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State/Territory Name: MO

State Plan Amendment (SPA) #: 15-0008

This file contains the following documents in the order listed:

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



Financial Management Group

JUL 06 2016

Brian Kinkade, Director
Missouri Department of Social Services
Broadway State Office Building
P.O. Box 1527
Jefferson City, MO 65102

RE: Missouri State Plan Amendment TN: 15-08

Dear Mr. Kinkade:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 15-08. This amendment modifies the State's Disproportionate Share Hospital payment methodology. The annual DSH survey process is updated, a provision is added for extraordinary circumstances and the interim payment process is adjusted. Final DSH payments due to providers are not affected by this SPA.

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 15-08 is approved effective July 1, 2015. 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,

Kristin Fan
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: <u>1 5 - 0 8</u>	2. STATE Missouri
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
4. PROPOSED EFFECTIVE DATE July 1, 2015	

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 2015 \$ 0 b. FFY 2016 \$ 0
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A 19bbbb-2e Pages 19bbbb-2, 19bbbb-2a, 19bbbb-2b, 19bbbb-2c, 19bbbb-2d	9. PAGE NUMBER OF THE SUPERSEDES PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A Page 19bbbb-2

10. SUBJECT OF AMENDMENT:
This amendment provides for the following changes: updates the state DSH survey used to determine interim DSH payments beginning with SFY 2017 to be Version 4, which is the independent DSH audit survey, and provides for the survey to be collected by the independent DSH auditors as the division's authorized agent; indicates that facilities that do not submit a DSH survey by the annual deadline will not receive an interim DSH payment for the upcoming SFY; changes the cost report base year for a new facility's DSH survey; provides for a DSH Waiver form to be completed if a hospital elects not to receive an interim DSH payment for a given SFY; indicates that a hospital that does not receive an interim DSH payment will not be included in the independent DSH audit unless it requests to do so; adds language to allow a facility that experienced extraordinary circumstances to request that alternate cost and payment data be used to complete the state DSH survey; and adds language to allow a facility to request an adjustment to its interim DSH payment.

11. GOVERNOR'S REVIEW (Check One)
☒ GOVERNOR'S OFFICE REPORTED NO COMMENT ☐ OTHER, AS SPECIFIED:
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: 13. TYPE NAME: Brian Kinkade 14. TITLE: Director 15. DATE SUBMITTED: 9-30-2015	16. RETURN TO: MO HealthNet Division P.O. Box 6500 Jefferson City, MO 65102
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FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: JUL 06 2016
PLAN APPROVED - ONE COPY ATTACHED	

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2015	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Kristin FAN	22. TITLE: Director, FMC

23. REMARKS:
Per the State's concurrence, page 19bbbb-2e has been added to Box 8 above.

2. If the original DSH payments did not fully expend the federal DSH allotment for any plan year, the remaining DSH allotment may be paid to hospitals that are under their hospital-specific DSH limit. These redistributions will occur proportionally based on each hospital's uncompensated care shortfall to the total shortfall, not to exceed each hospital's specific DSH limit.

(2) Interim Disproportionate Share (DSH) Payments.

(A) SFY 2012 interim DSH payments will be based on the 2011 state DSH survey after applying the trend factor published in *Health Care Costs* by DRI/McGraw-Hill for the current fiscal year.

1. For SFY 2013 and subsequent years, the interim DSH payments will be based on the state DSH survey completed by the hospitals using the third prior year Medicare Cost Report and adjusted for inflationary trends, volume adjustments, changes in reimbursement methodology, and/or other business decisions (i.e., expanded or terminated services) to reflect anticipated operations for the interim DSH payment period.
2. Beginning with SFY 2017, the interim DSH payments will be based on Version 4 of the state DSH survey, designated as Myers and Stauffer LC, DSH Version 7.20, and must be submitted to the independent DSH auditor as the MO HealthNet Division's authorized agent. The state DSH survey shall be the most recent DSH survey collected during the independent DSH audit of the fourth prior SFY (i.e., the most recent survey collected by the independent DSH auditor for the SFY 2013 independent DSH audit will also be used to calculate the interim DSH payment for SFY 2017). If Myers and Stauffer LC, DSH Version 7.20, is superseded by an alternate state DSH survey reporting tool, that tool must be used for the applicable SFY. The survey shall be referred to as the SFY to which payments will relate.
 - (a) Each hospital must complete and submit the state DSH survey to the independent DSH auditor, the MO HealthNet Division's authorized agent, in order to be considered for an interim DSH payment. The state DSH survey is due to the independent DSH auditor by the March 1 preceding the beginning of each state fiscal year (i.e., the state DSH survey used for SFY 2017 interim DSH payments will be due to the independent DSH auditor by March 1, 2016). Hospitals that do not submit the state DSH survey by March 1 will not be eligible to receive an interim DSH payment for that SFY. The division may grant an industry-wide extension on the March 1 deadline due to unanticipated circumstances that affect the industry as a whole.
 - (b) Trends. A trend of 1.5% will be applied to the hospital's Estimated Medicaid Net Cost and the Estimated Uninsured Uncompensated Care Cost (UCC) from the year subsequent to the state DSH survey period to the current SFY (i.e., the SFY for which the interim DSH payment is being determined). The first year's trend shall be adjusted to bring the facility's cost to a common fiscal year end of June 30 and the full trends shall be applied for the remaining years. The trends shall be compounded each year to determine the total cumulative trend.

