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State/Territory Name: Kansas

State Plan Amendment (SPA) #:15-0007

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



Financial Management Group

MAR 07 2016

Michael Randol, Director
Division of Health Care Finance
Kansas Department of Health and Environment
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

RE: Kansas State Plan Amendment TN: 15-007

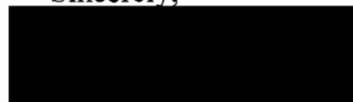
Dear Mr. Randol:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 15-007. This amendment (SPA) modifies the methodology for the recoupment and redistribution of disproportionate share hospital (DSH) overpayments identified through the annual DSH audits. As previously explained to the State, and as outlined in our CMCS Information Bulletin dated June 21, 2011, the methodology approved in this SPA can only be applied to DSH payments made for State fiscal year 2016 and after.

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 implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment 15-007 is approved effective July 1, 2015. We are enclosing the CMS-179 and the amended plan pages.

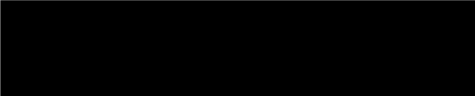

If you have any questions, please call Tim Weidler at (816) 426-6429.

Sincerely,



Kristin Fan
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		1. TRANSMITTAL NUMBER: <u>KS 15-007</u>	2. STATE Kansas
		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 July 1, 2015	
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 2015 \$0 b. FFY 2016 \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-A, Page 31 & 31a		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-A, Page 31 & 31a	
10. SUBJECT OF AMENDMENT Disproportionate Share Hospital (DSH)			
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		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Michal Randol is the Governor's Designee	
12. SIGNATURE OF STATE AGENCY OFFICIAL 		16. RETURN TO Michael Randol, Director KDHE, Division of Health Care Finance Landon State Office Building 900 SW Jackson, Room 900-N Topeka, KS 66612-1220	
13. TYPED NAME for Michael Randol			
14. TITLE Director, Division of Health Care Finance			
15. DATE SUBMITTED July 21, 2015			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED		18. DATE APPROVED MAR 07 2016	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL JUL 01 2015		20. SIGNATURE OF REGIONAL OFFICIAL 	
21. TYPED NAME Kristen FAN		22. TITLE Director, FMG	
23. REMARKS			

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

6.3000 Allocation of DSH Funds (continued)

hospital's cost report as identified in Section 6.2000 B. The total hospital cost will be the total cost from Worksheet B Part I of the cost report less any costs associated with non-hospital services such as: Skilled Nursing Facilities (SNF), Nursing Facility (NF), Rural Health Clinics (RHC), and Federally Qualified Health Centers (FQHC). The hospital burden will be calculated as follows:

- i. F = Facility's Burden ($UCC / \text{Total Costs}$)
The term "Total Costs" as used in this section is referring to the total hospital related costs, excluding any SNF, NF, clinics, etc.
- ii. F^L = Lowest % Burden of DSH Eligible Facilities
- iii. F^H = The Average of the Three Highest % Burdens of DSH Eligible Hospitals
- b. Range of DSH Proportion:
 - i. P = Percentage Rank = $(F - F^L) / (F^H - F^L)$
 - ii. P^L = Proportion of Rank-Adjusted DSH Limit Covered – P^L represents the proportion of the percentage rank-adjusted UCC cost that will be covered for the hospital. The proportion P^L is the same for each hospital and cannot exceed 100%. The Proportion of Rank-Adjusted DSH Limit Covered is one of the final elements calculated in the DSH methodology and is incrementally raised or lowered until the entire Federal DSH allotment for the State of Kansas has been allocated.
 - iii. P^H = Maximum Percentage Rank (P^H is fixed at 100% to ensure that each facility's UCC is not exceeded).
 - iv. D = Facility's UCC
- c. Formula for DSH Payment:
 - i. If $P > P^H$ then $P^L \times (P^H \times D)$ else $P^L \times (P \times D)$

E. Eligible hospitals that are defined as Institutes for Mental Disease (IMD) will receive an allocation of DSH funds from the allotted IMD pool as defined in 6.3000 B above. The allocation to DSH eligible IMD hospitals will be calculated by dividing each eligible IMD hospital's UCC by the total UCC for all DSH eligible IMD hospitals. The percentage calculated will then be multiplied times the total allotment for IMD hospitals as defined in section 6.3000 B above. Each IMD hospital will receive the lower of the calculated amount or their UCC as defined in 6.2000 B.

F. DSH payments found in the DSH audit process that exceed the hospital-specific DSH limits may be recouped from the hospitals to reduce their DSH payments to their hospital-specific DSH limit. Any payments that are recouped from hospitals as a result of the DSH audit will be redistributed to hospitals that are shown to have been paid less than their facility specific DSH limits. Total redistribution payments may not exceed total DSH recoupment collected to date. To redistribute the funds, the State will do the following.

1. Hospitals closed or bankrupt as of the date of the redistribution calculation may be excluded from the funds available for redistribution and will be excluded from any available redistribution.

KANSAS MEDICAID STATE PLAN

Attachment 4.19-A

Page 31a

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

6.3000 Allocation of DSH Funds (continued)

2. Redistribute the state IMD DSH recoupment to all other eligible state IMD hospitals that are shown to have been paid less than their facility specific DSH limits in the DSH audit. The redistribution will occur proportionally based on each hospital's total available uncompensated care cost in the DSH audit (shortfall) to the total shortfall for all state IMD hospitals, not to exceed each hospital-specific DSH limit. Any overpayment which cannot be redistributed within the state-IMD hospitals will be redistributed to non-IMD state hospitals using the same methodology.

3. Redistribute the remaining DSH recoupment to all in-state eligible hospitals that are shown to have been paid less than their facility specific DSH limits in the DSH audit. The redistribution will occur proportionally based on each hospital's remaining uncompensated care cost in the DSH audit (shortfall) to the total shortfall for all in-state eligible hospitals, not to exceed each hospital-specific DSH limit.

- G. Provider Payment Adjustment: If a provider Medicaid non-DSH payment (claims, supplemental, etc) is adjusted in a subsequent period and the amount previously was included in the calculation of the provider's uncompensated care, the claims payment adjustment impact on uncompensated care for DSH will be reflected in the period of adjustment (repayment). As such, the transaction will be treated prospectively and prior year DSH payments will not be adjusted.

6.4000 Transition Provisions

The following transition provisions are provided to allow hospitals that experience a significant change in their allocated DSH funds due to the new methodology, a gradual change in their DSH reimbursement. The base period for transition calculations will be the DSH payments that were calculated for fiscal year 2007. The transition provisions vary among the critical access hospitals (CAH), and the non-CAH. The transition provisions will be applied to the computed DSH payments in the following order: