

## **Table of Contents**

**State/Territory Name: North Carolina**

**State Plan Amendment (SPA) #: 17-0011**

This file contains the following documents in the order listed:

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

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



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**Financial Management Group**

**December 8, 2017**

Mr. Dave Richard  
Deputy Secretary  
Division of Medical Assistance  
2001 Mail Service Center  
Raleigh, NC 27699-2501

Attention: Teresa J. Smith

RE: State Plan Amendment NC 17-0011

Dear Mr. Richard:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 17-0011. Effective October 1, 2017 this amendment modifies the State's reimbursement methodology for setting payment rates for Long Term Care Hospital services. Specifically it will established payment rates at the greatest of 65% of the actual cost for the most recent filed cost report or the rate in effect as of September 30, 2017.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed changes in payment methodology comply with applicable requirements and therefore have approved them with an effective date of October 1, 2017. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Stanley Fields at (502) 223-5332.

Sincerely,

//s//

Kristin Fan  
Director

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>	1. TRANSMITTAL NUMBER: 17-0011	2. STATE NC
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
<b>TO: REGIONAL ADMINISTRATOR</b> <b>HEALTH CARE FINANCING ADMINISTRATION</b> <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>	4. PROPOSED EFFECTIVE DATE October 1, 2017	

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 412.23(e)	7. FEDERAL BUDGET IMPACT:  a. FFY 2018    \$1,154,847 b. FFY 2019    \$1,167,453
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Attachment 4.19-A, Page 8	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):  Attachment 4.19-A, Page 8

10. SUBJECT OF AMENDMENT:

Long Term Care Acute Care Hospitals (LTACH)

11. GOVERNOR'S REVIEW (*Check One*):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
 ☒ OTHER, AS SPECIFIED: Secretary  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: //s//	16. RETURN TO:  Office of the Secretary Department of Health and Human Services 2001 Mail Service Center Raleigh, NC 27699-20014
13. TYPED NAME: Mandy Cohen, MD, MPH	
14. TITLE: Secretary	
15. DATE SUBMITTED:	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: 09/29/17	18. DATE APPROVED: 12-08-17
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: 10/01/17	20. SIGNATURE OF REGIONAL OFFICIAL: //s//
21. TYPED NAME: Kristin Fan	22. TITLE: Director, FMG

23. REMARKS: Approved with following changes to block # 7a and 7b as authorized by state agency.

Block # 7a changed to read FFY 2018 \$1,255,822 and 7b changed to read FFY 2019 \$1,255,822.

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

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- (5) The per diem rate for rehabilitation services is established at the lesser of the actual cost trended to the rate year or the calculated median rate of all hospitals providing rehabilitation services as derived from the most recent filed cost reports.
- (6) Rates established under this Paragraph are adjusted for inflation consistent with the methodology under Subparagraph (d)(5) of the DRG RATE SETTING METHODOLOGY.
- (7) Rates established under this Paragraph shall be prospectively determined and shall not be subject to retrospective settlement.
- (8) Effective for dates of service on or after October 1, 2017, the per diem rate for Long Term Acute Care Hospitals (LTCH) is established at a minimum of 65% of the hospitals' actual cost derived from the most recent filed cost reports. There will not be any rate adjustment applied to hospitals whose per diem rate is above 65% of their actual cost derived from their FY 2016 cost report. These providers will continue to receive the per diem rate in effect as of September 30, 2017.

(b) Hospitals operated by the Department of Health and Human Services, all the primary affiliated teaching hospitals for the University of North Carolina Medical Schools will be reimbursed their reasonable costs in accordance with the provisions of the Medicare Provider Reimbursement Manual. Critical Access Hospital pursuant to 42 USC 1395i-4 will be reimbursed their reasonable costs for acute care services in accordance with the provision of the Medicare Provider Reimbursement Manual. This Manual referred to as (CMS Publication #15-1) is hereby incorporated by reference including any subsequent amendments and editions. Interim payment rates will be estimated by the hospital and provided to the Division of Medical Assistance (DMA) subject to DMA review. These rates will be set at a unit value that can best be expected to approximate 100% of reasonable cost. Interim payments made under the DRG methodology to these providers shall be retrospectively settled to reasonable cost.

(c) Hospitals operating Medicare approved graduate medical education programs shall receive a per diem rate adjustment which reflects the reasonable direct and indirect costs of operating these programs. The per diem rate adjustment will be calculated in accordance with the provisions of DRG Rate Setting Methodology.

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TN. No. 17-0011

Supersedes

Approval Date: 12-08-17

Eff. Date: 10/01/2017

TN. No. 12-020

and TN. No. 05-008 with Approval Date: January 17, 2006 and Eff. Date: 6/30/2005

TN. No. 00-03 with Approval Date: December 15, 2005 and Eff. Date: 10/01/2005