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State/Territory Name: Maine

State Plan Amendment (SPA) #: 24-0017-A

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850

Financial Management Group

January 13, 2025

Michelle Probert
Director, MaineCare Services
11 State House Station
109 Capitol Street
Augusta, Maine 04333-0011

RE: TN 24-0017-A

Dear Director Probert:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Maine state plan amendment (SPA) to Attachment 4.19-A ME-24-0017-A, which was submitted to CMS on September 30, 2024. This plan amendment updates the payment methodology for inpatient hospital services.

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 July 1, 2024. 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 James Francis at 857-357-6378 or via email at James.Francis@cms.hhs.gov.

Sincerely,

[redacted]

Rory Howe
Director
Financial Management Group

Enclosures

DEPARTMENT OF HEALTH ANDHUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: **24 0017A**

2. STATE: **Maine (ME)**

3. PROGRAM IDENTIFICATION: TITLE **XIX** OF THE SOCIALSECURITY ACT

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

4. PROPOSED EFFECTIVE DATE
July 1, 2024

5. FEDERAL STATUTE/REGULATION CITATION
§1905(a)(1)

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY **2024** $ ~~19,495,417~~ $ 9,226,213
b. FFY **2025** $ ~~84,502,561~~ $ 36,714,120

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-a pages 1, 1(A), 2, 3, 4, 4(a), 4(b), 4(b)(1), 5, 5(A), 7, 7(a) 8, 14, ~~15~~

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-a pages 1, 1(A), 2, 3, 4, 4(a), 4(b), 4(b)(1), 5, 5(A), 7, 8, 14, 15, 16, and 17

9. SUBJECT OF AMENDMENT
Amends Inpatient Hospital Reimbursement.

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:

11. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Michelle Probert

13. TITLE
Director, MaineCare Services

14. DATE SUBMITTED
September 30, 2024

15. RETURN TO
Michelle Probert
Director, MaineCare Services
#11 State House Station
109 Capitol Street
Augusta, Maine 04333-0011

FOR CMS USE ONLY

16. DATE RECEIVED
September 30, 2024

17. DATE APPROVED
January 13, 2025

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 1, 2024

19. SIGNATURE OF APPROVING OFFICIAL
[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, Financial Management Group

22. REMARKS

On 12/18/24, Maine sent pen-and-ink authority to update the CMS 179 Block 6 Budget Impact as follows: FFY 24 - $ 9,226,213; FFY 25 - $ 36,714,120. (JGF)

On 1/8/25, Maine sent pen-and-ink authority to remove page 15 from block 7 of the CMS 179. (JGF)

Inpatient Hospital Services Detailed Description of Reimbursement

A DEFINITIONS

Acute Care Critical Access Hospitals

A hospital licensed by the Department as a critical access hospital that is being reimbursed as a critical access hospital by Medicare.

Acute Care Hospitals Converting from Acute Care Critical Access Hospital Reimbursement to Acute Care Non-Critical Access Hospital Reimbursement

A hospital that was, as of January 1, 2024, reimbursed for inpatient and outpatient services by Medicare as a Non-Critical Access Hospital and was reimbursed by MaineCare like a Critical Access Hospital, and effective July 1, 2024 will be reimbursed by MaineCare as an Acute Care Non-Critical Access Hospital.

Acute Care Non-Critical Access Hospitals

A hospital licensed by the Department as an acute care hospital that is not being reimbursed as a critical access hospital by Medicare. Includes Acute Care Hospitals converting from Acute Care Critical Access Hospital reimbursement to Acute Care Non-Critical Access Hospital reimbursement.

Diagnosis Related Group (DRG)

The classification of medical diagnoses for use in determining reimbursement as defined in the Medicare DRG system or as otherwise specified by the Department.

Discharge

Occurs when the hospital formally releases a member from hospital care, or when a member dies in the hospital.

Inpatient Hospital Services Detailed Description of Reimbursement

Distinct Psychiatric Unit

A unit within an acute care non-critical access hospital that specializes in the delivery of inpatient psychiatric services. The unit must be reimbursed as a distinct psychiatric unit as a sub-provider on the Medicare cost report or must be comprised of beds reserved for use for involuntary commitments under the terms of a contract with the Department of Health and Human Services. The claim must also be distinguishable as representing a discharge from a distinct psychiatric unit on the MaineCare claims processing system.

