

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, CHIP, and Survey & Certification

Mr. Don Gregory, Director
Bureau of Health Services Financing
Department of Health and Hospitals
Post Office Box 91030
Baton Rouge, Louisiana 70821-9030

JUN - 6 2011

Attention: Sandra Victor

RE: Louisiana 11-08

Dear Mr. Gregory:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 11-08. The purpose of this amendment is to adjust reimbursement rates paid to non-rural, non-state inpatient hospitals for neonatal and pediatric intensive care units and revise the reimbursement methodology for outlier payments.

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. As part of the review process the State was asked to provide information regarding funding of the State share of expenditures under Attachment 4.19-A. Based upon your assurances, Medicaid State plan amendment 11-08 is approved effective January 21, 2011. We are enclosing the HCFA-179 and the new plan pages.

If you have any questions, please call Sandra Dasheiff, CPA at (214) 767-6490.

Sincerely,

Cindy Mann
Director

Center for Medicaid, CHIP, and Survey & Certification

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

11-08

2. STATE

Louisiana

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 21, 2011

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, Subpart C

7. FEDERAL BUDGET IMPACT:

a. FFY 2011

* ~~\$0.00~~ \$1,722,719

b. FFY 2012

~~\$0.00~~

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, Item 1, Page 7c
Attachment 4.19-A, Item 1, Page 7c (1)
Attachment 4.19-A, Item 1, Page 7c (2)
Attachment 4.19-A, Item 1, Page 7c (3)
Attachment 4.19-A, Item 1, Page 8
Attachment 4.19-A, Item 1, Page 8a
Attachment 4.19-A, Item 1, Page 8a (1)

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 PAGE NUMBER OF THE SUPERSEDED PLAN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

Pending (TN 10-73)
None (New Page)
None (New Page)
None (New Page)
Same (TN 02-10)
-Pending (TN 10-51)
None (New Page)

10. SUBJECT OF AMENDMENT: The purpose of this amendment is to adjust reimbursement rates paid to non-rural, non-state inpatient hospitals for neonatal and pediatric intensive care units and revise the reimbursement methodology for outlier payments.

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:

The Governor does not review state plan material.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Bruce D. Greenstein

14. TITLE:
Secretary

15. DATE SUBMITTED:
March 24, 2011

16. RETURN TO:

Don Gregory, Medicaid Director
Department of Health and Hospitals
628 N. 4th Street
PO Box 91030
Baton Rouge, LA 70821-9030

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 25 March, 2011

18. DATE APPROVED: 06-06-11

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JAN 21 2011

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
William Lasowski

22. TITLE:
Deputy Director, CMCS

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM

ATTACHMENT 4.19-A
Item 1, Page 7.c

STATE OF LOUISIANA
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2. Qualifying NICU Level III regional services with current per diem rates that are less than 85 percent of the NICU Level III regional specialty group rate shall have their per diem rates adjusted to equal 85 percent of the specialty group rate.
3. Qualifying PICU Level I services with current per diem rates that are less than 77 percent of the PICU Level I specialty peer group rate shall have their per diem rates adjusted to equal 77 percent of the specialty peer group rate.
4. Qualifying PICU Level II services with current per diem rates that are less than the PICU Level II specialty peer group rate shall have their per diem rates adjusted to equal 100 percent of the specialty group rate.

Effective for dates of service on or after February 3, 2010, the inpatient per diem rate paid to private acute care hospitals, including long term hospitals, shall be reduced by 5 percent of the per diem rate on file as of February 2, 2010.

Effective for dates of service on or after August 1, 2010, the inpatient per diem rate paid to private acute care hospitals, including long term hospitals, shall be reduced by 4.6 percent of the per diem rate on file as of July 31, 2010.

Effective for dates of service on or after January 1, 2011, the inpatient per diem rate paid to private acute care hospitals, including long term hospitals, shall be reduced by 2 percent of the per diem rate on file as of December 31, 2010.

