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State/Territory Name: KANSAS

State Plan Amendment (SPA) #: KS-25-0006

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

April 8, 2025

Christine Osterlund
Medicaid Director
Deputy Secretary of Agency Integration and Medicaid
KDHE, Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

RE: **TN 25-0006**

Dear Medicaid Director Osterlund,

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Kansas State Plan Amendment (SPA) to Attachment 4.19-A and Attachment 4.19-B, KS-25-0006, which was submitted to CMS on January 21, 2025. This plan amendment updates the Critical Access Hospital (CAH) cost report settlements. These funds will be split between inpatient CAH Adjustment Factor (CAF) settlements and outpatient CAF settlements using the same percentage split as the inpatient and outpatient CAF settlements in 2013.

We reviewed your SPA submission for compliance with statutory requirements including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of January 1, 2025. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Fred Sebree at Frederick.Sebree@cms.hhs.gov and/or Ysabel Gavino at Maria.Gavino@cms.hhs.gov

Sincerely,



Rory Howe
Director
Financial Management Group

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER 2 5 — 0 0 0 6 2. STATE KS

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT XIX XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
January 1, 2025

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2025 \$ 0
b. FFY 2026 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4 19-A Page 25c
Attachment 4 19-B #5 Page 1a

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Attachment 4 19-A Page 25c
Attachment 4 19-B #5 Page 1a

9. SUBJECT OF AMENDMENT
The Kansas State Legislature added eight million dollars to the statewide aggregate Critical Access Hospital (CAH) cost settlements. These funds will be split between inpatient CAH Adjustment Factor (CAF) settlements and outpatient CAF settlements using the same percentage split as the inpatient and outpatient CAF settlements in 2013.

10. 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:
Christine Osterlund is the Governor's Designee

11. SIGNATURE OF STATE AGENCY OFFICIAL
[Redacted Signature]

12. TYPED NAME
Christine Osterlund

13. TITLE
Medicaid Director

14. DATE SUBMITTED
January 21, 2025

15. RETURN TO
Christine Osterlund
Medicaid Director
Deputy Secretary of Agency Integration and Medicaid
KDHE, Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

FOR CMS USE ONLY

16. DATE RECEIVED
January 21, 2025

17. DATE APPROVED
April 8, 2025

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2025

19. SIGNATURE OF APPROVING OFFICIAL
[Redacted Signature]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, Financial Management Group

22. REMARKS

KANSAS MEDICAID STATE PLAN

**Attachment 4.19-A
Page 25c**

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

2.6000 Settlements and Recoupments

There shall be no year-end settlements under the DRG reimbursement system. However, some settlements and recoupments may occur because of Surveillance/Utilization Review or other reviews which determine that payments were in error.

3.0000 General Hospital Reimbursement for Inpatient Services Excluded from
The DRG Reimbursement System

Effective January 18, 2013, reimbursement for heart, liver, and bone marrow transplant services shall be excluded from the DRG payment system. Reimbursement for these transplants shall be based upon the lesser of reasonable costs or customary charges, contingent upon transplant surgery. Due to the unusual nature of these services, negotiated rates which pay no more than the DRG daily rate may be paid. For services provided prior to the transplant surgery, or if transplant surgery is not performed, reimbursement shall be made according to the DRG payment system.

3.1000 Critical Access Hospital Reimbursement

The Critical Access Hospital (CAH) cost settlement process will end for inpatient discharges and outpatient dates of services on or after 1/1/2013. Settlement related to inpatient discharges and outpatient dates of service prior to 1/1/2013 will continue per previous State Plan Amendment methodology until finalized.

Effective 1/1/2013, a CAH Adjustment Factor (CAF) will be applied to CAH reimbursement for the Inpatient Discharges and Outpatient dates of service on or after 1/1/2013. The hospital-specific CAF is a prospective factor calculated using experience in previous cost reporting years. The factor for Year 1 (calendar 2013) is based upon the 2011 cost reporting period. Year 2 will be calculated using year-end 2012 cost reports, and so forth. The funds associated with the CAF are capped prospectively with hospital specific factors. (By contract, managed care organizations adopt the CAF methodology as the basis for their CAH reimbursement.)