Distinct Rehabilitation Unit

A unit within an acute care non-critical access hospital that specializes in the delivery of inpatient rehabilitation services. The unit must be reimbursed as a distinct rehabilitation unit as a sub-provider on the Medicare cost report. The claim must also be distinguishable as representing a discharge from a distinct rehabilitation unit on the MaineCare claims processing system.

Distinct Substance Abuse Unit

A unit that combines the medical management of withdrawal with a structured inpatient rehabilitation program. Services include coordinated group education and psychotherapy, individual psychotherapy and family counseling as needed. Licensed Alcohol and Drug Abuse Counselors (LADCs) assist medical staff in developing an interdisciplinary plan of care. Evidence-based best practices, such as motivational interviewing are used by staff who are trained in substance abuse treatment. The claim must also be distinguishable as representing a discharge from a distinct substance abuse unit in the MaineCare claims processing system. This label is not a Medicare designation.

From Date

The earliest date the hospital provides care to the member during an inpatient stay including up to one (1) day preceding a member's admission to a distinct unit, or three (3) days preceding a member's admission to a medical unit. This date is indicated on the UB-04 Claim Form in Field Locator 6 under statement covers period.

MaineCare Paid Claims History

A summary of all claims billed by the hospital to MaineCare for MaineCare eligible members that have been processed and accepted for payment by MaineCare. A record of these claims is kept in the Department's claim processing system.

Medicare Severity Diagnosis-Related Group (MS-DRG)

The classification of medical diagnoses which adds patient's severity of illness and risk of mortality for use in determining reimbursement as defined in the Medicare DRG system or as otherwise specified by the Department.

Non-rural Hospital

is a acute care non-critical access hospital that does not meet the definition of a "Rural Hospital" as defined in Maine regulation.

Non-State Government Owned Hospital

is an Acute Care Non-Critical Access Hospital licensed by the Department that is publicly owned by a non state entity.

Inpatient Hospital Services Detailed Description of Reimbursement

Private Psychiatric Hospital

A hospital that is primarily engaged in providing psychiatric services for the diagnosis, treatment and care of persons with mental illness and is not owned and operated by the State of Maine. The facility must be licensed as a psychiatric hospital by the Department of Health and Human Services (DHHS). A psychiatric hospital may also be known as an institution for mental disease.

Prospective Interim Payment (PIP)

The weekly (or quarterly in the case of state-owned psychiatric hospitals) payment made to a private hospital based on the estimated total annual Department obligation as calculated below. This payment may represent only a portion of the amount due the hospital; other lump sum payments may be made throughout the year. Such circumstances would include, but not be limited to, error correction and interim volume adjustments. For purposes of the PlP calculation, a MaineCare discharge for the most recently completed state fiscal year is one with a discharge date occurring within the state fiscal year and submitted prior to the time of calculation.

Rehabilitation Hospital

A hospital that provides an intensive rehabilitation program and is recognized as an Inpatient Rehabilitation Facility by Medicare.

Rural Hospital

is a acute care non-critical access hospital that meets one of the following criteria:

- Is a "Sole Community Hospital" as designated by Medicare. and as reported on the hospital's Medicare Cost report; OR
- Is a "Medicare-Dependent Hospital" as designated by Medicare, and as report on the hospital's Medicare cost report: OR
- ls a participating hospital on the Medicare "Rural Community Hospital Demonstration", as reported on the hospital's Medicare cost report.

State Owned Psychiatric Hospital

A hospital that is primarily engaged in providing psychiatric services for the diagnosis, treatment and care of persons with mental illness and is owned and operated by the State of Maine. The facility must be licensed as a psychiatric hospital by the Department of Health and Human Services. A psychiatric hospital may also be known as an institution for mental disease.

Transfer

A member is considered transferred if moved from one hospital to the care of another hospital. MaineCare will not reimburse for more than two discharges for each episode of care for a member transferring between multiple hospitals.

Inpatient Hospital Services Detailed Description of Reimbursement

B GENERAL PROVISIONS

B-1 Inflation

Annual inflation adjustments will be applied annually to components of inpatient DRG reimbursement. For Distinct Psychiatric Units and Distinct Substance Use Disorder Units this includes the per diem base rate. For other Acute Care Non-Critical Access Hospitals this includes the Maine Base Rate, GME add-on rate, and DRG outlier threshold. During rebasing years, inflationary increases will not be applied to DRG reimbursement components, as inflation components are considered during rebasing. For purposes of determining inflation, unless otherwise specified, the economic trend factor from the most recent edition of the "Health Care Cost Review" from IHS Markit shall be used.

