

## **Table of Contents**

**State/Territory Name: KS**

**State Plan Amendment (SPA) #: 16-0009**

This file contains the following documents in the order listed:

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

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**Financial Management Group**

**MAY 23 2017**

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

RE: Kansas State Plan Amendment TN: 16-009

Dear Mr. Randol:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 16-009. This amendment provides for a 4.00% reduction in inpatient hospital Diagnosis Related Group (DRG) outlier payment rates for all hospitals other than critical access hospitals, hospitals located in frontier, rural and densely settled rural counties, and state-operated psychiatric hospitals.

As part of our review of the pending SPA, we requested the State to demonstrate that the payment rate decrease would not restrict access to services for the fee-for-service population in the Kansas Medicaid program. The State provided data confirming that 97% of Medicaid beneficiaries in Kansas receive care through a managed care arrangement and that the 3% remaining in the fee-for-service system includes individuals that receive limited specialty services or services in periods of presumptive or retro-active eligibility. Based on this information, the state concluded that access will not be affected by the rate reductions under SPA 16-009. The State must continue to monitor access to care for the fee-for-service population and promptly notify us if access to care appears to be lessening.

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 16-009 is approved effective July 1, 2016. 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:  
KS 16-009

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, 2016

5. TYPE OF PLAN MATERIAL (Check One)

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

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

6. FEDERAL STATUTE/REGULATION CITATION  
42 CFR 447-250

7. FEDERAL BUDGET IMPACT  
a. FFY 2016 (\$ 61,243)  
b. FFY 2017 (\$244,972)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, Page 21, 23 & 24

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable)

Attachment 4.19-A, Page 21, 23 & 24

10. SUBJECT OF AMENDMENT

This is a change to the DRG adjustment percentage when calculating the outlier payment.

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

☒ OTHER, AS SPECIFIED:  
Michal Randol is the  
Governor's Designee

12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME  
for Michael Randol

14. TITLE  
Director, Division of Health Care Finance

15. DATE SUBMITTED  
September 21, 2016

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

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED

18. DATE APPROVED

MAY 23 2017

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL

JUL 01 2016

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME

Kristen FAN

22. TITLE

Director, FMC

23. REMARKS

# KANSAS MEDICAID STATE PLAN

Attachment 4.19-A

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

### 2.5100 Identification of Outlier Claims.

Each claim that is eligible for an outlier payment, will be tested to determine whether it meets the cost and/or day outlier criteria. If the claim does not qualify as either a cost or a day outlier, the standard DRG payment will be made to the hospital, unless the claim falls under one of the categories discussed in subsections 2.5400 through 2.5720 and another method is used for computing payment.

### 2.5110 Test for Cost Outlier

The covered charges on the claim will be multiplied by the pre-established Medicaid cost to charge ratio for the hospital (subsection 2.4700) to estimate the cost of the claim. If the estimated cost is higher than the cost outlier limit established for the DRG which has been assigned to the claim, a cost outlier payment will be made to the hospital in addition to the standard DRG amount.

### 2.5120 Testing for Day Outlier

If the covered length of stay on the claim is higher than the day outlier limit established for the DRG that has been assigned to the claim, a day outlier payment will be made to the hospital in addition to the standard DRG amount.

### 2.5130 Example of Testing for Outlier

#### Data

Hospital Data:	Group Payment Rate	\$ 2,836
	Cost to Charge Ratio	.78
Claim Data:	Covered Charges	\$39,760
	Covered Length of Stay	50 days
DRG Data:	DRG Weight	4.2294
	Cost Outlier Limit	\$32,899
	Day Outlier Limit	67 days
	Daily Rate	\$ 503
	Adjustment Percentage	.55

#### Computation/Comparison

#### Testing for Cost Outlier

Estimated Cost of Claim	=	Covered Charges x Ratio
	=	\$39,760 x .78
	=	\$31,013

Compare With Cost Outlier Limited \$32,899

# KANSAS MEDICAID STATE PLAN

Attachment 4.19-A

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

### 2.5310 continued

#### Example of Computing Cost Outlier Payment:

##### Data

Hospital Data : Same as subsection 2.5130  
 Claim Data : Covered Charges...\$45,980  
 DRG Data : Same as subsection 2.5130  
 Standard DRG Payment: \$11,995 (from subsection 2.5200)  
 Assumption : Not a day outlier

##### Computations

Estimated Cost = Covered Charges x Hospital Ration  
 = \$45,980 x .78  
 = \$35,864

Payment for Cost Estimated Cost Outlier DRG Adj.  
 Outlier Portion = (Cost - Limit) x Percentage  
 = (\$35,864 - \$32,899) x .55  
 = \$1,631

Total Payment = Std. DRG Pymt + Outlier Pymt.  
 = \$11,995 + \$1,631  
 = \$13,626

### 2.5320 Day Outlier Payment

The payment for the day outlier portion will be obtained by multiplying the difference between the covered length of stay and the applicable day outlier limit, by the DRG daily rate and the DRG adjustment percentage.

#### Example of Day Outlier Payment Computation:

##### Data

Hospital Data : Same as subsection 2.5130  
 Claim Data : Covered Length of Stay.....73 days  
 DRG Data : Same as subsection 2.5130  
 Standard DRG Payment: \$11,995 (from subsection 2.5200)  
 Assumption : Not a cost outlier

##### Computations

Payment for Covered Day DRG DRG  
 Day Outlier = [Length - Outlier] x Daily x Adjustment  
 Portion [of Stay Limit ] x Rate Percentage  
 = (73 - 67) x \$503 x .55  
 = \$1,660

# KANSAS MEDICAID STATE PLAN

Attachment 4.19-A

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

### Section 2.5320 continued

Total Claim		
Payment	=	Standard DRG Payment + Outlier Payment
	=	\$11,995 + \$1,660
	=	\$13,655

### 2.5330 Simultaneous Cost and Day Outlier Payment

If a covered general hospital inpatient stay is determined to be both a cost outlier and a day outlier, the reimbursement will be the greater of the amounts computed for cost outlier and day outlier.

Example of Payment for Simultaneous Cost and Day Outlier:

#### Data

Total Claim Payment for Cost Outlier...\$13,626 (subsection 2.5310)

Total Claim Payment for Day Outlier....\$13,655 (subsection 2.5320)

#### Analysis

The higher of the two amounts, \$13,655, will be the reimbursement amount for the claim which meets both cost outlier and day outlier criteria.

### 2.5340 Pay No More Than Charges

After the determination of the payment, including any applicable outliers, hospitals shall be paid the lesser of the Medicaid allowed amount and their allowed charges. Allowed charges are determined based upon which revenue codes are allowed as covered services.

### 2.5400 Payment for Transfers

When a recipient is transferred during a covered general hospital inpatient stay from one hospital to another hospital, or to a psychiatric or rehabilitation wing of the same hospital, the reimbursement to all hospitals involved in the transfer(s) will be computed as follows.

### 2.5410 Transferring Hospital(s)

The reimbursement to each transferring general hospital shall be the DRG daily rate for each covered day of stay. Total payment to each transferring hospital shall be no greater than the standard DRG amount, except where the transferring hospital is eligible for outlier payments.

### 2.5420 Discharging Hospital

The discharging general hospital shall be reimbursed the standard DRG amount. If the claim qualifies as an outlier, the discharging hospital shall be eligible for an outlier payment based solely on the length of stay at the discharging hospital.