NICU Rate Adjustment

Effective for dates of service on or after March 1, 2011, the per diem rates for Medicaid inpatient services rendered by NICU Level III and NICU Level III regional units, recognized by the Department as such on December 31, 2010, shall be adjusted to include an increase that varies based on the following five tiers:

Tier 1. The qualifying hospital's average percentage exceeds 10 percent, the additional per diem increase shall be \$601.98;

Tier 2. The qualifying hospital's average percentage is less than or equal to 10 percent, but exceeds 5 percent, the additional per diem increase shall be \$624.66;

Tier 3. The qualifying hospital's average percentage is less than or equal to 5 percent, but exceeds 1.5 percent, the additional per diem increase shall be \$419.83;

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TN# 10-73

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Tier 4. The qualifying hospital's average percentage is less than or equal to 1.5 percent, but greater than 0 percent, and the hospital received greater than .25 percent of the outlier payments for dates of service in state fiscal year (SFY) 2008 and SFY 2009 and calendar year 2010, the additional per diem increase shall be \$263.33; or

Tier 5. The qualifying hospital received less than 25 percent, but greater than 0 percent of the outlier payments for dates of service in SFY 2008 and SFY 2009 and calendar year 2010, the additional per diem increase shall be \$35.

Tier Placement Criteria

Placement into a tier will be determined by the average of a hospital's percentage of paid NICU Medicaid days for SFY 2010 dates of service to the total of all qualifying hospitals' paid NICU days for the same time period, and its percentage of NICU patient outlier payments made as of December 31, 2010 for dates of service in SFY 2008 and SFY 2009 and calendar year 2010 to the total NICU outlier payments made to all qualifying hospitals for these same time periods.

1. This average shall be weighted to provide that each hospital's percentage of paid NICU days will comprise 25 percent of this average, while the percentage of outlier payments will comprise 75 percent.
2. In order to qualify for Tiers 1 through 4, a hospital must have received at least .25 percent of outlier payments in SFY 2008, SFY 2009, and calendar year 2010.
3. SFY 2010 is used as the base period to determine the allocation of NICU and PICU outlier payments for hospitals having both NICU and PICU units.
4. If the daily paid outlier amount per paid NICU day for any hospital is greater than the mean plus one standard deviation of the same calculation for all NICU Level III and NICU Level III regional hospitals, then the basis for calculating the hospital's percentage of NICU patient outlier payments shall be to substitute a payment amount equal to the highest daily paid outlier amount of any hospital not exceeding this limit, multiplied by the exceeding hospital's paid NICU days for SFY 2010, to take the place of the hospital's actual paid outlier amount.

The Department shall evaluate all rates and tiers two years after implementation.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM

ATTACHMENT 4.19-A
Item 1, Page 7.c(2)

STATE OF LOUISIANA
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PICU Rate Adjustment

Effective for dates of service on or after March 1, 2011, the per diem rates for Medicaid inpatient services rendered by PICU Level I and PICU Level II units, recognized by the Department as such on December 31, 2010, shall be adjusted to include an increase that varies based on the following four tiers:

Tier 1. The qualifying hospital's average percentage exceeds 20 percent, the additional per diem increase shall be \$418.34;

Tier 2. If the qualifying hospital's average percentage is less than or equal to 20 percent, but exceeds 10 percent, the additional per diem increase shall be \$278.63;

Tier 3. If the qualifying hospital's average percentage is less than or equal to 10 percent, but exceeds 0 percent and the hospital received greater than .25 percent of the outlier payments for dates of service in SFY 2008 and SFY 2009 and the calendar year 2010, the additional per diem increase shall be \$178.27; and

Tier 4. If the qualifying received less than .25 percent, but greater than 0 percent of the outlier payments for dates of service in SFY 2008, SFY 2009 and calendar year 2010, the additional per diem increase shall be \$35.

Tier Placement Criteria

Placement into a tier will be determined by the average of its percentage of paid PICU Medicaid days for SFY 2010 dates of service to the total of all qualifying hospitals' paid PICU days for the same time period, and its percentage of NICU patient outlier payments made as of December 31, 2010 for dates of service in SFY 2008 and SFY 2009 and calendar year 2010 to the total PICU outlier payments made to all qualifying hospitals for these same time periods.

