
Table of Contents

State/Territory Name: Montana

State Plan Amendment (SPA) #: MT-13-040

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) 179
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



FEB 24 2014

Ms. Mary E. Dalton
State Medicaid Director
Department of Public Health & Human Services
P.O. Box 4210
Helena, MT 59604

Re: Montana 13-040

Dear Ms. Dalton:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-040. Effective for services on or after August 30, 2013, this amendment updates the payment pool amount for graduate medical education (GME) supplemental payments; and, provides for other minor clarifications

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. We are pleased to inform you that Medicaid State plan amendment TN 13-040 is approved effective August 30, 2013. The HCFA-179 and the amended plan pages are attached.

If you have any questions, please contact Christine Storey at (303) 844-7044.

Sincerely,

A black rectangular redaction box covering the signature of Cindy Mann.

Cindy Mann
Director

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

1. TRANSMITTAL NUMBER:
13-040

2. STATE
Montana

FOR: HEALTH CARE FINANCING ADMINISTRATION

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
08/30/2013

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 447.272

7. FEDERAL BUDGET IMPACT:

- a. SFY 2013: \$1,008,181.06 total FFP
b. SFY 2014: \$1,008,181.06 total FFP
c. SFY 2015: N/A

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19A, Inpatient Hospital Services
Pages 1, 2, 11, and 12

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):
Attachment 4.19A, Inpatient Hospital Services
Pages 1, 2, 11, and 12

10. SUBJECT OF AMENDMENT:

Regarding inpatient hospital services, the purpose of this amendment is to change the month in which the Medicaid grouper is updated; correct a typographical error in the Hospital Reimbursement Adjustment (HRA) formula; clarify that distinct part rehabilitation units and acute long term care hospitals are now included in the Montana average hospital base rate; and increase the Graduate Medical Education (GME) 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:
Single Agency Director Review

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME: Mary E. Dalton

14. TITLE: State Medicaid Director

15. DATE SUBMITTED: 1/15/14

16. RETURN TO:

Montana Dept of Public Health and Human Services
Mary E. Dalton
Attn: Jo Thompson
PO Box 4210
Helena MT 59620

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: FEB 24 2014

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

21. TYPED NAME:

AUG 30 2013

20. SIGNATURE OF REGIONAL OFFICIAL:

22. TITLE:

23. REMARKS:

Penny Thompson
Deputy Director, Policy & Finance / M.E. PMS

REIMBURSEMENT FOR INPATIENT HOSPITAL SERVICES

A. MONTANA MEDICAID PROSPECTIVE PAYMENT (DRG) REIMBURSEMENT

Except as specified in Subsection B, the inpatient prospective payment method applies to all inpatient stays in all acute care general, rehabilitation and mental health (psychiatric/substance abuse treatment) hospitals and units located in Montana or out-of-state.

1. Primacy of Medicaid Policy

Some features of the Medicaid inpatient prospective payment method are patterned after similar payment policies used by Medicare. When specific details of the payment method differ between Medicaid and Medicare, then the Medicaid policy prevails.

2. APR-DRG Reimbursement

For admissions dated October 1, 2008 and after, the Department will reimburse hospitals a per-stay rate based on All Patient Refined Diagnosis Related Groups (APR-DRGs). APR-DRGs classify each case based on information contained on the inpatient Medicaid claim such as diagnosis, procedures performed, patient age, patient sex, and discharge status. The APR-DRG determines the reimbursement when the DRG Relative Weight is multiplied by the DRG Base Price.

The Medicaid grouper will be updated in July of each year or when updates are published.

Hospitals reimbursed using the inpatient prospective payment method are not subject to retrospective cost reimbursement.

3. DRG Relative Weights

For each DRG a relative weight factor is assigned. The relative weight is applied to determine the DRG Base Payment that will be paid for each admit-through-discharge case regardless of the specific services provided or the length of stay. The DRG relative weight is a weight assigned that reflects the typical resources consumed. DRG weights are reviewed and updated annually by the Department. The weights are adapted from national databases of millions of inpatient stays and are then "re-centered" so that the average Montana Medicaid stay in a base year has a weight of 1.00.

When the Department determines that adjustments to relative weights for specific DRGs are appropriate to meet Medicaid policy goals related to access to quality care, a "policy adjustor" will be explicitly applied to increase or decrease these relative weights. Policy adjustors are intended to be budget neutral, that is, they change payments for one type of service relative to other types without increasing or decreasing payments overall.

4. DRG Base Price

There are two different base prices for stays in acute care hospitals. These two base prices consist of the Montana average base rate and the base rate for center of excellence hospitals. The base price is a dollar amount that is reviewed by the Department each year. Changes in the DRG Base Price are subject to the public notice requirements of the Montana Code Annotated.

5. DRG Base Payment

For each stay, the DRG Base Payment equals the DRG Relative Weight multiplied by the DRG Base Price.

6. Cost Outlier Payments

It is recognized that there are occasional stays that are extraordinarily costly in relation to other stays within the same DRG because of the severity of the illness or complicating conditions. These variations are recognized by the Cost Outlier Payment which is an add-on payment for expenses that are not predictable by the diagnosis, procedures performed, and other statistical data captured by the DRG grouper.