B-2 Third Party Liability (TPL)

Any MaineCare claim submitted by a hospital may only be withdrawn within 120 days.

B-3 Interim and Final Settlement

At interim and final settlements, the hospital will reimburse the Department for any overpayments; or the Department will reimburse the amount of any underpayment to the hospital. In either case, the lump sum payment must be made within 30 days of the date of the letter notifying the provider of the results of the interim or final settlement. If more than one year's reconciliation or settlement is completed in the same proceeding, the net amount must be paid. If no payment is received within thirty (30) days, the Department may offset prospective interim payments. Any caps imposed on PIP payments are not applicable to the determination of settlement amounts.

For hospital fiscal years beginning July 1, 2011, interim settlement will be performed within twelve (12) months of receipt of the Medicare Interim Cost Settlement Report with the Department, and final settlement will be performed within twelve (12) months of receipt of the Medicare Final Cost Settlement Report by the Department. If the Medicare Final Cost Settlement Report has been received by the Department prior to the issuance of the Interim Cost Settlement Report, the Department will issue only a Final Cost Settlement Report.

Hospitals are required to file with the DHHS, Division of Audit a year-end cost report within five months from their fiscal year end. The cost report filing consists of: CMS Form 2552 or its equivalent, audited financial statements, and any other related documentation as requested by the DHHS-Division of Audit. The cost report must include applicable MaineCare utilization and a calculated balance due to/from MaineCare.

B-4 Long-Acting Reversible Contraceptives

MaineCare will separately reimburse for Long-Acting Reversible Contraceptives (LARCs), in addition to the hospital DRG reimbursement, if the device is placed immediately postpartum in the inpatient setting.

The State agency will apply the payment rate as described in Supplement 1 to Attachment 4.19-B, page 1 -a (5) of the Maine Medicaid State Plan.

B-5 MaineCare Member Days Awaiting Placement (DAP) Effective July 1, 2024, in-state Acute Care Non-Critical Access Hospitals may bill for each day that a MaineCare eligible member is in the care of the hospital while awaiting placement in a NF. The Department will reimburse at seventy-five percent (75%) of the statewide average per diem rate per MaineCare member day for NF services. The statewide average rate will be computed based on the simple average NF rate per MaineCare member day for the applicable state fiscal year. The reimbursement fund for days awaiting placement pursuant to this section is capped at a maximum annual sum of $1,500,000 of combined state General Fund funds and federal funds for each State fiscal year. The Department will reimburse quarterly by order of claim date. In the event the cap is expected to be exceeded in any quarter, reimbursement for claims in that quarter will be paid out proportionately, and a notification of total funds expended for that year will be sent out to providers.

B-5(a) **Readmission Penalty**

Effective August 9, 2024, clinically related readmissions for the member to the same hospital within thirty (30) days of an inpatient Discharge are not eligible for reimbursement. Examples of clinically related readmissions include, but are not limited to:

A. The readmission DRG is in the same DRG classification as the initial admission DRG;
B. The readmission is related to the same condition(s) treated or care provided in the initial admission; and
C. The readmission is a result of complications from the initial admission.

The following scenarios do not constitute readmissions:

A. Admissions to Rehabilitation Hospitals;
B. Admission following discharge from inpatient maintenance chemotherapy treatment;
C. Admission following discharge from obstetric or newborn related services;
D. Admission following Discharge from or transfer to a Distinct Rehabilitation Unit, Psychiatric Unit, or Substance Use Disorder Unit within the same hospital;
E. Admission following patient self-directed Discharge (discharged against medical advice);
F. Claims for which the member exclusively received Days Awaiting Nursing Facility (NF) Placement services (see Section 45.02-8);
G. Claims for which MaineCare is not the primary payer;
H. Linked admissions (leave of absence); and
I. Any inpatient service billed as outpatient.

Acute Care Non-Critical Access Hospitals, Non-State Government Owned Hospitals and Rehabilitation Hospitals are subject to readmission penalties.

Upper Payment Limits (UPL)

Reimbursement is subject to applicable CMS Upper Payment Limits (UPL).

If the Department or CMS determine MaineCare payments exceed the UPL, the Department shall limit payments accordingly to ensure compliance with the applicable UPL, after providing written prior notice to the hospital.

