

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
2201 6th Avenue, Mailstop RX-43
Seattle, Washington 98121



Division of Medicaid & Children's Health Operations

MAR 27 2013

Dorothy Frost Teeter, Director
MaryAnne Lindeblad, Medicaid Director
Health Care Authority
P.O. Box 45502
Olympia, WA 98504-5502

RE: Washington State Plan Amendment 12-022

Dear Ms. Teeter and Ms. Lindeblad:

The Centers for Medicare & Medicaid Services (CMS) National Institutional Reimbursement Team (NIRT) recently approved Washington State Plan Amendment (SPA) 12-022.

Although the NIRT has already sent the State a copy of the approval for this SPA, the Seattle Regional Office is following up with an additional copy for the reason that we were in receipt of the original, signed amendment request.

Therefore, enclosed you will find a copy of the official CMS Form 179, amended page(s), and copy of the approval letter from the NIRT for your records.

If you have any questions concerning the Seattle Regional Office role in the processing of this SPA, please contact Shante Abarabar at (206) 615-2326 or Shante.Abarabar@cms.hhs.gov.

Sincerely,

A black rectangular redaction box covers the signature of Carol J.C. Peverly.

Carol J.C. Peverly
Associate Regional Administrator
Division of Medicaid and Children's Health
Operations

Enclosure

**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:
12-022**

**2. STATE
Washington**

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

**4. PROPOSED EFFECTIVE DATE
July 1, 2012**

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 Part 447**

7. FEDERAL BUDGET IMPACT:
a. FFY 2012 \$910,141
b. FFY 2013 \$5,537,302

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

**Att. 4.19-B, Part 1, pp. 13-14
Att. 4.19-A, Part 1, pp. 13-14**

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

**Att. 4.19-B, Part 1, pp. 13-14
Att. 4.19-A, Part 1, pp. 13-14**

10. SUBJECT OF AMENDMENT:

Outlier Process

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: Exempt**

12. SIGNATURE OF STATE AGENCY OFFICIAL:

**13. TYPED NAME:
MARYANNE LINDEBLAD**

**14. TITLE:
DIRECTOR**

15. DATE SUBMITTED:

09/13/12

16. RETURN TO:

**Ann Myers
Office of Rules and Publications
Legal and Administrative Services
Health Care Authority
626 8th Ave SE MS: 45504
Olympia, WA 98504-5504**

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: September 14, 2012

18. DATE APPROVED: March 27, 2013

PLAN APPROVED - ONE COPY ATTACHED

**19. EFFECTIVE DATE OF APPROVED MATERIAL:
July 1, 2012**

21. TYPED NAME: Carol J.C. Peverly

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

23. REMARKS:

02-22-2013 - P&I changes authorized by State to Block(s) 8 and 9

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)****C. GENERAL REIMBURSEMENT POLICIES (cont.)****2. DRG Relative Weights (cont.)**

The relative weights are standardized to an overall case-mix index of 1.0 based on claims used during the recalibration process, but are not standardized to a case-mix index of 1.0 regarding the previous relative weights used.

For dates of admission on and after August 1, 2007, Washington State Medicaid recalibrated the relative weights using the All Patient DRG (AP-DRG) grouper version 23.0 classification software. The relative weights are cost-based and developed using estimated costs of in-state hospitals' Medicaid fee-for-service claims and Washington State Department of Health's (CHARS) claims representative of Healthy Options managed care from SFY 2004 and 2005.

The AP-DRG classification is unstable if the number of claims within the DRG classification is less than the calculated N for the sample size. The AP-DRG classification is also considered low-volume if number of claims within the classification is less than 10 claims in total for the two-year period.

3. High Outlier Payments

High-outliers are cases with extraordinarily high costs when compared to other cases in the same DRG. The reimbursement system includes an outlier payment for these cases.

For dates of admission on or after August 1, 2007 the Agency allows a high outlier payment for claims that meet high outlier qualifying criteria. To qualify, the claim's estimated cost must exceed a fixed outlier cost threshold of \$50,000 and an outlier threshold factor (a multiplier times the inlier). Only DRG and specific Per Diem claims (medical, surgical, burn and neonatal) qualify for outlier payments. If a claim qualifies, the outlier payment is the costs in excess of the outlier factor threshold multiplied by an outlier adjustment factor. Total payment is outlier plus inlier. (The inlier is the hospital's specific DRG rate times the relative weight or for per diem claims, the hospital's specific Per Diem rate times allowed days).

(a) **Estimated Cost.** The cost of a claim is estimated by multiplying the hospital's Ratio of Cost to Charges (RCC) by the billed charges.

(b) **Outlier Threshold Factor.** The inlier is multiplied by a date specific factor to determine the threshold that must be met in order to qualify for an outlier payment. This factor is referred to as the outlier threshold factor. For dates of admission August 1, 2007 through July 31, 2012, the outlier threshold factor is 1.50 for pediatric services and pediatric hospitals, and 1.75 for all other services. For dates of admission on or after August 1, 2012, the outlier threshold factor is 1.429 for pediatric services and pediatric hospitals, and 1.667 for all other services.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

C. GENERAL REIMBURSEMENT POLICIES (cont.)

- (c) Outlier Adjustment Factor. The costs that exceed the outlier threshold are multiplied by a date specific factor to determine the outlier payment. This factor is referred to as the outlier adjustment factor. For dates of admission August 1, 2007 through July 31, 2012, the outlier adjustment factor is 0.95 for pediatric services and pediatric hospitals, 0.90 for burn DRGs, and 0.85 for all other services. For dates of admission on or after August 1, 2012, the outlier adjustment factor is 0.998 for pediatric services and pediatric hospitals, 0.945 for burn DRGs, and 0.893 for all other services.

[Back to TOC](#)

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



MaryAnne Lindeblad
Director
Health Care Authority
Post Office Box 45502
Olympia, Washington 98504-5502

MAR 27 2013

RE: Washington State Plan Amendment (SPA) Transmittal Number 12-022

Dear Ms. Lindeblad:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 12-022. Effective July 1, 2012, this amendment sets outlier thresholds and outlier adjustment factors effective for hospital admissions on or after August 1, 2012. An outlier threshold, which determines which claims qualify for an outlier payment, was set for services provided by pediatric hospitals, and another threshold was set for all other Medicaid services. An outlier adjustment factor, which determines the amount of an outlier claim that will be paid, was set for pediatric service claims in pediatric hospitals, claims classified as burn treatment, and all other services.

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, Medicaid state plan amendment 12-022 is approved effective July 1, 2012. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Joe Fico of the National Reimbursement Team at (206) 615-2380.

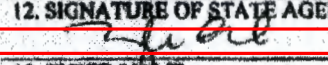
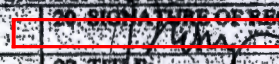
Sincerely,

A handwritten signature in black ink, appearing to read 'Cindy Mann', is enclosed within a red rectangular box.

Cindy Mann,
Director
Center for Medicaid & CHIP Services

cc
Ann Myers, State Plan Coordinator

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TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
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13. TYPED NAME: MARYANNE LINDERLAD			
14. TITLE: DIRECTOR			
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