For calendar year 2013, the CAF is calculated as the difference between each hospital's Fee For Service incurred costs and Fee For Service payments received as a ratio to total payments received. The period for this calculation is based on each CAH's cost reporting period ending in 2011, and factors are developed separately for both inpatient and outpatient. The CAF is adjusted to make it consistent prospectively with statewide aggregate CAH cost settlements during the 2011 cost reporting period. Effective 1/1/2025 the Kansas State Legislature added eight million dollars to the statewide aggregate CAH cost settlements during the 2011 cost report period. These funds will be split between inpatient CAF settlements and outpatient CAF settlements using the same percentage split as the inpatient and outpatient CAF settlements in 2013.

After 2013, an adjustment to the CAF will be included for prior year overpayment or underpayment that may have occurred in the aggregate relative to the estimated cap. CAHs will always receive at least the fee-for-service rate. Beginning with cost reporting year 2013, all allowable Medicaid charges will be used to calculate the CAF.

Allowable Medicaid costs are defined as the costs Medicare defines as allowable on the Medicare finalized cost report. The Medicare fiscal intermediary's review of the Medicare cost report is relied on for the determination of reasonable costs and the finalized Medicare cost report will be used for determining final Medicaid allowable costs.

KANSAS MEDICAID STATE PLAN

Attachment 4.19-B
#5
Page 1a

Methods and Standards for Establishing Payment Rates

Outpatient Services

Critical Access Hospital (CAH)

Effective for dates of service on or after October 5, 2007, critical access hospital outpatient services are reimbursed 100% of the reasonable cost of providing the services, as determined under applicable Medicare principles of reimbursement, except that the following principles do not apply: the lesser of cost or charges (LCC) rule and the reasonable compensation equivalent (RCE) limits for physician services to providers. Payments are adjusted to reflect elimination of fee schedule methods for specific services such as laboratory and radiology services. Final reimbursement for these and other outpatient services is made in accordance with reasonable cost principles.

Allowable Medicaid costs are defined as the costs Medicare defines as allowable on the Medicare finalized cost report. The Medicare cost report will be used to determine the Medicaid allowable costs and the Medicare fiscal intermediary's review of the Medicare cost report will be relied on for determining allowable costs.

The Critical Access Hospital (CAH) cost settlement process will end for outpatient dates of services on or after 1/1/2013. Settlement related to outpatient dates of service prior to 1/1/2013 will continue per previous State Plan Amendment methodology until finalized.

Effective 3/22/2013, a CAH Adjustment Factor (CAF) will be applied to CAH reimbursement for Outpatient dates of services on or after 3/22/2013. The CAF will be applied and reimbursed on a per claim basis. The hospital-specific CAF is a prospective factor calculated using experience in previous cost reporting years. The factor for Year 1 (calendar 2013) is based upon the 2011 cost reporting period. Year 2 will be calculated using year-end 2012 cost reports, and so forth. The funds associated with the CAF are capped prospectively with hospital specific factors. (By contract, managed care organizations adopt the CAF methodology as the basis for their CAH reimbursement.)

For calendar year 2013, the CAF is calculated as the difference between each hospital's Fee For Service incurred costs and Fee For Service payments received as a ratio to total payments received. The period for this calculation is based on each CAH's cost reporting period ending in 2011, and factors are developed separately for both inpatient and outpatient. The CAF is adjusted to make it consistent prospectively with statewide aggregate CAH cost settlements during the 2011 cost reporting period. Effective 1/1/2025 the Kansas State Legislature added eight million dollars to the statewide aggregate CAH cost settlements during the 2011 cost report period. These funds will be split between inpatient CAF settlements and outpatient CAF settlements using the same percentage split as the inpatient and outpatient CAF settlements in 2013.

After 2013, an adjustment to the CAF will be included for prior year overpayment or underpayment that may have occurred in the aggregate relative to the estimated cap. CAHs will always receive at least the fee-for-service rate. Beginning with cost reporting year 2013, all allowable Medicaid charges will be used to calculate the CAF.