B-6 Value-Based Purchasing Supplemental Sub-pool

Effective May 1, 2022 the Department is establishing a value-based purchasing supplemental sub-pool (VBP sub-pool) which distributes $600,000 to eligible hospitals annually in May. Eligible hospitals are acute care non-critical access and critical access, that participate in the MaineCare Accountable Communities (AC) Program as found in Attachment 3.1-A item 28. *Integrated Care Model Accountable Community (AC) Program.* Allocations will not exceed the total VBP sub-pool amount and will not exceed allowable aggregate upper payment limits.

Funds will be distributed based on performance on one or more quality measures. The Department's website at https://www.maine.gov/dhhs/oms/providers/value-based-purchasing lists the current measure(s). The Department will notify hospitals at least one hundred twenty (120) days prior to any changes to the measure(s).

Hospital Service Area (HSA): The Department will utilize Hospital Service Areas (HSAs) in its calculation of the VBP sub-pool. The HSA methodology is developed by the Dartmouth Institute for Health Policy and Clinical Practice and made publicly available on their website. Maine Health Data Organization (MHDO) makes available HSA assignments for Maine hospitals based on the most recent available crosswalk posted by the Dartmouth Institute. That information is located at: https://data.dartmouthatlas.org/supplemental/#crosswalks.

Each HSA consists of a group of cities and towns that include one or more hospitals where local residents receive most of their hospitalizations.

The Department first determines which HSAs are eligible to have the hospitals located in the HSA awarded payment from the VBP sub-pool. The Department will allocate the $600,000 according to performance rank ($300,000 divided) and to performance weighted by HSA size ($300,000 divided). HSA size means the number of MaineCare members in each HSA.

Performance Rank	***Share of Sub-Pool***
Top ranked HSA	*$75,000*
2nd and 3rd ranked HSA	*$50,000 each ($100,000 total)*
4th through 8th ranked HSA	*$25,000 each ($125,000 total)*
Total:	*$300,000*

Performance weighted by HSA size:

$$Performance\ Weighted\ Portion\ of\ Payment = Member\ Count\ *\ Per\ Member\ Average\ *\ \frac{HSA\ measure\ result}{Average\ measure\ result\ for\ top\ 8\ HSAs}$$

If an awarded HSA contains more than one hospital from different ACs, the amount of funds will be distributed proportionate to the number of AC attributed lives within the HSA associated with each hospitals' corresponding AC.

If an awarded HSA contains more than one hospital from the same AC, the funds are distributed according to a secondary AC-specific measure. The secondary AC specific measure can also be located on the Departments website listed above.

C ACUTE CARE NON-CRITICAL ACCESS HOSPITALS

C-1 Department 's Inpatient Obligation to the Hospital

A. Inpatient Services (not including distinct psychiatric or substances abuse unit discharges)

Effective for reimbursement for inpatient claims with a From Date on or after July 1, 2024, the Department will pay using DRG-based discharge rates, which include estimated capital costs, as described in Appendix.

B. Distinct Psychiatric Unit and Distinct Substance Use Disorder Unit

Effective July 1, 2023, the Department will pay distinct psychiatric unit and distinct substance use disorder (SUD) units as outlined below. This reimbursement methodology shall apply for members whose From Date is on or after July 1, 2023. The methodology shall be as follows:

(1) Payment Rate for Distinct Psychiatric Units and Distinct Substance Use Disorder Units

(a) The Department has adopted the Medicare MS-DRG and Length of Stay factors as specified in the distinct psychiatric unit and distinct SUD unit reimbursement schedule which is posted on the Department's website. Per diem base rates were calculated to result in total reimbursement equal to one hundred percent (100%) of the costs of such discharges in the aggregate across all hospitals with distinct psychiatric units and distinct SUD units, utilizing 2022 data, when adjusted for MS-DRG relative weights and Length of Stay factor. The Medicare Length of Stay factor is a cumulative factor that takes into account how many days the patient stays in the distinct unit.

(b) The Department will calculate reimbursement for covered inpatient stays in these distinct units using the following formula:

Per diem base rate (determined by whether the MS-DRG is a psychiatric or SUD MS-DRG) multiplied by the applicable MS-DRG relative weight multiplied by the applicable Length of Stay factor

(c) Per diem base rates for psychiatric MS-DRGs differ for adults aged nineteen (19) and older and youth aged eighteen (18) and younger, reflecting the significant difference in average costs observed in hospitals' 2021 and 2022 cost report data for these populations. The per diem base rate for SUD MS-DRGs will remain consistent regardless of member's age.