1. This average shall be weighted to provide that each hospital's percentage of paid PICU days will comprise 25 percent of this average, while the percentage of outlier payments will comprise 75 percent.
2. In order to qualify for Tiers 1 through 3, a hospital must have received at least .25 percent of outlier payments in SFY 2008, SFY 2009, and calendar year 2010.
3. SFY 2010 is used as the base period to determine the allocation of NICU and PICU outlier payments for hospitals having both NICU and PICU units.
4. If the daily paid outlier amount per paid PICU day for any hospital is greater than the mean plus one standard deviation of the same calculation for all PICU Level I and PICU Level II hospitals, then the basis for calculating the hospital's percentage of PICU patient outlier payments shall be to substitute a payment amount equal to the highest daily paid outlier amount of any hospital not exceeding this limit,

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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ATTACHMENT 4.19-A
Item 1, Page 7.c(3)

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PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - IN-PATIENT HOSPITAL CARE

multiplied by the exceeding hospital's paid PICU days for SFY 2010, to take the place of the hospital's actual paid outlier amount.

The Department shall evaluate all rates and tiers two years after implementation.

Payment for Graduate Medical Education (GME) costs must be limited to the direct cost of interns and residents in addition to the teaching physician supervisory costs. Teaching physician supervisory costs shall be limited in accordance with the provisions of the Medicare Provider Reimbursement Manual. The GME component of the rate shall be based on hospital specific graduate medical education Medicaid cost for the latest year on which hospital prospective reimbursements are rebased trended forward in accordance with the prospective reimbursement methodology for hospitals.

Hospitals implementing GME programs approved after the latest year on which hospital prospective reimbursements have been rebased shall have a GME component based on the first full cost reporting period that the approved GME program is in existence trended forward in accordance with the prospective reimbursement methodology for hospitals.

If it is subsequently discovered that a hospital has been reimbursed as a major or minor teaching hospital and did not qualify for that peer group for any reimbursement period, retroactive adjustment shall be made to reflect the correct peer group to which the facility should have been assigned. The resulting overpayment will be recovered through immediate recoupment from any funds due to the hospital from the Department.

In order for facilities that do not qualify as major or minor teaching facilities to be reimbursed for GME, the GME must be recognized by the Medical Assistance Program for reimbursement and shall be limited to facilities having a documented affiliation agreement with a Louisiana medical school accredited by the Liaison Committee on Medical Education (LCME).

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The following payments shall be made in addition to the prospective rate described above:

a. Infant Care

(1) Nursery Boarder Infants Payment

On some occasions a newborn remains in a hospital nursery after the mother has been discharged. Reimbursement is established at the weighted median for all hospitals providing maternity care, based on 1991 cost inflated to the implementation year as described in "Inflation Factor" above, and annually thereafter.

(2) Well Baby Care

A separate prospective per diem rate is established for well baby care rendered to infants who are discharged at the same time that the mother is discharged. The separate per diem rate for well baby care shall be available to private hospitals that perform more than 1500 Medicaid deliveries per year. The per diem rate for well baby care shall be the lesser of actual costs as documented on the last finalized cost report or the rate for a nursery boarder.

b. Outlier Payments

In compliance with the requirement of §1902(s)(1) of the Social Security Act, additional payment shall be made for catastrophic costs associated with services provided to 1) children under age six who received inpatient services in a disproportionate share hospital setting, and 2) infants who have not attained the age of one year who received inpatient services in any acute care setting.

Cost is defined as the hospital-specific cost to charge ratio based on the hospital's cost report period ending in state fiscal year (SFY) 2000 (July 1, 1999 through June 30, 2000).

For new hospitals and hospitals that did not provide Medicaid Neonatal Intensive Care Unit (NICU) services in SFY 2010, the hospital-specific cost to charge ratio will be calculated based on the first full year cost reporting period that the hospital was open or that Medicaid NICU services were provided.

The hospital specific cost to charge ratio will be reviewed bi-annually to determine the need for adjustment to the outlier payment.

