

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 and State Operations (CMSO)**

---

Mr. Jason A. Helgerson  
Administrator, Division of Health Care Access and Accountability  
Wisconsin Department of Health Services  
P.O. Box 309, Room 350  
1 West Wilson Street  
Madison, WI 53701-0309

JUN - 4 2009

RE: Wisconsin 08-023

Dear Mr. Helgerson:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 08-023. Effective for services on or after July 1, 2008, this amendment proposes to add language to the inpatient hospital rate methodology that addresses hospital acquired conditions ("never events").

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 08-023 is approved effective July 1, 2008. The HCFA-179 and the amended plan pages are attached.

If you have any questions, please call Todd McMillion at (608) 441-5344.

Sincerely,

Jackie Garner  
Acting Director  
Center for Medicaid and State Operations

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

1. TRANSMITTAL NUMBER:  
08-023

2. STATE  
Wisconsin

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

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

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

4. PROPOSED EFFECTIVE DATE  
07/01/2008

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 447.250

7. FEDERAL BUDGET IMPACT:

a. FFY 2009 ..... \$ (18K)

b. FFY 2010 ..... \$ (18K)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, Page1 .....

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

Same

10. SUBJECT OF AMENDMENT:

Inpatient hospital rates and methodologies - never events

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:

Jason A. Helgerson

14. TITLE:

State Medicaid Director

15. DATE SUBMITTED:

September 30, 2008

16. RETURN TO:

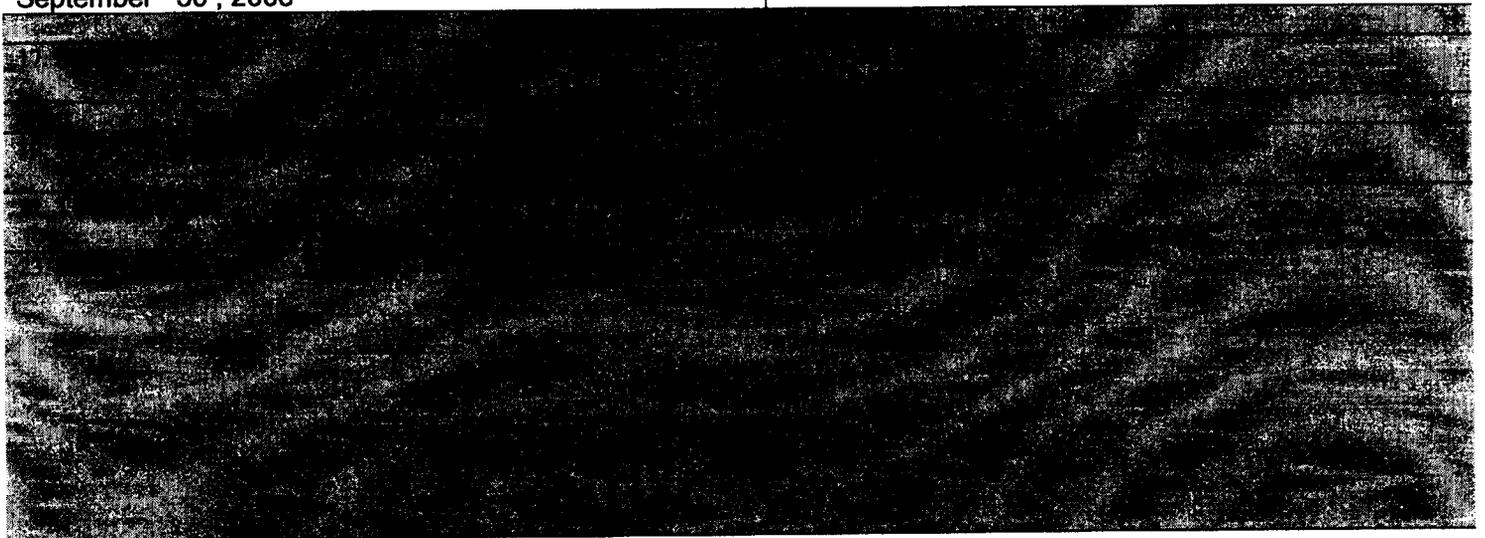
Jason A. Helgerson

State Medicaid Director

1 W. Wilson St.

P.O. Box 309

Madison, WI 53701-0309



**Wisconsin Medicaid Program  
Inpatient Hospital State Plan  
Method and Standards For Determining Payment Rates**

**SECTION 1000  
OVERVIEW OF INPATIENT HOSPITAL REIMBURSEMENT**

This section is a brief overview of how reimbursement to hospitals is determined for inpatient services that are provided by hospitals to eligible recipients of the Wisconsin Medicaid Program (WMP). The WMP uses a reimbursement system which is based on Diagnosis Related Groupings (DRGs). The DRG system covers acute care hospitals. Excluded from the DRG system are rehabilitation hospitals, State Institutions for Mental Disease (IMDs) and psychiatric hospitals, which are reimbursed at rates per diem. Also, reimbursement for certain specialized services are exempted from the DRG system. These include acquired immunodeficiency syndrome (AIDS), ventilator-assisted patients, unusual cases and brain injury cases. Special provisions for payment of each of these DRG exempted services are included in the plan. As of July 1, 1995, organ transplants are covered by the DRG system.

Approved inpatient hospital rates are not applicable for hospital acquired conditions that are identified as non-payable by Medicare. This hospital acquired conditions policy does not apply to Medicaid supplemental or enhanced payments and Medicaid disproportionate share payments.

The WMP DRG reimbursement system uses the grouper that has been developed for and used by Medicare, with enhancements for certain perinatal, newborn and psychiatric cases. The grouper is a computer software system that classifies a patient's hospital stay into an established diagnosis related group (DRG) based on the diagnosis of and procedures provided the patient. The WMP applies the Medicare grouper and its enhancements to Wisconsin-specific claims data to establish a relative weight for each of over 550 DRGs based on statewide average hospital costs. These weights are intended to reflect the relative resource consumption of each inpatient stay. For example, the average hospitalization with a DRG weight of 1.5 would consume 50 percent more resources than the average hospitalization with a weight of 1.0, while a hospital stay assigned a DRG with a weight of .5 would require half the resources.

Each hospital is assigned a unique "hospital-specific DRG cost based payment per discharge". The provider specific, cost based DRG payment rate will be adjusted by case mix with additional payments made for eligible outlier cases.

Given a hospital's specific DRG rate and the weight for the DRG into which a stay is classified by the grouper, payment to the hospital for the stay is determined in multiplying the hospital's rate by the DRG weight.

A "cost outlier" payment is made when the cost of providing a service exceeds a pre-determined "trimpoint". Each inpatient hospital claim is tested to determine whether the claim qualifies for a cost outlier payment. A length-of-stay outlier payment is available upon a hospital's request for children under six years of age in disproportionate share hospitals and for children under age one in all hospitals.

For additional information, contact:

Hospitals, Physicians and Clinics Section  
Division of Health Care Financing  
1 W. Wilson Street, Room 350  
P. O. Box 309  
Madison, Wisconsin 53701-0309.

Telephone (608) 261-7838  
FAX Telephone (608) 266-1096  
Voice/TDD 1-800-362-3002

TN # 08-023  
Supersedes TN# 07-006

Approval date     JUN - 4 2009    

Effective date: 07/01/2008