(d) Per diem base rates will be updated annually based on the inflation provision and are posted on the MaineCare Provider Fee Schedule, in accordance with 22 MRSA Section 3173-J.

(e) DRG and outlier methodology as described in the Appendix does not apply to claims from these distinct units.

(2) Supplemental Payment for Certain Distinct Psychiatric Units

Hospitals that have distinct psychiatric units, are located in zip codes that CMS designates as "super rural," meaning they are in the bottom quartile of nonmetropolitan zip codes by population density, and also have a designation by the Health Resources and Services Administration (HRSA) as a High Needs Geographic Health Professional Shortage Area (HPSA) for mental health are eligible to receive a yearly supplemental payment in the amount of eight hundred and seventy-five thousand dollars $875,000. This supplemental payment will be distributed in equal payments in May and November. This supplemental payment is not subject to cost settlement. The supplemental payment will expire on June 30, 2025.

(3) Cost Settlement

Claims paid under this methodology do not include graduate medical education costs, and will not be subject to cost settlement, with the exception of capital costs incurred prior to September 1, 2025.

C. Inpatient Hospital Based Physician

Non-rural Hospitals:
MaineCare will reimburse 93.3% of its share of inpatient hospital-based physician costs.

Rural Hospitals:
MaineCare will reimburse 100% of its share of inpatient hospital-based physician costs. MaineCare will reimburse 100% of graduate medical education costs.

C-2 Interim Settlement

All calculations are based on the relevant payment methodology that was in effect when services were rendered, using the hospital's As-Filed Medicare Cost Report and MaineCare paid claims history for the year for which interim settlement is being performed.

DRG Based System

MaineCare's interim cost settlement for state fiscal years (SFY) through SFY 2024 under the DRG-based system will include settlement of:

- The DRG-based discharge rate as further described in Appendix B; and
- Payments made for hospital based physician services.

For SFY 2025 and forward interim cost settlements will include settlement of:

- Payments made for hospital-based physician services

C-3 Final Settlement

All settlement processes are based on the relevant payment methodology using charges included in MaineCare paid claims history for the applicable year and the hospital's Medicare Final Cost Report.

DRG Based System

MaineCare's final cost settlement through SFY 2024 with a hospital operating under the DRG-based system will include settlement of:

- The DRG-based discharge rate as described in the Appendix; and
- Payments made for hospital based physician services.

For SFY 2025 and forward interim cost settlements will include settlement of:

- Payments made for hospital-based physician services

D. REHABILITATION HOSPITALS

D-1 Department's Inpatient Obligation to the Hospital

a. **Inpatient Services**

Effective for reimbursement for inpatient claims with a From Date on or after July 1, 2024, the Department will pay using DRG-based discharge rates, as described in Appendix.

b. Hospital based Physicians

MaineCare will reimburse 93.3% of its share of inpatient hospital based physician costs. Hospitals will initially be reimbursed based on claim forms filed with the Department. These payments are subsequently subject to cost settlement.

c. Third Party Liability Costs

MaineCare will reimbµrse its share of third party liability.

D-2 **Interim Cost Settlement**

The Department calculates the Interim Cost Settlement using the hospital's As-Filed Medicare Cost Report, MaineCare Supplemental Data Form and MaineCare paid claims history for the year for which interim settlement is being performed. Effective FY 2024 cost settlement is performed for hospital based physician costs.

D-3 **Final Cost Settlement**

The Department of Health and Human Services calculates the final settlement with a hospital using the same methodology as used when calculating the interim settlement, except that the data sources used are the Medicare Final Cost Report, MaineCare Supplemental Data Form and MaineCare paid claims history for the year for which settlement is being performed. Effective FY 2024 cost settlement is performed for hospital based physician costs.

E **ACUTE CARE CRITICAL ACCESS HOSPITALS**

All calculations made in relation to these hospitals must be made in accordance with the requirements for completion of the Medicare Cost Report and Generally Accepted Accounting Principles, unless otherwise noted, plus a DSH adjustment payment for eligible hospitals.

A Hospital approved by the Department for conversion to an Acute Care Critical Access Hospital must submit cost report data to determine the hospital's PIP estimate prior to the effective date of the facility's new status as an Acute Care Critical Access Hospital. The hospital must complete a Critical Access Hospital Cost Report, as published by the Division of Audit, for the fiscal year determined by the Department.

