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**State/Territory Name:** Utah

**State Plan Amendment (SPA) #:** UT-10-014

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



Center for Medicaid, CHIP, and Survey & Certification

NOV 15 2010

Mr. Michael T. Hales, Director  
Division of Health Care Financing  
Utah Department of Health  
P.O. Box 143101  
Salt Lake City, UT 84114-3101

Re: Utah 10-014

Dear Mr. Hales:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-014. Effective for services on or after July 1, 2010, this amendment implements inpatient hospital reductions. Specifically, Utah's urban hospitals Diagnostic Related Group (DRG) payments will be reduced by 14.3 percent. The reduction to the calculated paid amount will occur after all calculated payments (base payment, outlier, etc.) and before third party liability and co-pay are applied to the payment. In addition, rural hospitals will be reimbursed 89 percent of charges instead of current language that provides for 93 percent.

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 (the Act) and the regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 10-014 is approved effective July 1, 2010. We are enclosing the CMS-179 and the amended plan page.

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

Sincerely,

Cindy Mann  
Director, CMCS

cc: Craig Devashrayee, UT DOH

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
OR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:  
10-014-UT

2. STATE:  
Utah

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

4. PROPOSED EFFECTIVE DATE  
July 1, 2010

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

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. FFY 2010 \$[6,765,500]

b. FFY 2011 \$[26,854,350]

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Page 7 of Attachment 4.19-A

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Page 7 of Attachment 4.19-A

10. SUBJECT OF AMENDMENT:

Inpatient Payment Reductions

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:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

David N. Sundwall, MD

14. TITLE:

Executive Director, Utah Department of Health

15. DATE SUBMITTED:

September 30, 2010

16. RETURN TO:

Craig Devashrayee, Manager  
Technical Writing Unit  
Utah Department of Health  
PO Box 143102  
Salt Lake City, UT 84114-3102

17. DATE RECEIVED:

18. DATE APPROVED:

11-15-10

FOR REGIONAL USE ONLY

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL - 1 2010

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

Deputy Director, CMCS

PLAN APPROVED - ONE COPY ATTACHED

23. REMARKS

INPATIENT HOSPITAL  
Section 100 Payment Methodology (Continued)

DRG weight, average length of stay (ALOS), and outlier threshold days are extracted from Utah Medicaid paid claims history files, where available, or from the U.S. Department of Health and Human Services, Health Care Financing Administration (HCFA).

2. The comprehensive, clinically-based, patient-focused medical review criteria and system developed by InterQual, Inc.
3. The appropriate, Utah-specific Administrative Rules or criteria developed through the Utilization Review Committee for programs and services not otherwise addressed.
4. The determination, where deemed necessary, of the Utilization Review Committee. The Committee must include at least two physicians and two registered nurses. The Committee will review and make recommendation on complicated or questionable individual cases.

185 Hospital Acquired Conditions (HAC): Effective October 1, 2008, inpatient hospital Medicare crossover discharges submitted to Utah Medicaid for payment will be adjusted to remove the effects of certain HACs. The Utah Medicaid Hospital Services Manual contains a list of diagnoses for these potential HACs. If a Medicare crossover claim has an HAC diagnosis and it was not present on admission, then the diagnosis will be excluded from the payment calculation. This change is in accordance with adopted Medicare policy for "never events."

190 Exempt Hospitals -- Two categories of hospitals are exempt from DRGs:

The State Hospital will continue to be reimbursed per diem cost for each operating unit. The per diem is calculated using Medicare regulations to definite allowable costs. In applying cost reimbursement principles, the Utah State Hospital is required to capitalize only those assets costing more than \$5,000.00. A separate per diem is calculated for each operating unit. Therapeutic leave days are included in the total count of Medicaid days, unless the patient was discharged. However, if a patient is admitted as an inpatient to a second hospital, the patient is deemed to be discharged from the State hospital and the days are not counted. The day count used in the Medicaid cost settlement must be consistently applied for all admissions for all classes and/or groups of patients. Because of their unique patient population, the Utah State Hospital is not part of the DRG system. Medicaid does not use the Medicare methodology to pay an average cost per discharge.

TEFRA limits do not apply because of long lengths of stay experienced by many of the patients.

Rural hospitals located in rural areas of the state are exempt from DRG. Medicare definition of "rural hospital" is adopted by Medicaid. Rural hospitals are paid 89 percent of charges.

191 Payment Adjustments -- Effective July 1, 2010, urban hospitals will have their calculated DRG payment reduced by 14.3 percent. This reduction to the calculated paid amount will occur after all calculated payments (base payment, outlier, etc.) and before third party liability and co-pay are applied to the payment.

194 Specialty Out-Of-State Hospitals -- These hospitals provide inpatient services that are not available in the State of Utah. To qualify for this special payment provision, prior authorization must be obtained from the Utah State Department of Health, Division of Health Care Financing. The payment amount will be established by direct negotiations for each approved patient. The DRG method may or may not be used depending on the negotiated payment. Typically, the Medicaid rate in the State where the hospital is located is paid.

T.N. # 10-014

Approval Date NOV 15 2010

Supersedes T.N. # 08-012

Effective Date 7-1-10