicare cost report will be used to determine the Medicaid allowable costs and the Medicare fiscal intermediary's review of the Medicare cost report will be relied on for determining allowable costs.

The Critical Access Hospital (CAH) cost settlement process will end for outpatient dates of services on or after 1/1/2013. Settlement related to outpatient dates of service prior to 1/1/2013 will continue per previous State Plan Amendment methodology until finalized.

Effective 3/22/2013, a CAH Adjustment Factor (CAF) will be applied to CAH reimbursement for Outpatient dates of services on or after 3/22/2013. The CAF will be applied and reimbursed on a per claim basis. The hospital-specific CAF is a prospective factor calculated using experience in previous cost reporting years. The factor for Year 1 (calendar 2013) is based upon the 2011 cost reporting period. Year 2 will be calculated using year-end 2012 cost reports, and so forth. The funds associated with the CAF are capped prospectively with hospital specific factors. (By contract, managed care organizations adopt the CAF methodology as the basis for their CAH reimbursement.)

For calendar year 2013, the CAF is calculated as the difference between each hospital's Fee For Service incurred costs and Fee For Service payments received as a ratio to total payments received. The period for this calculation is based on each CAH's cost reporting period ending in 2011, and factors are developed separately for both inpatient and outpatient. The CAF is adjusted to make it consistent prospectively with statewide aggregate CAH cost settlements during the 2011 cost reporting period.

After 2013, an adjustment to the CAF will be included for prior year overpayment or underpayment that may have occurred in the aggregate relative to the estimated cap. CAHs will always receive at least the fee-for-service rate. Beginning with cost reporting year 2013, all allowable Medicaid charges will be used to calculate the CAF.

TN # KS 13-05 Approval Date DEC 05 2013 Effective Date 01/01/13 Supersedes TN# 07-13