E-1 Department's Inpatient Obligation to the Hospital

A. Inpatient Facility Services

Distinct Psychiatric and Substance Use Disorder Units

The Department will pay Distinct Psychiatric Unit and Distinct Substance Use Disorder (SUD) Units using a per diem base rate adjusted for length of stay and MS-DRG weight as described in Appendix.

All Other Inpatient Facility Services (not including Distinct Psychiatric or Substance Use Disorder Unit Discharges)

The Department will reimburse one hundred and nine percent (109%) of allowable costs through December 31, 2024.

Additionally, a supplemental pool will be allocated on the basis of the hospital's relative share of Medicaid payments for private critical access hospitals only, not those hospitals reclassified to a wage area outside Maine by the Medicare Geographic Classification Review Board or public hospitals. Effective November 14, 2019 the amount will be $5,613,061. Effective November 14, 2020 the amount will increase to $5,672,482. Effective November 10, 2021 the amount will increase to $6,980,970.
The relative share is defined as:

total Medicaid payments to CAH hospital x pool amount total Medicaid payments to all CAH hospitals

B. MaineCare Member Days Awaiting Placement (OAP) at a Nursing Facility (NF)

Reimbursement will be made prospectively at the estimated statewide average rate per member day for NF services. The Department shall adopt the prospective statewide average rates per member day for NF services that are specified in the 4.19D Principles of Reimbursement for Nursing Facilities. The average statewide rate per member day shall be computed based on the simple average of the N F rate per member day for the applicable State fiscal year(s) and prorated for a hospital's fiscal year.

C. **Hospital-Based Professional Services and Graduate Medical Education Costs:** 100% of MaineCare's share of inpatient hospital based physician costs + MaineCare's share of graduate medical education costs.

E-2 Prospective Interim Payment (PIP)

The estimated departmental annual inpatient obligation, described above, will be calculated using the most recent MaineCare Supplemental Data Form increased by the rate of inflation to the beginning of the current state fiscal year. Third patty liability payments are subtracted from the PIP obligation. The PIP payment does not include DSH payments or the hospital's share of the supplemental pool as described below.

Interim Adjustment

The State would expect to initiate an interim adjustment under very limited circumstances, including but not limited to, restructuring payment methodology as reflected in the state plan amendment; when a hospital "changes" categories (e.g. becomes designated critical access);

if and when a new population group was made eligible for MaineCare (e.g., the State is contemplating an eligibility expansion to include higher income parents); or a hospital closes or opens and there is a redistribution of patients among facilities.

E-4 Interim Settlement

The Department of Health and Human Services' interim settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's as filed cost report and MaineCare paid claims history for the year for which reconciliation is being performed.

E-5 Final Settlement

The Department of Health and Human Services' final settlement with a hospital is calculated using the same methodology as is used when calculating the PIP, except that the data sources used will be the hospital's final cost report from the Medicare fiscal intermediary and MaineCare paid claims history for the year for which settlement is being performed.

F. **SUPPLEMENTAL POOL FOR NON CRITICAL ACCESS HOSPITALS, AND REHABILITATION HOSPITALS**

The Department will allocate a supplemental pool for each state fiscal year among the privately owned and operated Acute Care Non-Critical Access hospitals, hospitals reclassified to a wage area outside Maine by the Medicare Geographic Classification Review Board and rehabilitation hospitals. Effective November 14, 2019 the total pool (inpatient and outpatient) shall equal $80,575,379, up to $42,481,159 will be allocated to inpatient services. Effective November 14, 2020 the total pool (inpatient and outpatient) shall equal $80,914,112, up to $42,819,892 will be allocated to inpatient services. Effective November 10, 2021 the total pool (inpatient and outpatient) shall equal $90,701,615; up to $52,607,395 will be allocated to inpatient services. Subject to compliance with all applicable federal rules and payment limits, including 42 CFR 447.271 and 42 CFR 447.272, the amount allocated to inpatient services will not exceed the allowable aggregate upper payment limits. The allocated inpatient pool amount will be distributed based on each hospital's relative share of inpatient MaineCare payments, defined as the hospital's inpatient MaineCare payment in the applicable state fiscal year, divided by inpatient MaineCare payments made to all privately owned and operated Acute Care Non-Critical Access hospitals, hospitals reclassified to a wage area outside Maine by the Medicare Geographic Classification Review Board, and rehabilitation hospitals; multiplied by the supplemental pool. For state fiscal years beginning on or after July 1, 2019 but before July 1, 2021, the hospital's taxable year is the hospital's fiscal year that ended during calendar year 2016.

