

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, M/S S3-13-15
Baltimore, MD 21244-1850



Center for Medicaid and State Operations (CMSO)

Robert Hoffman, Secretary
Agency of Human Services
State of Vermont
103 South Main Street
Waterbury, VT 05676-1201

OCT 21 2009 OCT - 8 2009

RE: TN Vermont 09-003

Dear Mr. Hoffman:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 09-003. This amendment modifies the methodology used to calculate reimbursement rates to inpatient Border Teaching hospitals. Specifically it: increases the base rate from 58.9% of in-state hospital base rate to 90% of in-state hospital base rate; provides for an additional \$200 per diem for Border Teaching hospitals with a claim that groups into the rehabilitation DRGs; and provides for an additional \$200 for Border Teaching hospitals that do not serve disproportionate number of neonate cases that have a claim that groups into a Neonate DRG.

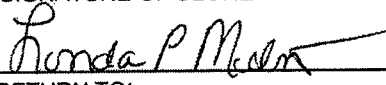


We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 09-003 is approved effective January 18, 2009. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Novena James-Hailey at (617) 565-1291.

Sincerely,

Cindy Mann
Director

Center for Medicaid and State Operations (CMSO)

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 09 -- 003	2. STATE: VERMONT
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
5. TYPE OF PLAN MATERIAL (CHECK ONE): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)		4. PROPOSED EFFECTIVE DATE(S) 01/18/09	
6. FEDERAL STATUTE/REGULATION CITATION: n/a	7. FEDERAL BUDGET IMPACT: a. FFY 09 \$ 1,159,523 b. FFY 10 \$ 1,656,007		
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: ATTACH. 4.19-A, PAGE 1C-7 ATTACH. 4.19-A, PAGE 1C-10	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) ATTACH. 4.19-A, PAGE 1C-7 ATTACH. 4.19-A, PAGE 1C-10		
10. SUBJECT OF AMENDMENT: HOSPITAL INPATIENT PAYMENT METHODOLOGY CHANGES			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED SIGNATURE OF SECRETARY OF ADMINISTRATION 	
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: LEAH KORCE OFFICE OF VERMONT HEALTH ACCESS 312 HURRICANE LANE, SUITE 201 WILLISTON, VT 05495	
13. TYPED NAME: ROBERT HOFMANN		15. DATE SUBMITTED:	
14. TITLE: SECRETARY, AGENCY FOR HUMAN SERVICES			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: 10-8-09	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JAN 18 2009		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: William Lasowski		22. TITLE: Deputy Director, CMSO	
23. REMARKS			

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT
HOSPITAL SERVICES (CONTINUED)

I. Special Payment Provisions

A. Rehabilitation DRG

In-state hospitals with a claim that groups into the Rehabilitation DRGs (DRGs 945 and 946 in MS-DRG Grouper Version 26.0) will be paid an additional \$300 per diem for the entire length of the patient's stay for the single episode of care. Border Teaching Hospitals will be paid an additional \$200 per diem. This payment is in addition to the Non-Outlier and Outlier DRG Payments per Case.

B. Neonate DRGs

In-state hospitals that do not serve a disproportionate number of neonate cases that have a claim that groups into a Neonate DRG will be paid an additional \$300 per diem for the entire length of the patient's stay for the single episode of care. Border Teaching Hospitals will be paid an additional \$200 per diem. This payment is in addition to the Non-Outlier and Outlier DRG Payments per Case.

In-state hospitals that do serve a disproportionate number of neonate cases that have a claim that groups into a Neonate DRG will be paid an additional \$400 per diem for the entire length of the patient's stay for the single episode of care. This payment is in addition to the Non-Outlier and Outlier DRG Payments per Case. A hospital with a disproportionate share of neonate cases is a hospital that had more than 50% of all of the neonate DRG cases in the rate setting claims period.

The Neonate DRGs paid under this methodology are those Neonate DRGs as assigned by the Grouper being utilized by OVHA. Effective October 3, 2008, this included the following DRGs:

DRG 789: Neonates, Died or Transferred to another Acute Care Facility
DRG 790: Extreme Immaturity or Respiratory Distress Syndrome, Neonate
DRG 791: Prematurity with Major Problems
DRG 792: Prematurity without Major Problems
DRG 793: Full Term Neonate with Major Problems
DRG 794: Neonate with Other Significant Problems

(Continued)

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT
HOSPITAL SERVICES (CONTINUED)**

IV. Special Payment Provisions (Continued)

E. Out of State Facilities

Out-of-state facilities will receive payments using the same payment formulas as stated in III.A.1 and III.A.2. However, the values of components of the formulas may differ from those used to pay in-state hospitals.

1. A Base Rate will be assigned to each participating out-of-state hospital based upon its peer group.
 - a. Border Teaching Hospitals: Defined as hospitals within 10 miles of the Vermont border that operate post-graduate training programs. For payments on or after January 19, 2009, the base rate will equal 90.0% of the in-state base rate.
 - b. Non-Border Teaching Hospitals: Defined as hospitals greater than 10 miles of the Vermont border that operate post-graduate training programs. For payments on or after October 3, 2008, the base rate will equal 55.2% of the in-state base rate.
 - c. Other Out-of-State Hospitals: Defined as hospitals not meeting the criteria of G.1.a or G.1.b. For payments on or after October 3, 2008, the base rate will equal 51.5% of the in-state base rate.
2. A Fixed Outlier Value will be assigned to each participating out-of-state hospital based upon its peer group.
3. An Outlier Percentage will be assigned to each participating out-of-state hospital based upon its peer group.

OS Notification

State/Title/Plan Number: Vermont 09-003

Type of Action: SPA approval

Required Date for State Notification: November 19, 2009

Fiscal Impact:	FY 2009	\$1,159,523 FFP
	FY 2010	\$1,656,007 FFP

Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0

Number of Potential Newly Eligible People: 0

Eligibility Simplification: No

Provider Payment Increase: Yes

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Detail: Effective January 19, 2009, this amendment modifies the methodology used to calculate reimbursement rates to inpatient Border Teaching hospitals. Specifically it: increases the base rate from 58.9% of in-state hospital base rate to 90% of in-state hospital base rate; provides for an additional \$200 per diem for Border Teaching hospitals with a claim that groups into the rehabilitation DRGs; and provides for an additional \$200 for Border Teaching hospitals that do not serve a disproportionate number of neonate cases that have a claim that groups into a Neonate DRG.

Other Considerations: This amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor. This OSN has been reviewed in the context of the ARRA and approval of the OSN is not in violation of ARRA provisions.

CMS Contact: Novena James-Hailey, (617) 565-1291

VT 09-003

Effective January 18, 2009, this amendment modifies the methodology used to calculate reimbursement rates to inpatient Border Teaching hospitals. Specifically it: increases the base rate from 58.9% of in-state hospital base rate to 90% of in-state hospital base rate; provides for an additional \$200 per diem for Border Teaching hospitals with a claim that groups into the rehabilitation DRGs; and provides for an additional \$200 for Border Teaching hospitals that do not serve disproportionate number of neonate cases that have a claim that groups into a Neonate DRG.

Fiscal impact: FY09 = \$1,159,523 and FY10 = \$1,656,007

Funding: Non-Federal share is from appropriations to the Medicaid Agency.

The UPL demonstration was reviewed and found to be acceptable. And responses to the funding questions were answered satisfactory.

We would like to recommend approval.