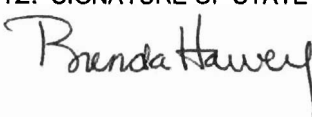
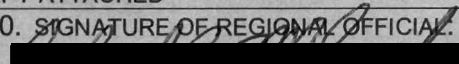


<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES</b>		<b>1. TRANSMITTAL NUMBER:</b>  09 -- 005	<b>2. STATE:</b>  MAINE
<b>TO: REGIONAL ADMINISTRATOR</b> CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		<b>3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)</b>  <b>4. PROPOSED EFFECTIVE DATE(S)</b>  2/1/09	
<b>5. TYPE OF PLAN MATERIAL (CHECK ONE):</b>  <div style="display: flex; justify-content: space-between;"> <span><input type="checkbox"/> NEW STATE PLAN</span> <span><input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN</span> <span><input checked="" type="checkbox"/> AMENDMENT</span> </div> COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT ( <i>Separate Transmittal for each amendment</i> )			
<b>6. FEDERAL STATUTE/REGULATION CITATION:</b> CFR 440.80	<b>7. FEDERAL BUDGET IMPACT:</b> a. FFY 09 \$ 5.7 million b. FFY 10 \$ 8.7 million		
<b>8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:</b> 4.19a, pages 1f-1j	<b>9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):</b> 4.19a ; pages 1f-1j		
<b>SUBJECT OF AMENDMENT: INPATIENT HOSPITAL REIMBURSEMENT</b>			
<b>11. GOVERNOR'S REVIEW (Check One):</b> <div style="display: flex; justify-content: space-between;"> <div> <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         </div> <div> <input checked="" type="checkbox"/> OTHER, AS SPECIFIED          COMMISSIONER, DEPT. OF HUMAN SERVICES       </div> </div>			
<b>12. SIGNATURE OF STATE AGENCY OFFICIAL:</b>  		<b>16. RETURN TO:</b>  ANTHONY MARPLE Director, Office of MaineCare Services #11 State House Station  442 CIVIC CENTER DRIVE Augusta, ME 04333-0011	
<b>13. TYPED NAME:</b> BRENDA HARVEY			
<b>14. TITLE:</b> Commissioner, Maine Department of Health and Human Services			
<b>15. DATE SUBMITTED:</b> MARCH 31, 2009			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
<b>17. DATE RECEIVED:</b> March 31, 2009		<b>18. DATE APPROVED:</b> October 14, 2009	
PLAN APPROVED - ONE COPY ATTACHED			
<b>19. EFFECTIVE DATE OF APPROVED MATERIAL:</b> February 2, 2009		<b>20. SIGNATURE OF REGIONAL OFFICIAL:</b>  /s/	
<b>21. TYPED NAME:</b> Richard R. McGreal		<b>22. TITLE</b> Associate Regional Administrator, Division of Medicaid and Children's Health Operations	
<b>23. REMARKS</b> Per 42 CFR 447.205(d)(1), the proposed effective date in Box 4 should be revised to February 2, 2009. Per agreement with State officials, the Federal budget impact in Box 7 should indicate a net saving. We added pages 1f-1j in Boxes 8 and 9 to indicate the page numbers being transmitted and superseded.			

**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Third Party Liability (TPL)**

Any MaineCare claim submitted by a hospital may only be withdrawn within 120 days of the date received.

**Interim and Final Settlement**

At interim and final settlement, the hospital will reimburse the Department for any excess payments; or the Department will reimburse the amount of any underpayment to the hospital. In either case, the lump sum payment must be made within 30 days of the date of the letter notifying the provider of the results of the year end reconciliation or settlement. If more than one year's interim or final settlement is completed in the same proceeding, the net amount must be paid. If no payment is received within 30 days, the Department may offset prospective interim payments. Any caps imposed on PIP payments are not applicable to the determination of settlement amounts.

Hospitals are required to file with the DHHS, Division of Audit a year-end cost report within five months from their fiscal year end. The cost report filing consists of: CMS Form 2552 or its equivalent, audited financial statements, and any other related documentation as requested by the DHHS-Division of Audit. The cost report must include applicable MaineCare utilization and a calculated balance due to/from MaineCare.

**ACUTE CARE NON-CRITICAL ACCESS HOSPITALS****Department's Outpatient Obligation to the Hospital**

The Department of Health and Human Services' total annual obligation to the hospitals will be the sum of MaineCare's obligation for the following: outpatient services + outpatient hospital based physician costs. MaineCare's share of emergency room hospital based physician costs is reimbursed at 100% of cost, except for the period February 2, 2009 through February 21, 2009 only, when emergency room hospital-based physician services will be reimbursed at 78.51% of costs.

Third party liability payments and revenue for outpatient physician services billed and paid on CMS 1500 are subtracted from the obligation. The computed amounts are calculated as described below:

The MaineCare outpatient services obligation equals the lower of MaineCare outpatient costs or charges reduced by a factor of 10.3%, except for non-state public hospitals for which the factor shall be 11.65%.

Effective February 2, 2009 through February 21, 2009 non-emergency room outpatient hospital-based physician costs will be reimbursed at 70.42% of costs. Effective February 21, 2009, the non-emergency room outpatient hospital-based physician services will be reimbursed at 46.21% of costs.

**Outpatient Hospital Services Detailed Description of Reimbursement**

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Effective July 1, 2009 non-emergency room outpatient hospital-based physician services will be reimbursed at 70% of the Medicare fee schedule.

MaineCare's share of clinical laboratory and radiology costs are added to this amount. The procedure codes and terminology of the Healthcare Common Procedure Coding System (HCPCS) are used to establish MaineCare allowances for clinical laboratory and radiology services.