Each hospital in the pool will receive its relative share of this supplemental payment. Supplemental payments will be distributed semiannually, in November and May. This pool will be decreased by the amount a hospital would have received if that hospital was in the pool when the total pool amount was set and subsequently becomes an approved critical access hospital. This supplemental pool payment is not subject to cost settlement.

Effective July 1, 2024, hospitals reclassified to a wage area outside Maine by the Medicare Geographic Classification Review Board are no longer eligible for this payment.

SUPPLEMENTAL PAYMENTS FOR ACUTE CARE HOSPITALS CONVERTING FROM ACUTE CARE CRITICAL ACCESS HOSPITAL REIMBURSEMENT TO ACUTE CARE NON-CRITICAL ACCESS HOSPITAL REIMBURSEMENT

Acute Care Hospitals Converting from Acute Care Critical Access Hospital Reimbursement to Acute Care Non-Critical Access Hospital Reimbursement are eligible to receive a supplemental payment of eight million dollars ($8,000,000) for each State Fiscal Year beginning July 1, 2024 and ending June 30, 2029. Subject to compliance with all applicable federal rules and payment limits, including 42 CFR 447.271 and 42 CFR 447.272, the amount allocated to inpatient services will not exceed the allowable aggregate upper payment limits. This supplemental payment will be distributed to eligible hospitals in two equal payments in May and November. This supplemental pool payment is not subject to cost settlement.

APPENDIX

DRG-BASED PAYMENT METHODOLOGY

Effective-for claims with a From Date on or after July 1, 2024, Department will use the process described below to determine reimbursement for hospitals to which a DRG-based payment methodology applies.

The Department recognizes three distinct hospital peer groups with similar delivery systems and cost structures which observe DRG-based reimbursement methodology. These three distinct hospital peer groups are: Acute Care Non-Critical Access, Non-State Government Owned, and Rehabilitation. Each peer group has a distinct Maine Base Rate. The payment calculation further varies for acute care non critical access hospitals based on whether they are a teaching or non-teaching hospital. The Department calculates a hospital's DRG payment for a covered inpatient service using the following formula:

(Maine Base Rate + GME) × Medicare DRG Relative Weight + any applicable outlier adjustment

Maine Base Rate
The Maine Base Rate is determined by the Department and includes MaineCare's estimated share of inpatient operating and capital costs. Rates are determined by using utilization (Discharges) and cost data from hospital fiscal year As- Filed Medicare Cost Reports and are calculated to maximize reimbursement under the UPL with a small margin of error. Maine Base Rates are available in the Hospital Billing Guidance posted on the Departments website.

Graduate Medical Education(GME) Add-on Rate
The Department assigns each teaching hospital a custom GME add-on rate inclusive of direct and indirect medical education costs. This adjustment is determined by using utilization Discharges) and cost data from hospital fiscal year 2022 As-Filed Medicare Cost Reports.

Adjustments equal to one hundred percent (100%) of MaineCare's share of GME costs are applied as an add-on to the Maine Base Rate. Non-teaching hospitals will have a GME adjustment of zero (0). Each hospital's GME adjustment is available in Hospital Billing Guidance posted on the Departments website.

Medicare DRG Relative Weight Calculation
The Medicare Severity Diagnosis-Related Groups (MS-DRG) relative weight is assigned by CMS to represent the time and resources associated with providing services for that diagnosis related group. Relative weights are available at https://www.cms.gov/medicare/payment/prospective- payment-systems/acute-inpatient-pps/ms-drg-classifications-and-software. The Department will align with prevailing weights on July 1, 2024 and update annually.

Outlier Adjustment
An outlier payment adjustment is made to the inpatient service rate when an unusually high level of resources has been used for a case. An outlier adjustment will be made only when the outlier determination is greater than zero.:

Effective July 1, 2024 through December 31, 2024, the outlier determination will be figured using the following formula:

Hospital-specific cost-to-charge ratio × (charges - fixed charge threshold - hospital DRG payment)

The outlier adjustment is equal to the outlier determination multiplied by ninety percent (90%) for the period in which the case has been Discharged. The fixed charge threshold and hospital-specific cost-to-charge ratios are available in the Hospital Billing Guidance.