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State/Territory Name: North Carolina

State Plan Amendment (SPA) #: 21-0005

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601



Financial Management Group

June 28, 2021

Mr. Dave Richard
Deputy Secretary, North Carolina Medicaid
Division of Health Benefits
NC Department of Health and Human Services
1985 Umstead Drive
2501 Mail Service Center
Raleigh, North Carolina 27699-2501

RE: TN 21-0005

Dear Mr. Richard:

We have reviewed the proposed North Carolina State Plan Amendment (SPA) 21-0005, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on April 16, 2021. This amendment will revise the methodology for calculating hospital specific Medicaid ratio of costs to charges (RCCs) in preparation for the North Carolina Medicaid Transformation to Managed Care. The amendment will discontinue hospital outpatient supplemental payments, increase hospital RCCs, and define how to establish hospital RCC's for new hospitals and changes of ownership.

Based upon the information provided by the State, we have approved the amendment with an effective date of July 1, 2021. 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 Moe Wolf at 410-786-9291 or Moshe.Wolf@CMS.HHS.gov.

Sincerely,

A solid black rectangular box redacting the signature of Todd McMillion.

Todd McMillion
Director
Division of Reimbursement Review

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 21-0005	2. STATE NC
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2021	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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 447.201	7. FEDERAL BUDGET IMPACT: a. FFY 2021 \$20,733,380 b. FFY 2022 \$83,562,890
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B Section 2 pages 1, 1a, 1b, 1c, 1d, and 1e.	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B Section 2 pages 1, 1a, 1b, 1c, 1d, and 1e.

10. SUBJECT OF AMENDMENT:


Outpatient Hospital

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED: Secretary
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Office of the Secretary Department of Health and Human Services 2001 Mail Service Center Raleigh, NC 27699-20014
13. TYPED NAME: Mandy Cohen, MD, MPH	
14. TITLE: Secretary	
15. DATE SUBMITTED: 4/7/2021	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: April 16, 2021	18. DATE APPROVED: June 28, 2021
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 2021	20.  AL OFFICIAL:
21. TYPED NAME: Todd McMillion	22. TITLE: Director, Division of Reimbursement Review

23. REMARKS:

State Plan Under Title XIX of the Social Security Act
Medical Assistance Program
State: NORTH CAROLINA

PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICE

2.a OUTPATIENT HOSPITAL SERVICES

Hospitals licensed by the State of North Carolina, except for hospitals that are state-owned and operated by the Department of Health and Human Services, specialty hospitals, and Medicare recognized Long Term Acute Care Hospitals (LTCH) shall be reimbursed for outpatient services using a hospital specific outpatient Medicaid ratio of cost to charges (RCC) as follows in paragraphs (A) and (B).

- A. Effective for dates of service between July 1, 2021 and June 30, 2022, outpatient RCCs will be calculated according to the methodology below, based on data contained in the FFY2020 MRI/GAP Plan (State supplemental payments plan for hospitals) as of January 31, 2021.
- (1) Using data contained in the FFY2020 MRI/GAP Plan as of January 31, 2021 (“Base Year”), to calculate each hospital’s Base Year Medicaid outpatient RCC, divide the hospital’s total annual allowable Medicaid outpatient costs by the hospital’s total annual Medicaid outpatient charges.
 - (2) Determine the market basket update factor from October 1, 2019 to July 1, 2021 of 1.0424%, representing 1.75 years of trend, using the 2021 CMS Outpatient Hospital PPS Market Basket Update less Productivity Adjustment Final Rule.
 - (3) To determine each hospital’s chargemaster changes effective July 1, 2021, each hospital shall certify and furnish to the Division the percentage change in their outpatient charges for all covered services between October 1, 2019 and July 1, 2021.
 - (4) Determine the hospital’s inflation adjustment factor based on the ratio of (1 + the market basket update factor) divided by (1 + the hospital’s certification of chargemaster change). For example, if the hospital’s certification of chargemaster change is 2.0% and the market basket inflation factor 5.0%, the hospital’s inflation adjustment factor would be $1.05 / 1.02$ or 1.02941. If the market basket update factor is 2.0% and the hospital’s certification of chargemaster change was 5.0%, the hospital’s inflation adjustment factor would be $1.02 / 1.05$ or 0.97142.
 - (5) The RCC will then be multiplied by the Medicaid beneficiary service charges as determined by each hospital’s charge master.
 - (6) Multiply the Base Year outpatient RCC in 2.a.(A)(1) by the inflation adjustment factor determined in 2.a.(A)(4) to determine the hospital’s outpatient RCC effective July 1, 2021.
 - (7) For dates of service between July 1, 2021 and June 30, 2022, hospitals shall give 30 days’ written notice to the Division prior to the effective date of any change in the charges within the hospital’s chargemaster. The written notice shall include a certification of the percentage change in their outpatient charges for all covered services between July 1, 2021 and their effective date.

