



Center for Medicaid, CHIP, and Survey & Certification

Dr. Garth Splinter
State Medicaid Director
Oklahoma Health Care Authority
4545 North Lincoln Blvd., Suite 124
Oklahoma City, Oklahoma 73105
Attention: Cindy Roberts

AUG 18 2010

RE: TN 10-21

Dear Dr. Splinter:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-21. This amendment provides for a 3.25% reduction in reimbursement for Inpatient Hospital Services. It also provides for a quarterly supplemental payment to Oklahoma State University Medical Center for state fiscal year 2011.

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. As part of the review process the State was asked to provide information regarding funding of the State share of expenditures under Attachment 4.19-A. Based upon your assurances we are pleased to inform you that Medicaid State plan amendment 10-21 is approved effective April 1, 2010. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Sandra Dasheiff, CPA at (214) 767-6490.

Sincerely,

Cindy Mann
Director

Center for Medicaid, CHIP, and Survey & Certification

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

1 0 - 2 1

2. STATE

Oklahoma

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

April 1, 2010

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One)

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS A 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 440.10, 42 CFR 440.50, 42 CFR 440.60, 42 CFR 440.166

7. FEDERAL BUDGET IMPACT

a. FFY 2010 (\$6,412,027)

b. FFY 2011 \$9,355,602

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

See Attachment

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)

See Attachment

10. SUBJECT OF AMENDMENT

3.25% reduction in reimbursement for Inpatient Hospital Services

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

The Governor does not review State Plan
material.

12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME

Mike Fogarty

14. TITLE

Chief Executive Officer

15. DATE SUBMITTED

June 29, 2010

16. RETURN TO

Oklahoma Health Care Authority
Attn: Cindy Roberts
4545 N. Lincoln Blvd., Suite 124
Oklahoma City, OK 73105

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 6/29/2010

18. DATE APPROVED:

8-18-10

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

APR - 1 2010

21. TYPED NAME:

William Lasowski

22. TITLE:

Deputy Director, CMCS

23. REMARKS:

Attachment Oklahoma SPA 10-21

Box 8.

Attachment 4.19-A, Page 06
Attachment 4.19-A, Page 07
Attachment 4.19-A, Page 13
Attachment 4.19-A, Page 15

Box 9.

Same Page, Revised 05-01-09, TN # 09-07
Same Page, Revised 05-01-09, TN # 09-06
Same Page, Revised 10-01-06, TN # 06-13
Same Page, Revised 07-01-09, TN # 09-08

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES**III. PAYMENT METHODOLOGY FOR FREESTANDING REHABILITATION, AND FREESTANDING PSYCHIATRIC HOSPITALS (continued)****C. Updates**

1. The level of care operating and fixed capital per diem rates in effect on December 31, 2006, for psychiatric hospitals will be updated by a factor of 9.76% and 22.9% for rehabilitation hospitals. The rates in effect on December 31, 2007, will be updated by a factor of 3.2%.
2. Effective 05-01-09, Valir Rehab Hospital will be paid at a fixed rate per-diem based on its reported cost per day reported on the 12-31-07 cost report brought forward to the base rate period of Calendar year 2009 by the latest available Global Insight published "2002 Based CMS Hospital Prospective Reimbursement Market Basket" forecasts.
3. The rates will be reviewed annually and any annual updates will not exceed the marketbasket increase in rehabilitation, psychiatric and long term care facilities (RPL) marketbasket index for the current rate year.
4. Effective 04-01-10, the rate in effect as of 03-31-10 is reduced by 3.25%.

IV. PAYMENT METHODOLOGY FOR LONG TERM CARE HOSPITALS SERVING CHILDREN (LTCHs-C)

Effective for services provided on or after January 1, 1998, payment will be made to freestanding long term care hospitals serving children for sub-acute care level of services.

A. Definitions

1. Ancillary Services. Refers to those services that are not considered inpatient routine services. Ancillary services include laboratory, radiology, and prescription drugs. Ancillary services may also include other special items and services for which charges are customarily made in addition to a routine service charge.
2. Average Length of Stay. To be determined a long term care hospital, the hospital must have a Medicaid average length of stay of greater than 25 days.
3. Children. For the purpose of this reimbursement rate, children are defined as individuals under the age of 21.
4. Routine Services. Services include but are not limited to: regular room, dietary and nursing services, minor medical and surgical supplies, over-the-counter medications, transportation, and the use and maintenance of equipment and facilities essential to the provision of routine care. Routine services should be patient specific and in accordance with standard medical care.

Revised 04-01-10

TN# 10-21 Approval Date AUG 18 2010 Effective Date 04-01-10
Supersedes
TN # 09-07

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICESIV. PAYMENT METHODOLOGY FOR LONG TERM CARE HOSPITALS SERVING CHILDREN (LTCHs-C)
(continued)A. Definitions (continued)

5. Sub-acute Level of Care. Skilled care provided by a long term care hospital to patients with medically complex needs. Patients receiving treatment include: children with complex pulmonary problems; children requiring long term care to improve or maintain their physical condition or prevent deterioration; children who are terminally ill; and children who are experiencing severe developmental disabilities and multi-handicaps.