**Prospective Interim Payment (PIP)**

The estimated Departmental total obligation will be calculated to determine the PIP payment using data from the fiscal year for which the most recent interim cost-settled report issued by the Department is available, inflated to the current state fiscal year. This payment is capped at least 78% of the calculated amount and will not be less than the previous year's Prospective Interim Payment, assuming no decrease in utilization.

MaineCare's share of outpatient hospital based physician costs, and outpatient third party liability are taken from the most recent hospital fiscal year end MaineCare interim cost-settled report issued by DHHS Division of Audit, inflated to the current state fiscal year.

All of these data elements are taken from the most recent hospital fiscal year end MaineCare interim cost-settled report issued by DHHS Division of Audit, inflated to the current state fiscal year.

**Interim Volume Adjustment**

The Department initiates an interim adjustment under very limited circumstances, including but not limited to, restructuring payment methodology as reflected in a state plan amendment; when a hospital "changes" categories (e.g. becomes designated critical access); if and when a new population group is made eligible for MaineCare (e.g. the state is contemplating an eligibility expansion to include higher income parents); or a hospital opens or closes resulting in a redistribution of patients among facilities.

**Interim Settlement**

The Department of Health and Human Services' year end interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data source used for inpatient calculations will be discharges included in MaineCare paid claims history as measured by the Department. Other calculations will be based on the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

**Final Settlement**

The Department of Health and Human Services' final settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data source used for inpatient calculations will be discharges included in MaineCare paid claims history as measured by the Department. Other components will be based on the hospital's final cost report

**Outpatient Hospital Services Detailed Description of Reimbursement**

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from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which reconciliation is being performed.

**ACUTE CARE CRITICAL ACCESS HOSPITALS AND PRIVATE PSYCHIATRIC HOSPITALS AND HOSPITALS RECLASSIFIED TO A WAGE AREA OUTSIDE MAINE BY THE MEDICARE GEOGRAPHIC CLASSIFICATION REVIEW BOARD (MGCRB)**

All calculations made in relation to acute care critical access hospitals, and effective October 1, 2006, private psychiatric hospitals, and effective August 1, 2006 Hospitals Reclassified to a Wage Area Outside Maine by the MGCRB, must be made in accordance with the requirements for completion of the Medicare Cost Report and Generally Accepted Accounting Principles, unless stated otherwise below, plus a DSH adjustment payment for eligible hospitals.

**Department's Outpatient Obligation to the Hospital**

The Department of Health and Human Services' annual outpatient obligation to the hospitals will be the sum of MaineCare's obligation of the following: outpatient services + outpatient hospital based physician costs. Third party liability payments and revenue for outpatient physician services billed and paid on CMS 1500 claims are subtracted from the obligation.

This payment is capped at 117% of MaineCare outpatient costs except for 110% to public non-state owned critical access hospitals. MaineCare's share of emergency room hospital based physician costs is reimbursed at 100% of cost, except for the period February 2, 2009 through February 21, 2009 only, when emergency room hospital-based physician services will be reimbursed at 78.51% of costs.

Effective February 2, 2009 through February 21, 2009, non-emergency room outpatient hospital-based physician costs will be reimbursed at 70.42% of costs. Effective February 21, 2009, the non-emergency room outpatient hospital-based physician services will be reimbursed at 46.21% of costs.

Effective July 1, 2009 non-emergency room outpatient hospital-based physician services will be reimbursed at 70% of the Medicare fee schedule.

**Prospective Interim Payment**

The estimated Departmental total obligation will be calculated to determine the PIP payment using data from the fiscal year for which the most recent interim cost-settled report issued by the Department is available, inflated to the current state fiscal year.

**Interim Volume Adjustment**

The Department initiates an interim adjustment under very limited circumstance, including but not limited to, restructuring payment methodology as reflected in a state plan amendment; when a

### Outpatient Hospital Services Detailed Description of Reimbursement

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hospital “changes” categories (e.g. becomes designated critical access); if and when a new population group is made eligible for MaineCare (e.g. the state is contemplating an eligibility expansion to include higher income parents); or a hospital opens or closes resulting in a redistribution of patients among facilities.

#### Interim Settlement

The Department of Health and Human Services’ interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

#### Final Settlement

The Department of Health and Human Services’ final settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's final cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which settlement is being performed.

### STATE OWNED PSYCHIATRIC HOSPITALS

All calculations made in relation to state owned psychiatric hospitals must be made in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA), except as stated below, plus a DSH adjustment payment for eligible hospitals.

#### Prospective Interim Payment

The Department of Health and Human Services’ annual outpatient PIP obligation to the hospitals will be the sum of MaineCare’s obligation of the following: outpatient services + outpatient hospital based physician costs. Third party liability payments are subtracted from the PIP obligation.

MaineCare outpatient costs inflated to the current state fiscal year using the most recent interim cost-settled report as issued by the Department.

MaineCare’s share of hospital based physician are taken from the most recent hospital fiscal year end MaineCare interim cost-settled report as issued by DHHS Division of Audit, inflated to the current state fiscal year.

#### Interim Volume Adjustment

The Department may initiate a comparison of MaineCare claims data submitted in the first 150 days of the payment year to the projected number of discharges used in calculating the PIP. If there is a difference of at least 5% between the actual MaineCare inpatient volume and prospectively estimated MaineCare inpatient volume, an adjustment may be made to the outpatient PIP using actual outpatient cost to charge data.

**Outpatient Hospital Services Detailed Description of Reimbursement**

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**Interim Settlement**

The Department of Health and Human Services' interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's as-filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

**Final Settlement**

The Department of Health and Human Services' final settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's final cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which settlement is being performed.