

VII – Other Inpatient and Outpatient Facility Narrative Instruction

Regulations at 42 CFR 447.325 state that for “other inpatient and outpatient facility services” Medicaid agencies “may pay the customary charges of the provider but must not pay more than the prevailing charges in the locality for comparable services under comparable circumstances.” States that provide Inpatient Psychiatric Services for Individuals under Age 21 and Services for Individuals age 65 or older in an Institution for Mental Diseases should complete this template for all facilities that receive Medicaid payments.

I. Basis of the UPL Formula

Unlike the UPLs for the other Medicaid institutional payments, which rely on an aggregate approach to ensure Medicaid payments are consistent with efficiency and economy, the “other inpatient and outpatient facility services” UPL is applied on a facility-specific basis. While the limit is facility-specific, states have considerable flexibility in setting payment rates for inpatient psychiatric services furnished by the facilities. The limit at 42 CFR 447.325 allows states to pay up to the same rates a facility would customarily charge and collect from other payers. Where a state elects to pay customary charges, the regulation also requires the state to ensure that the charges are reasonable and, if available, compare them to prevailing charges.

Check-boxes are provided for states to affirm that the UPL demonstration addresses the customary charge limit, and if customary charges are paid to the facilities, that the state compares those payments to the prevailing charges in the locality. A text box is provided for states to detail the formula used to calculate the limits. Additionally, states should indicate the time period of the demonstration data in the spaces provided in this section and confirm that the data is the most recently available to the state.

II. The Source of the Provider Customary Charge Data

This section covers the sources and adjustments made to the provider customary charge data. The state may indicate that the sources of the charge data are either claims data from the MMIS or other data sources. If the state uses other data sources, a text box is provided to explain the data. The state should note whether the provider charges are uniform for all payers. If the charges are uniform, this is a good indication that they meet the definition of the customary charge. If the charges are not uniform, a text box is provided for the state to discuss how the data is used to calculate the customary charge. A text box is provided for states to discuss how the state determines that the charge data used in the demonstration represents the same services as comparable to the services provided through Medicaid.

III. The Source of the Prevailing Charge Data

The regulations limit provider payments to the prevailing charge in the locality for comparable services under comparable circumstances. States should indicate the sources of the prevailing charge data in this section. Additionally, states should explain how the charge data is adjusted to

account for locality and how the data provides a representation of comparable services under comparable circumstances. Text boxes are provided for those explanations.

Additionally states are asked to confirm that the prevailing charge data is for the same services as those paid under Medicaid and, as applicable, explain any differences between the prevailing and Medicaid charge data.

IV. Source of Medicaid Payment Data

The customary and prevailing charge data is compared to the Medicaid payment data from the demonstration rate year.

- The Medicaid payment data should be from adjudicated Medicaid service claims from the MMIS. A check-box is provided to confirm that the source of the payment data is the MMIS. If the state uses a source other than the MMIS for the payment data, please explain the other source in the text box.
- The Medicaid payment data should be from the same date of service time period as the charge data used in the demonstration. If the state uses a different Medicaid payment time period, we have asked the state to provide an explanation.
- The UPL must include total payments made to facility providers (base and supplemental). States must identify the base and supplemental payments separately within the demonstration. If any payments are made outside of the MMIS, we ask the state to explain those payments in the text box that is provided.
- We recommend that states exclude cross-over claims from the Medicaid payment data. There is a check box for state to confirm that cross-over claims are excluded.
- As part of the calculation, states should make adjustments for changes in facility payments that occurred between the demonstration period and the current rate year. For instance, if a state has implemented or intends to implement a new supplement payment, the amounts associated with the supplemental payment should be reflected in the Medicaid payment data.
- The amounts reported on the CMS-64 expenditure system for facility payments should match or closely align with the amounts reflected in the base period for the UPL demonstration. We ask the state to verify the consistency with the reported expenditures and the UPL payment data and explain any inconsistencies.

V. Trends and adjustments to the UPL Data

Because UPL calculations rely on data from prior periods, states often trend the data to the current rate year using inflationary and volume adjustments. In addition, states may use completion factors for charge and payment data to compensate for claiming lags. All trend sources and trending applications to the UPL data are described in this section.

- States should verify that trends are used for inflation and describe the inflationary trend source and application. The trend data should be applied as a “mid-point to mid-point” application in order to accurately project the trended historic data into the current rate year.
- Volume adjustments may be made to reflect changes in the Medicaid program that have occurred between the base and current rate year periods. The volume adjustment source

should be based on data that reflects real program experience and the adjustment must be equally applied to the Medicaid payment and the charge data. Within the narrative, states should verify that adjustments are used to account for increases (or decreases) in volume and describe the volume adjustment source and application.

- If the state adjusts UPL data using additional or alternative factors, we have requested an explanation and the basis for those adjustments in the text box provided.
- States could apply completion factors to the Medicaid charge and payment data to account for lags in claims adjudication. The narrative requests that states indicate when claims completion factors are used for charge and payment data, the application of the factors and an assurance that the factors are applied consistently for the charge and payment data.

VI. State UPL Data Demonstration Structure

This section describes the structure of the supporting UPL data, which is provided by individual facility provider.

- The state is asked to assure that the UPL data demonstrates UPL compliance for each provider.
- All Medicaid payments made to the facility providers must be included in the demonstration. Base and supplemental payments should be separately identified.

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