B. Eligible Providers

To be eligible for reimbursement, a long term care hospital must:

1. be Medicare certified and have a current contract on file with the Oklahoma Health Care Authority;
 2. be designated as a long term care facility by the CMS and be licensed by the Oklahoma State Health Department as a Children's Specialty Hospital.
 3. be engaged in providing sub-acute nursing and rehabilitative services to children.
 4. maintain an average daily census of 85% children to remain eligible for reimbursement rate.
- The census must be based on the entire facility and not a distinct part.

C. Reimbursement

1. Base Rate - As of 5-01-09, the base rate for payments to Children's LTCHs will be \$537.40 per day which is the allowable cost per day from the SFY 2008 cost report and MMIS data brought forward to the rate period by the Fourth Quarter 2008 published Global Insight market basket forecasts for "2002 Based CMS Hospital Prospective Reimbursement". The allowable cost includes all routine costs and any ancillary costs supplied directly by the facility.
2. Hospital Leave and Therapeutic Leave - LTCH-Cs providing sub-acute routine level of care services will not be eligible for acute hospital leave or therapeutic leave.
3. Ancillary Services - May be billed separately to the Oklahoma Medicaid Program, unless reimbursement is available from Medicare or other insurance or benefits programs.
4. Effective 04-01-10, the rate in effect as of 03-31-10 is reduced by 3.25%.

Revised 04-01-10

TN# 10-21 Approval Date AUG 18 2010 Effective Date 04-01-10
Supersedes
TN# 09-06

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES**VI. PER DISCHARGE PROSPECTIVE PAYMENT METHODOLOGY FOR HOSPITALS (continued)****C. Computation of Hospital Base Rates (continued)**

4. The five hospital classification variables were joined to claim and encounter records that had been assigned a DRG by the DRG diagnosis grouper. Due to underreporting of encounter records, discharges that were reported as managed care encounters were given greater weight (1.335) than discharges reported as FFS claims (1.0) to account for the estimated likelihood that denied encounters would have been revised and resubmitted if providers had a financial incentive to do so. A multiple regression equation was estimated from the claim and encounter data to determine the expected cost associated with each of the five classification variables, controlling for DRG and length of stay.
5. The five classification variables formed 32 possible combinations, or classes. Impossible combinations were eliminated. The expected cost for each remaining class was computed with the regression equation. Expected costs were totaled over all classes and the cumulative proportion of expected cost computed. Classes were grouped into five quintiles, such that each group accounts for 20% of the total expected cost.
6. For each group, the discharge-weighted average expected cost was calculated. After computing the discharge-weighted average expected cost for each peer group, the overall discharge weighted average was computed. The relative base rate was computed for each group as the ratio of the group-specific average to the over-all average.
7. The base year expected cost for each group was updated by the method in Section VI.B.4. of this plan.
8. The OHCA will determine the peer group assignment and appeal of assignment will be allowed only through the methods described in Section VI. F. of this Plan.

D. Updates

The DRG rates will be updated annually using the above described method.

Effective 04-01-10, the rate in effect as of 03-31-10 is reduced by 3.25%.

E. Special Prospective Payment Provisions**1. Cost Outlier Adjustment**

- a. Effective for discharges on or after October 1, 2005, and in accordance with Section 4605 of the Omnibus Budget Reconciliation Act (OBRA) of 1990, the OHCA provides for an outlier adjustment in payment amounts for medically necessary inpatient services involving exceptionally high costs for children who have not attained the age of six years in disproportionate share hospitals, and for infants under age one in all hospitals.

Revised 04-01-10

TN# 10-21 Approval Date AUG 18 2010 Effective Date 04-01-10
Supersedes
TN# 06-13

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES

VI. PER DISCHARGE PROSPECTIVE PAYMENT METHODOLOGY FOR HOSPITALS
(continued)**E. Special Prospective Payment Provisions** (continued)**6. Provisions Relating to Organ Transplants** (continued)

In addition to the DRG rate, payment will be made to certified transplant centers for the reasonable costs associated with the acquisition of organs for transplant. This payment will be the additional amount for the organ equal to the Standard Organ Acquisition Charge established by the facility as noted in CMS regulations.

7. Provisions Relating to Hospitals Experiencing a Significant Volume Decrease

In addition to the DRG payment, effective on or after July 1, 2009, Oklahoma State University Medical Center will be paid a payment adjustment of \$34,424,423. This payment is for the higher incremental operating costs associated with a lower volume number of discharges due to change of ownership and to sustain the viability of this hospital and maintain access to care. This payment will be made in four quarterly installments at the beginning of each quarter. These payments are for state fiscal year 2010 and 2011 only.

Revised 04-01-10

TN# 10-21 Approval Date AUG 18 2010 Effective Date 04-01-10
Supersedes
TN # 09-08