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State/Territory Name: Utah

State Plan Amendment (SPA) #: 18-0003

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
Denver Regional Office
1961 Stout Street, Room 08-148
Denver, CO 80294



REGION VIII - DENVER

August 21, 2018

Nathan Checketts, Medicaid Director
Utah Department of Health
P.O. Box 141000
Salt Lake City, UT 84114-1000

Dear Mr. Checketts:

We have reviewed the proposed State Plan Amendment (SPA) submitted under transmittal number (TN) 18-0003. This SPA updates the inflation and utilization trend for the required outpatient hospital upper payment limit (UPL) demonstration as well as updates the language for the private hospital supplemental payments.

The Outpatient Hospital Upper Payment Limit (UPL) Demonstration for state fiscal year 2019 has also been approved as a result of the SPA approval process.

Please be informed that this State Plan Amendment was approved today with an effective date of July 1, 2018. We are enclosing the CMS-179 and the amended plan page(s).

If you have any questions concerning this amendment, please contact Mandy Strom at (303) 844-7068.

Sincerely,

A solid black rectangular box used to redact the signature of Richard C. Allen.

Richard C. Allen
Associate Regional Administrator
Division for Medicaid & Children's Health Operations

cc: John Curless, UT
Craig Devashrayee, UT

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

1. TRANSMITTAL NUMBER:
18-0003-UT

2. STATE:
Utah

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

4. PROPOSED EFFECTIVE DATE
July 1, 2018

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 440.20

7. FEDERAL BUDGET IMPACT:

a. FFY 2019 \$[683,000]

b. FFY 2020 \$[683,000]

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Page 2e of ATTACHMENT 4.19-B;
Page 2f of ATTACHMENT 4.19-B.

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

Page 2e of ATTACHMENT 4.19-B

10. SUBJECT OF AMENDMENT: Outpatient Hospital Supplemental Payments

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: Joseph R. Miner, M.D.

14. TITLE: Executive Director, Utah Department of Health

15. DATE SUBMITTED: May 24, 2018

16.

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:

May 24, 2018

18. DATE APPROVED:

August 21, 2018

FOR REGIONAL USE ONLY

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2018

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Richard C. Allen

22. TITLE:

ARA, DMCHO

PLAN APPROVED – ONE COPY ATTACHED

3. REMARKS

13. PRIVATE HOSPITALS SUPPLEMENTAL PAYMENTS

Privately-owned in-state hospitals shall be eligible to receive a supplemental payment for outpatient hospital services based on a reasonable cost methodology. Reasonable cost is determined using Medicare principles by applying a cost-to-charge ratio derived from the latest filed Medicare cost report to Medicaid claims data as described in #14 below. The UPL room equals the difference between reasonable costs adjusted for inflation and utilization trends and claims payments made pursuant to otherwise applicable methodologies as described on Page 1 of this Attachment. The supplemental payment pool each year shall be the lesser of the total UPL room for this class or the calculated total funds amount using a non-federal share amount equal to \$3,777,777.78. The non-federal share amount will be used to generate additional matching Federal Funds. The total funds will be determined for each State Fiscal Year (SFY) by using a blended SFY FMAP rate for the SFY. The following example is for illustrative purposes only:

| FFY | FMAP | Quarters | Extended |
|------|--------|--|-----------------|
| 2018 | 0.7026 | 1 | 0.7026 |
| 2019 | 0.6971 | 3 | 2.0913 |
| | | Total | 2.7939 |
| | | Quarters | 4 |
| | | Blended FMAP (rounded) | 0.6985 |
| | | Blended State Match Rate (BSMR) for SFY 2019 | 0.3015 |
| | | Non-federal share (NFS) amount | \$3,777,777.78 |
| | | Total Funds (NFS/BSMR) | \$12,529,942.89 |

Quarterly interim lump sum payments will be made that will each be equal to one-fourth of the total projected supplemental payment pool. Before making the first interim supplemental payment in a state fiscal year, the total projected supplemental payment will be calculated. Using data from the federal HCRIS database, the calculation uses recently filed and available cost reports with provider fiscal year end before the beginning of the state fiscal year for which the calculation is made and as available at the time the calculation is made.

The payments will be allocated to each hospital based on the proportion of the hospital's UPL room that is greater than zero with an increased proportion being given to rural hospitals. The annual payment allocation is divided into two sub-allocations. One allocation is only for rural hospitals and the other is for all hospitals. The allocations are calculated as follows:

Hospital's Annual Payment Allocation = Hospital's Base Allocation + Hospital's Rural Enhancement Allocation

Total Rural Enhancement Allocation = Supplemental Payment Pool x Historical Rural Enhancement Percent (579/544-1)

Total Base Allocation = Supplemental Payment Pool - Total Rural Enhancement Allocation

Hospital's Base Allocation Percent = (Hospital's UPL room that is greater than zero) / (Sum of all hospitals' UPL room that is greater than zero)

Hospital's Base Allocation = Total Base Allocation x Hospital's Base Allocation Percent

Only Rural Hospital's with UPL room greater than zero are included in the Rural Enhancement Allocation below:

Hospital's Rural Enhancement Allocation Percent = (Rural Hospital's Annualized Medicaid Payments) / (Sum of Annualized Medicaid Payments to All Rural Hospitals)

Hospital's Rural Enhancement Allocation = Total Rural Enhancement Allocation x Hospital's Rural Enhancement Allocation Percent

T.N. # 18-0003

Approval Date 8/21/18

Supersedes T.N. # 17-0004

Effective Date 7-1-18

14. UPL Calculation Overview

For purposes of calculating the Medicaid outpatient hospital upper payment limits for hospitals, the state shall utilize hospital specific Medicare outpatient cost to charge ratios applied to Medicaid charges. The Medicaid upper payment limit for state hospitals and non-state government owned hospitals are independently calculated. Each Medicaid upper payment limit shall be offset by hospital Medicaid and other third party outpatient payments to determine the available spending room (i.e., the gap) applicable to each Medicaid upper payment limit. The base year utilized to determine each Medicaid upper payment limit shall be trended to the applicable spending year as follows:

- Inflation trend shall be an annual average calculated using the consumer price index available the December prior to the start of each state fiscal year for "Outpatient Hospital Services" as published by the U.S. Department of Labor, U.S. Bureau of Labor Statistics as compared to the previous December.
- Utilization trend shall be calculated using historical Utah Medicaid outpatient hospital services data. The utilization trend for State Fiscal Year 2019 shall be -4.5 percent.

Following is the data used to calculate the UPL for each state fiscal year:

Medicare Cost to Charge ratio:

- 2552-96: Costs are from Worksheet D, Part V, Columns 9, 9.01, 9.02, 9.03 line 104
- 2552-10: Costs are from Worksheet D, Part V, Columns 5, 6, and 7 line 202
- 2552-96: Charges are from Worksheet D, Part V, Columns 5, 5.01, 5.02, 5.03 line 104
- 2552-10: Charges are from Worksheet D, Part V, Columns 2, 3, 4 line 202

Note: As Medicare may amend the cost report structure from that noted above, corresponding Medicare Cost Report data will be used in place of the elements noted above.

The hospitals in the analysis have fiscal year ends during the state fiscal year

Medicaid Charges and payments - Paid hospital outpatient claims from services in a recent period and as available at the time the calculation is made.

Costs for critical access hospitals shall be calculated at 101 percent of cost with any appropriate inflation and utilization added as noted above.

T.N. # 18-0003

Approval Date 8/21/18

Supersedes T.N. # New

Effective Date 7-1-18