(B) Federally deemed DSH hospitals shall receive an interim DSH payment to the extent that it has room under its projected hospital-specific DSH limit based on the state DSH survey and shall be limited to the hospital's projected hospital-specific DSH limit. A federally deemed DSH hospital may refuse a DSH payment by submitting a request to the MO HealthNet Division on an annual basis.

(C) Hospitals, including federally deemed DSH hospitals, may elect to receive an upper payment limit payment in lieu of DSH payments.

1. Hospitals that elect to receive an upper payment limit payment rather than a DSH payment must submit a request to the MO HealthNet Division on an annual basis.

2. The upper payment limit calculation and upper payment limit payment calculation is set forth in section I.C.7-1.

(D) Disproportionate share payments will coincide with the semimonthly claim payment schedule.

1. An annual Disproportionate share payment will be calculated for each hospital at the beginning of each State Fiscal Year (SFY). The annual amount will be processed over the number of financial cycles during the SFY.

(E) New Facilities

1. Prior to SFY 2017, new facilities will be paid the lesser of the estimated hospital specific DSH limit based on the estimated state DSH survey or the industry average estimated interim DSH payment. If a new facility does not have a third prior year Medicare Cost Report on which to base the state DSH survey, the second prior year shall be used. If a new facility does not have a second prior year Medicare Cost Report, the prior year shall be used. If a new facility does not have a prior year Medicare Cost Report, the state DSH survey shall be completed using facility projections to reflect anticipated operation for the interim DSH payment period. The industry average estimated interim DSH payment is determined from the state DSH survey as set forth below. A new facility's eligibility to receive DSH payments will be determined from the most recent cost report or supplemental data available from the hospital if they do not have a base year cost report on which the state DSH survey was based.

(a) Hospitals receiving DSH payments based on the state DSH survey shall be divided into quartiles based on total beds;

(b) DSH payments shall be individually summed by quartile and then divided by the total beds in the quartile to yield an average DSH payment per bed;

(c) The number of beds for the new hospitals shall be multiplied by the average DSH payment per bed to determine the DSH payment.

2. Beginning with SFY 2017, new facilities that do not have a Medicare/Medicaid cost report on which to base the state DSH survey shall complete the state DSH survey and receive an interim DSH payment as follows:

- (a) A new facility that does not have cost report data for the fourth prior year may complete the state DSH survey using actual, untrended cost and payment data from the most recent 12 month cost report filed with the division.
- (b) A new facility that has not yet filed a Medicaid cost report with the division may complete the state DSH survey using facility projections to reflect anticipated operations for the interim DSH payment period. Trends shall not be applied to the data used to complete the state DSH survey. Interim DSH payments determined from this state DSH survey are limited to the industry average estimated interim DSH payment as set forth in (E)1.(a), (b) and (c) above.

(F) Facilities not providing a state DSH survey

1. Prior to SFY 2017, facilities not providing a state DSH survey will have DSH payments calculated using the most recent hospital-specific information provided to the state by the independent auditor.
2. Beginning with SFY 2017, hospitals that do not submit the state DSH survey by March 1 will not be eligible to receive an interim DSH payment for that SFY.

(G) Facilities electing not to receive interim DSH payments

1. Hospitals may elect not to receive an interim DSH payment for a SFY by completing a DSH Waiver form. Hospitals that elect not to receive an interim DSH payment for a SFY must notify the division, or its authorized agent, that it elects not to receive an interim DSH payment for the upcoming SFY. If a hospital does not receive an interim DSH payment for a SFY, it will not be included in the independent DSH audit related to that SFY, and will not be eligible for final DSH audit payment adjustments related to that SFY unless it submits a request to the division to be included in the independent DSH audit.
2. If a hospital received an interim DSH payment and later determined that it did not have uncompensated care costs for Medicaid and the uninsured to support part or all the interim DSH payment that it received or is receiving, the hospital may request that the interim DSH payments be stopped or it may return the entire interim DSH payment it received. Such requests must be sent to the division in writing and may be submitted anytime during the SFY if a hospital believes it is being overpaid.

(H) Exceptions Process to Use Alternate State DSH Survey for Interim DSH Payment.

