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State/Territory Name: Rhode Island

State Plan Amendment (SPA) #: RI 09-007

This file contains the following documents in the order listed:

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

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
JFK Federal Building, Government Center
Room 2275
Boston, Massachusetts 02203



CENTERS for MEDICARE & MEDICAID SERVICES

Division of Medicaid and Children's Health Operations / Boston Regional Office

February 26, 2010

Gray D. Alexander, Secretary
Executive Office
Of Health and Human Services
Hazard Bldg., 2nd floor
Cranston, Rhode Island 02920

Dear Mr. Alexander:

We are pleased to enclose a copy of approved State Plan Amendment (SPA) No. 09-007, Outpatient Supplemental Payments. This SPA renews the State's current practice of making supplemental payments to hospitals for outpatient services. We initially approved the State's request to make supplemental outpatient payments (primarily for ER services) via SPA 07-009 and renewed the methodology under SPA 08-007 and this SPA. This SPA is approved effective August 12, 2009.

We appreciate the effort and cooperation provided by your office during our review of this request. Should you have any questions, please contact Lynn DelVecchio at (617) 565-1201.

Sincerely,

/s/

Richard R. McGreal
Associate Regional Administrator

Enclosure

cc: Elena Nicolella, Director

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

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:
09-007

2. STATE
RI

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

4. PROPOSED EFFECTIVE DATE
~~August 20, 2009~~ August 12, 2009 *2AD*

5. TYPE OF PLAN MATERIAL (*Check One*):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

XX ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.304

7. FEDERAL BUDGET IMPACT:
a. FFY 2009 \$ 6,374,448
b. FFY 2010 \$19,123,344

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19B, Page 1
Attachment 4.19B, Page 1A

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

Attachment 4.19B, Page 1
Attachment 4.19B, Page 1A

10. SUBJECT OF AMENDMENT:

Outpatient 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

XX ☒ OTHER, AS SPECIFIED:
(See Attached Letter)

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME: Gary D. Alexander

14. TITLE: Director

15. DATE SUBMITTED: August 28, 2009

16. RETURN TO:

RI DHS Policy Office
Louis Pasteur Building #57
Department of Human Services
600 New London Avenue
Cranston, RI 02920

