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State/Territory Name: North Carolina

State Plan Amendment (SPA) #:14-0020

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DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Atlanta Regional Office
61 Forsyth Street, Suite 4T20
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

May 29, 2015

Dr. Robin Cummings, Director
Division of Medical Assistance
Department of Health and Human Services
2501 Mail Service Center
Raleigh, NC 27699-2501

Re: North Carolina State Plan Amendment, 14-020

Dear Dr. Cummings:

We have reviewed the State Plan Amendment (SPA) 14-020 that was received in the Regional Office on September 30, 2014. This amendment includes the University of North Carolina (UNC) and Vidant Teaching Hospitals in the previously approved reimbursement methodology for Outpatient Hospital Services. This methodology adjusts payment rates to equal 70% of costs for fiscal years 2014 and 2015, with supplemental payments offsetting the remainder of costs up to the upper payment limit. This amendment is submitted to comply with Session Law, Section 12H.13A, and the requested effective date is September 1, 2014.

Based on the information provided, the Medicaid State Plan Amendment NC-14-020 was approved on May 29, 2015. The effective date of this SPA is September 1, 2014. We are enclosing the approved Form HCFA-179 and the approved plan pages.

If you have any additional questions or need further assistance, please contact Michelle White at 404-562-7328, or Donald Graves at 919-828-2999.

Sincerely,

//s//

Jackie Glaze
Associate Regional Administrator
Division of Medicaid and Children's Health Operations

State Plan Under Title XIX of the Social Security Act
Medical Assistance Program
State: NORTH CAROLINA

PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICE

2.a OUTPATIENT HOSPITAL SERVICES

With respect to hospitals licensed by the State of North Carolina that are qualified to certify public expenditures in accordance 42 CFR 433.51(b), other than hospitals owned or controlled by the University of North Carolina Health Care System, as defined in N.C. Gen. Stat. 116-37, hospitals that are State-owned and operated by the Department of Health and Human Services, and Critical Access Hospitals pursuant to 42 USC 1395i-4, the expenditures claimable for Federal Financial Participation (FFP) will be the hospitals' reasonable costs incurred in serving Medicaid outpatients, as determined in accordance with Medicare principles. Payment to these hospitals will be made in stages (the first stage payment will be 70% of reasonable cost determined on an interim basis; the second stage payment will be for the difference between the hospital's reasonable costs determined on an interim basis and the first stage payment). Each hospital's allowable Medicaid outpatient costs for the rate year will be determined on an interim basis by multiplying the hospital's Medicaid outpatient ratio of cost-to-charges (RCCs) as specified on lines 37-68 of Worksheet C or D from the hospital's most recent available as-filed CMS 2552 cost report by the hospital's allowable Medicaid outpatient charges for services provided during the same fiscal year as the cost report and paid not less than six months after the end of that same fiscal year. This cost data will be brought forward to the end of the period for which FFP is being claimed by applying the applicable CMS PPS Hospital Input Price Indices. Hospitals' final allowable costs of serving Medicaid outpatients will be determined using audited CMS 2552 cost reports for the year for which final FFP is being determined. The difference between the final and interim allowable Medicaid cost will be an adjustment(s) to the applicable period for which the cost was incurred and initial claim was made.

All hospitals that are state-owned and operated by the Department of Health and Human Services, and Critical Access Hospitals pursuant to 42 USC 1395i-4 will be reimbursed their allowable outpatient costs as determined using the CMS 2552 in accordance with the provisions of the Medicare Provider Reimbursement Manual. All other hospitals and all primary affiliated teaching hospitals for the University of North Carolina Medical Schools will be reimbursed 70 percent of their allowable outpatient costs as determined using the CMS 2552 cost report and in accordance with the Medicare Provider Reimbursement Manual. Hospitals that are not qualified to certify public expenditures will also be paid using the enhanced payments for outpatient services methodologies described below.

State Plan Under Title XIX of the Social Security
Act Medical Assistance Program
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital

2.a.3. OUTPATIENT HOSPITAL SERVICES BY UNIVERSITY OF NORTH CAROLINA
HOSPITALS

In addition to the payments made elsewhere in this plan, hospitals owned or controlled by the University of North Carolina Health Care System, as defined in N.C. Gen. Stat. § 116-37, are eligible for supplemental payments for all outpatient hospital services, excluding outpatient laboratory services. For a hospital eligible under this is in addition to the payment in this subparagraph supersedes the requirement, in Paragraph 2.a. of this Section, that such a hospital be paid 70 percent of their allowable costs.

The total payment available for hospitals eligible under this subparagraph will be determined by aggregating the difference between what would be paid under Medicare payment principles for each eligible hospital's Medicaid fee-for-service outpatient hospital charges, i.e. each hospital's upper payment limit, and the outpatient Medicaid payments as otherwise calculated under this State Plan. Since Medicare reasonable cost principles will be used to estimate what would be paid under Medicare payment principles, each hospital's upper payment limit will be Medicaid cost. For each eligible hospital, both Medicaid cost and Medicaid payments will be estimated using data from the latest available Medicare cost report and a Medicaid PS&R for the same year as the Medicare cost report and run no less than nine (9) months after the close of the cost report year.

Medicaid cost will be determined by applying a cost to charge ratio from the Medicare cost report to the Medicaid charges on the PS&R and inflating into the current fiscal year using the CMS PPS hospital market basket index. Medicaid payments will be taken from the Medicaid PS&R and inflated into the current fiscal year using the CMS PPS hospital market basket index.

The total calculated supplemental payment amount will be paid to eligible hospitals in payments made no more frequently than each quarter.

If payments in this section would result in payments to any category of hospitals in excess of the upper payment limit calculation required by 42 C.F.R. 447.321, payments for each eligible hospital receiving payments under this section will be reduced proportionately to ensure compliance with the upper payment limit.