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- (8) The hospital's outpatient RCC shall be recalculated for the effective date using the change chargemaster percentage and following the steps in 2.a(A)(4) and 2a(A)(5).
- B. For dates of service beginning July 1, 2022, the individualized hospital RCCs shall be adjusted as follows:
- (1) At the start of each state fiscal year (July 1), determine annual market basket update factor using the CMS Outpatient Hospital PPS market basket index minus productivity adjustment final rule most recently published in the Federal Register as of November 1 prior to the start of the applicable federal fiscal year (e.g.) the most recent market basket index published before November 1, 2021 would be the market basket update factor July 1, 2022).
 - (2) Hospitals shall give 30 days' written notice to the Division prior to the effective date of any change in the charges within the hospital's chargemaster. The written notice shall include a certification of the percentage change in their outpatient charges for all covered services between June 30 of the prior state fiscal year and the effective date (i.e. if the effective date of a chargemaster change is January 31, 2021, the hospital shall certify the percentage change from the charges which were in effect June 30, 2020).
 - (3) Upon receipt of a hospital's certified chargemaster change in 2a(B)(2), calculate the inflation adjustment factor as determined in 2.a.(A)(4).
 - (4) Multiply the hospital's outpatient RCC in effect on June 30 of the prior state fiscal year by the inflation adjustment factor determined in 2.a.(B)(3) to determine the hospital's outpatient RCC on the effective date of the chargemaster change.
 - (5) The RCC will then be multiplied by the Medicaid beneficiary service charges as determined by each hospital's charge master.
- C. For dates of service beginning July 1, 2021, hospitals that are state-owned and operated by the Department of Health and Human Services, specialty hospitals, and Medicare recognized Long Term Acute Care Hospitals (LTCH) shall be reimbursed for covered outpatient services using a hospital specific outpatient Medicaid ratio of cost to charges (RCC) as follows:
- (1) Hospitals that are state-owned and operated by the Department of Health and Human Services, shall be reimbursed for outpatient services using a hospital specific outpatient Medicaid ratio of cost to charges (RCC) that is updated each July 1 based on the hospital's most recently filed Medicaid cost report.
 - (2) Specialty hospitals and Medicare recognized Long Term Acute Care Hospitals (LTCH) shall be reimbursed for covered outpatient services using a hospital specific outpatient Medicaid ratio of cost to charges (RCC) multiplied by seventy percent (70%) that is updated each July based on the hospital's most recently filed Medicaid cost report.
 - (3) The RCC will then be multiplied by the Medicaid beneficiary service charges as determined by each hospital's charge master.
- D. Changes of Ownership and New Facilities for dates of service beginning July 1, 2021
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- (1) Acute care hospitals which are newly licensed subsequent to September 30, 2020 and therefore not a component of the FFY2020 MRI/GAP Plan shall have their initial RCC established at a percentile of RCC for acute care hospitals in the state. Acute care hospitals with greater than 50 licensed beds shall have their initial RCC established at the 50th percentile of the Base Year RCC inflated to the start of the federal fiscal year of the hospital's effective date. Acute care hospitals with 50 or fewer licensed beds shall have their initial RCC established at the 80th percentile of the Base Year RCC inflated to the start of the rate year of the hospital's effective date. (For example, if a newly licensed and enrolled acute care hospital with greater than 50 licensed beds had a beginning effective date of August 1, 2021, their initial RCC is established at the 50th percentile of the Base Year Medicaid RCC of all acute care hospitals inflated forward to July 1, 2021.)
- (2) Critical Access Hospitals which are newly licensed subsequent to September 30, 2020 and therefore not a component of the FFY2020 MRI/GAP Plan shall have their initial RCC established at the 50th percentile RCC of critical access hospitals in the state. Newly licensed critical access hospitals shall have their initial RCC established at the 50th percentile of the Base Year RCC inflated to start of the rate year of the hospital's effective date. (For example, if a newly licensed and enrolled critical access hospital had a beginning effective date of August 1, 2021, their initial RCC is established at the 50th percentile of the Base Year Medicaid RCC of all critical access hospitals inflated forward to July 1, 2021.)
- (3) Hospitals with an initial RCC established based on a percentile RCC shall have their RCC adjusted to their hospital specific RCC based on first full 12 month filed Medicaid cost report. These hospitals' RCCs will be subsequently adjusted pursuant to paragraph 2(a)(B).
- (4) Existing licensed hospitals which change ownership or status shall keep their existing individualized RCC. (For example, if a public acute care hospital converted to a non-public acute care hospital, the converted acute care hospital would retain its previous RCC. If non-public critical access hospital converted to a public critical access hospital, the converted critical access hospital would retain its existing RCC).
- (5) Existing licensed hospitals which change ownership between acute care hospital and critical access hospital status shall have their updated individualized RCC established in their new status (Acute or CAH) pursuant to paragraphs 2a(D)(1) and (D)(2). These hospitals' RCCs will be subsequently adjusted pursuant to paragraph 2a(B).
- (6) The combining of two or more existing licensed hospitals shall have their new RCC determined as follows:
 - a. An entity with a new CMS Certification Number (CCN) shall be assigned a percentile RCC pursuant to paragraph 2a(D)(1) and (D)(2). These hospitals' RCCs will be subsequently adjusted pursuant to paragraph 2a(B).
 - b. An entity with a retained CMS Certification Number shall retain the same RCC. These hospitals' RCCs will be subsequently adjusted pursuant to paragraph 2a(B).

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Medical Assistance Program
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PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICE

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TN. No. 21-0005
Supersedes
TN. No. 14-002

Approval Date: 6/28/21

Eff. Date 07/01/2021

State Plan Under Title XIX of the Social Security Act
Medical Assistance Program
State: NORTH CAROLINA

PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICE

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State Plan Under Title XIX of the Social Security Act Medical
Assistance Program
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital

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