Cost outlier stays are stays that exceed the cost outlier threshold for the DRG. To determine if a hospital stay exceeds the cost outlier threshold, the Montana Medicaid program excludes all services that are not medically necessary. Montana Medicaid then converts the charge information for medically necessary services into the estimated cost of the stay by applying the statewide average PPS cost-to-charge ratio (CCR). The estimated cost for medically necessary services is then compared to the cost outlier threshold for the appropriate DRG to determine if the stay qualifies for reimbursement as a cost outlier. Costs exceeding the threshold are multiplied by a marginal cost ratio to determine the Cost Outlier Payment

7. Transfer Payment Adjustments

The transfer payment adjustment applies when a patient is transferred to another acute care hospital. It does not apply when a patient is discharged to a post-acute setting such as a skilled nursing facility. The receiving hospital is not impacted by the transfer payment adjustment unless it transfers the patient to another hospital.

In the transfer payment adjustment, payment is calculated as if the beneficiary were not a transfer, then payment is adjusted. The DRG Base Payment is divided by the nationwide average length of stay for the assigned DRG to arrive at a per diem amount. The per diem amount is then multiplied by the actual length of stay, except that payment is doubled for the first day to reflect costs related to the admitting process.

The Medicaid days figures shall be from the department's paid Medicaid claim data for the most recent calendar year that ended at least 12 months prior to the calculation of the continuity of care payments. Continuity of care payments (CCP) will be paid during the third quarter of the state fiscal year (SFY).

I. HOSPITAL REIMBURSEMENT ADJUSTOR

All hospitals located in Montana that provide inpatient hospital services are eligible for a Hospital Reimbursement Adjustment Payment. The payment consists of two separately calculated amounts.

In order to maintain access and quality in the most rural areas of Montana, critical access hospitals shall receive both components of the HRA. All other hospitals shall receive only Part 1, as defined below in (1). For the purposes of determining HRA payment amounts, the following apply:

(1) Part 1 of the HRA payment will be based upon Medicaid inpatient utilization, and will be computed as follows: $HRA1 = (M/D) \times P$. For the purposes of calculating Part 1 of the HRA, the following apply:

$$HRA1 = (M/D) \times P$$

Where:

- (i) "HRA 1" represents the calculated Part 1 HRA payment.
- (ii) "M" equals the number of Medicaid inpatient days provided by the hospital for which the payment amount is being calculated.
- (iii) "D" equals the total number of Medicaid inpatient days provided by all hospitals eligible to receive an HRA payment.
- (iv) "P" equals the total amount to be paid via Part 1 of the HRA. The state's share of "P" will be the total amount of revenue generated by Montana's hospital utilization fee, less all of the following:
 - (A) the amount expended as match for supplemental DSH payments.
 - (B) the amount expended as match for continuity of care payments; and
 - (C) the amount expended as match for Part 2 of the HRA.

The Medicaid inpatient day numbers used to calculate Part 1 of the HRA must be from the department's paid claims data from the most recent calendar year that ended at least 12 months prior to the calculation of the HRA payments.

(2) Part 2 of the HRA payment will be based upon total Medicaid billed charges, and will be computed as follows: $HRA2 = [J/D]P$. For the purposes of calculating Part 2 of the HRA, the following apply:

MONTANA

Attachment 4.19A

Page 12

HRA2=(J/D)P

Where:

- (i) "HRA2" represents the calculated Part 2 HRA payment.
- (ii) "J" equals amount of charges billed to Medicaid by the hospital for which the payment is being calculated.
- (iii) "D" equals the total amount of charges billed to Medicaid by all hospitals eligible to receive Part 2 of the HRA payment.
- (iv) "P" equals the total amount to be paid via Part 2 of the HRA. The state's share of "P" will be a minimal portion of the total revenue generated by Montana's hospital utilization fee.
 - (A) the amount expended as match for supplemental DSH Payments.
 - (B) the amount expended as match for continuity of care payments; and
 - (C) the amount expended as match for Part 1 of the HRA.

The total Medicaid billed charge amounts used to calculate part 2 of the HRA must be from the department's paid claims data from the most recent calendar year that ended at least 12 months prior to the calculation of the HRA payments. The state will make Hospital Reimbursement Adjustment payments during the third quarter of the state fiscal year (SFY). This reimbursement will be excluded from cost settlement.

J. GRADUATE MEDICAL EDUCATION

In addition to Medicaid payments, a Graduate Medical Education (GME) payment for the purpose of partially funding providers for their otherwise unreimbursed costs of providing care to Medicaid clients as part of the primary care residency program to an eligible hospital located in Montana.

The state portion of the GME pool amount for state fiscal year (SFY) 2013 and SFY 2014 is \$519,366 respectively.

The department will make an annual payment each year to an eligible hospital. Payment will be calculated based upon the eligible hospital's inpatient Medicaid utilization per year. An eligible hospital's prior year as filed cost report will be used as a proxy for the following state fiscal year's payment. Should an eligible hospital report no full time equivalents (FTE) participating in the GME program for any given program year or portion thereof, the eligible hospital will not receive payment for those time periods of non-participation. The GME payment regarding the primary care residency program shall be computed as follows:

- (1) Step one shall be to divide the total Graduate Medical Education Full Time Equivalent (GMEFTE) count for each eligible facility based upon the most recently filed cost report by the Total Graduate Medical Education Full Time
- TN# 13-040 Approval Date: FEB 24 2014 Effective: 08/30/13
Supercedes: TN# 11-027