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
9/1/2009

18. DATE APPROVED:
2/23/2010

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
8/20/2009

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: Richard R. McGreal

22. TITLE: Associate Regional Administrator
Division of Medicaid & Children's Health

23. REMARKS:

State: Rhode Island

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER TYPES OF CARE

PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

1. Fee structures will be established which are designed to enlist participation of a sufficient number of providers of services in the program so that eligible persons can receive the medical care and services included in the plan at least to the extent these are available to the general population.
2. Participation in the program will be limited to providers of service who accept, as payment in full, the amounts paid in accordance with the fee structure.
3. Payment for physician, dentist and other individual practitioner services may be made up to the reasonable charge under Title XVIII. The upper limits with respect to any item of medical care and services provided under the State Plan shall not exceed the amounts established as the ceilings for the prices of such item pursuant to nationally imposed economic controls or limitations on the prices of goods and services. Fee schedules are posted on the Department of Human Services web site under Provider Services http://www.dhs.ri.gov/dhs/heacre/provsves/fee_schedule.htm. All governmental and private service providers are reimbursed according to the same published fee schedule. The Medical assistance Program rates were set as of July 21, 2008 and are effective for services on or after that date.
4. The following is a description of the payment structure by items of service.
 - a. Inpatient hospital services: as described in attachment 4.19A.
 - b. Outpatient hospital services: Annually, the Medical Assistance Program and Rhode Island community hospitals agree to a state-wide inflation factor that applies to all in-state hospitals, which prospectively establishes the maximum allowable increase in expenses for the hospital's coming hospital fiscal year. Within one (1) year of the close of the hospital's fiscal year, each hospital must submit settlements to the state. Based on the results of the cost finding process and in conjunction with the hospital's charge structure and revenue budget, ratios of allowable costs to hospital charges (RCCs) are established for outpatient services. Each hospital must publish a list of Hospital Board approved charges and dates of implementation at the beginning of the hospital's fiscal year that are consistent for all payers. Hospitals are allowed to update their charges annually.
 1. Outpatient laboratory and imaging services will be paid separately using the Medicare allowable rate.
 2. Physician fees will be paid separately from fee schedules posted on the Department of Human Services web site under Provider Services http://www.dhs.ri.gov/dhs/heacre/provsves/fee_schedule.htm.
 3. There are two outpatient RCCs. The outpatient surgery RCC will be established as described above. The outpatient RCC for all other services, exclusive of laboratory, imaging, and physicians, will be sixty-four percent (64%) of the outpatient surgery RCC.
 4. Out-of- State hospitals will be reimbursed for outpatient surgery services provided to Rhode Island Medical Assistance recipients at a rate equal to fifty-three (53%) of the out-of-state hospital's customary charge(s) for such services to Title XIX recipients in that state. The outpatient reimbursement for all other services, exclusive of laboratory, imaging, and physicians, will be sixty-four percent (64%) of the outpatient surgery rate.
 5. All in-state outpatient hospital payments are subject to a year-end settlement. Hospitals are required to submit settlement documents within twelve (12) months of the close of the hospital's fiscal year. Each hospital submits a state provided settlement document to submit outpatient charges, costs, and payments from the Medicaid program. Allowed costs from the prior year are adjusted by the agreed inflation factor for the fiscal year being settled. This information is reviewed by the state, adjusted where appropriate, and the new RCC is calculated by the state provided settlement document.
 6. Hospital outpatient claims and payments are processed through MMIS.
 7. Only hospitals and provider based entities, in accordance with 42 CFR 413.65, are reimbursed according to the outpatient hospital reimbursement methodology.
 8. Outpatient Supplemental Payment and UPL Calculation
 - a. For outpatient services provided for the period July 1, 2009 to June 30, 2010 each hospital as defined in Section 23-17-38.1(c)(1) is paid an amount determined as follows:
 - 1) Determine the sum of all Medicaid payments from Rhode Island MMIS to hospitals made for outpatient and emergency department services provided during each hospital's fiscal year ending during 2008, including settlements.;

- 2) Multiplying the result of (1) above by a percentage consistent with Medicare cost finding principles; and
- 3) The Outpatient UPL calculation is an estimate of Medicare outpatient cost for private hospitals. Specifically, a ratio of Medicare outpatient costs to Medicare outpatient charges is applied to Medicaid outpatient and emergency room charges to determine total Medicaid cost (the limit). Total Medicaid outpatient and emergency room payments are then subtracted to determine the UPL gap, which is the basis for the size of the outpatient supplemental payment. The UPL gap is calculated using an aggregate of the individual hospital gaps for state owned and operated, non-state owned and operated, and private hospitals. The outpatient UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services.

Cost information is from each providers Medicare cost report (CMS 2552), Worksheet D, Part V, Columns 9.01, 9.02, 9.03, Line 104 (which is equal to Line 101).

Charge information is from each providers Medicare cost report (CMS 2552), Worksheet D, Part V Columns 5.01, 5.02, 5.03, Line 104 (which is equal to Line 101).

The UPL is trended for inflation and utilization using CPI-U: Hospital and Related Service – CMS Health Care Indicators, Table 7: Percent Change in Medical Prices, and OP PPS Payment Increase and Market Basket Update

- 4) Pay each hospital on July 20, October 20, January 20, and April 20 one-quarter of the product created by multiplying the result of (1) above and (2) above.

- c. Payment will be made for rural health clinic services at the reasonable cost rate per visit established by the Medicare carrier. Payment for each ambulatory service, other than rural health clinic services, will be made in accordance with the rates or charges established for those services when provided in other settings
- d. Intentionally left blank.
 1. Intentionally left blank.