A deadline of six months subsequent to the date that the final claim is paid shall be established for receipt of the written request filing for outlier payments. In addition, effective March 1, 2011, outlier claims for dates of service on or before February 28, 2011 must be received by the Department on or before May 31, 2011 in order to qualify for payment. Claims for this time period received by the Department after May 31, 2011 shall not qualify for payment.

PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

METHODS AND STANDARDS FOR ESTABLISHING RATES - IN-PATIENT HOSPITAL CARE

Outlier payments are not payable for transplant procedures, and services provided to patients with Medicaid coverage that is secondary to other payer sources.

Effective for dates of service on or after March 1, 2011, a catastrophic outlier pool shall be established with annual payments limited to \$10,000,000. In order to qualify for payments from this pool, the following conditions must be met:

1. The claims must be for children less than six years of age who received inpatient services in a disproportionate share hospital setting; or infants less than one year of age who receive inpatient services in any acute care hospital setting; and
2. The costs of the case must exceed \$150,000. The hospital specific cost to charge ratio utilized to calculate the claim costs shall be calculated using the Medicaid NICU or PICU costs and charge data from the most current cost report.

The initial outlier pool will cover eligible claims with admission dates from the period beginning March 1, 2011 through June 30, 2011.

1. Payment for the initial partial year pool will be \$3,333,333 and shall be the costs of each hospital's qualifying claims net of claim payments divided by the sum of all qualifying claims cost in excess of payments, multiplied by \$3,333,333.
2. Cases with admission dates on or before February 28, 2011 that continue beyond the March 1, 2011 effective date, and that exceed the \$150,000 cost threshold, shall be eligible for payment in the initial catastrophic outlier pool.
3. Only the costs of the cases applicable to dates of service on or after March 1, 2011, shall be allowable for determination of payment from this pool.

Beginning with SFY 2012, the outlier pool will cover eligible claims with admission dates during the state fiscal year (July 1 through June 30) and shall not exceed \$10,000,000 annually. Payment shall be the costs of each hospital's eligible claims less the prospective payment, divided by the sum of all eligible claims costs in excess of payments, multiplied by \$10,000,000.

PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES
METHODS AND STANDARDS FOR ESTABLISHING RATES - IN-PATIENT HOSPITAL CARE

8. Reimbursement for Small Rural Hospitals

Effective for dates of service on or after July 1, 2008, small rural hospitals as defined in D.3.b. shall be reimbursed at a prospective per diem rate. The per diem rate shall be the median cost plus ten percent which shall be calculated based on each hospital's year-end cost report period ending in calendar year 2006. If the cost reporting period is not a full period (twelve months), the latest filed full period cost report shall be used. The Medicaid cost per inpatient day for each small rural hospital shall be inflated from their applicable cost reporting period to the midpoint of the implementation year (December 31, 2008) by the Medicare market basket inflation factor for PPS hospitals, then arrayed from high to low to determine the median inpatient acute cost per day for all small rural hospitals. The payment rate for inpatient acute services in small rural hospitals shall be the median cost amount plus ten percent. The median cost and rates shall be rebased at least every other year using the latest filed full period cost reports as filed in accordance with Medicare timely filing guidelines.

Effective for dates of service on or after August 1, 2010, quarterly supplemental payments will be issued to qualifying small rural hospitals for inpatient services rendered during the quarter.

1. Qualifying criteria

- a. Public (non-state) small rural hospital - a small rural hospital as defined in D.3.b.(1) which is owned by a local government and as of August 1, 2010 and has a certified neonatal intensive care unit.
- b. Private small rural hospital- a small rural hospital as defined in D.3.b.(1)(i)

2. Reimbursement methodology - each qualifying hospital shall receive quarterly supplemental payments for the inpatient services rendered during the quarter. Quarterly payments shall be the difference between each qualifying hospital's inpatient Medicaid billed charges and Medicaid payments the hospital receives for covered inpatient services provided to Medicaid recipients. Medicaid billed charges and payments will be based on a 12 consecutive month period for claims data selected by the Department. In the event that the above supplemental payments exceed state appropriated amounts, payment amounts to qualifying hospitals shall be reduced on a pro rata basis to equal the state appropriated level of funding.