1. A hospital may submit a request to the division to have its interim DSH payment based on a state DSH survey completed using the actual, untrended cost and payment data from the most recent twelve- (12-) month cost report filed with the division (i.e., alternate state DSH survey) rather than the state DSH survey required to be submitted for the year (i.e., required state DSH survey) if it meets the criteria for any of the circumstances detailed below in XVII-1 G.(2)(H)4. The request must include an explanation of the circumstance, the impact it has on the required state DSH survey period, and how it causes the data to be materially misstated or unrepresentative. The division shall review the facility's request and may, at its discretion and for good cause shown, use the alternate state DSH survey in determining the interim DSH payment for the SFY. The division shall notify the facility of its decision regarding the request.
2. The provider must submit both the required state DSH survey and the alternate state DSH survey to the independent DSH auditor for review to determine if the facility meets the criteria set forth below in XVII-1 G.(2)(H)4.
3. The interim DSH payment based on the alternate state DSH survey shall be calculated in the same manner as the interim DSH payment based on the required state DSH survey, except that the trends applied to the alternate state DSH survey shall be from the year subsequent to the alternate state DSH survey period to the current SFY for which the interim DSH payment is being determined.
4. Following are the circumstances for which a provider may request that its interim DSH payment be based on the alternate state DSH survey rather than the required state DSH survey, including the criteria and other requirements:
 - (a) The 20.00% DSH Outlier. A provider may request that the alternate state DSH survey be used prior to the interim DSH payment being determined for the SFY if the Untrended Total Estimated Net Cost on the "Report Summary" tab, Column J, from the alternate state DSH survey is at least 20.00% higher than the Trended Total Estimated Net Cost on the "Report Summary" tab, Column L, from the required state DSH survey (i.e., the increase is at least 20.00% rounded to two decimal places).
 - (1) Both the required state DSH survey and the alternate state DSH survey must be submitted to the independent DSH auditor no later than March 1 preceding the beginning of each SFY for which interim DSH payments are being made.

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(b) Extraordinary Circumstances. A provider may request that the alternate state DSH survey be used if the facility experienced an extraordinary circumstance during or after the required state DSH survey report period up to the SFY for which the interim DSH payment is being calculated that caused the required DSH survey report period to be materially misstated and unrepresentative. If circumstances (1) a., (1) b., or (1) c. below are applicable, the facility may supply trends in addition to the cumulative trend as set forth in XVII-1G.(2)(A)2.(b) to reflect anticipated operations for the SFY for which the interim DSH payment is being calculated. The facility must also provide an explanation justifying the additional trends.

- (1) Extraordinary circumstances include unavoidable circumstances that are beyond the control of the facility and include the following:
 - a. Act of nature (i.e., tornado, hurricane, flooding, earthquake, lightening, natural wildfire, etc.);
 - b. War;
 - c. Civil disturbance; or
 - d. If the data to complete the required state DSH survey set forth in paragraph XVII-1G.(2)(A)2. is not available due to a change in ownership because the prior owner is out of business and is uncooperative and unwilling to provide the necessary data.
- (2) A change in hospital operations or services (i.e., terminating or adding a service or a hospital wing; or, a change of owner, except as noted in XVII-1G.(2)(H)4.(b)(1)d., manager, control, operation, leaseholder or leasehold interest, or Medicare provider number by whatever form for any hospital previously certified at any time for participation in the MO HealthNet program, etc.) does not constitute an extraordinary circumstance.
- (3) Both the required state DSH survey and the alternate state DSH survey must be submitted to the independent DSH auditor no later than March 1 if the alternate state DSH survey is to be used to determine the interim DSH payment at the beginning of the SFY.
- (4) The A hospital may submit a request to use the alternate state DSH survey due to extraordinary circumstances after March 1, but the alternate state DSH survey and the resulting interim DSH payment will be subject to the same requirements as the Interim DSH Payment Adjustments noted below in XVII-1G.(2)(H)4.(c)(2)-(4). The requests relating to extraordinary circumstances received after the March 1 deadline will be included with the Interim DSH Payment Adjustments requests in XVII-1G.(2)(H)4.(c) in distributing the unobligated DSH allotment, and subject to appropriation authority, remaining for the SFY.

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(c) Interim DSH Payment Adjustment.

- (1) After the interim DSH payment has been calculated for the current SFY based on the required state DSH survey, a provider may request that the alternate state DSH survey be used if the Untrended Total Estimated Net Cost on the "Report Summary" tab, Column J, from the alternate state DSH survey is at least 35.00% higher than the Trended Total Estimated Net Cost on the "Report Summary" tab, Column L, from the required state DSH survey (i.e., the increase is at least 35.00% rounded to two decimal places).
- (2) The division will process interim DSH payment adjustments once a year. After all requests are received, the division will determine whether revisions to the interim DSH payments are appropriate. Any revisions to the interim DSH payments are subject to the unobligated DSH allotment and appropriation authority remaining for the SFY;
- (3) The request must be submitted by December 31 of the current SFY for which interim DSH payments are being made; and
- (4) The DSH allotment for the SFY that has not otherwise been obligated will be distributed proportionally to the hospitals determined to meet the above criteria, based on the revised estimated hospital-specific DSH limit, less OOS DSH payments and subject to appropriation authority.