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State/Territory Name: Rhode Island

State Plan Amendment (SPA) 21-0011

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
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

June 7, 2022

Womazetta Jones, Secretary
Executive Office of Health and Human Services
State of Rhode Island
3 West Road, Virks Building
Cranston, RI 02920

RE: Rhode Island 21-0011

Dear Secretary Jones:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 21-0011. Effective July 1, 2021, this amendment, implements quarterly supplemental payments to private acute inpatient hospitals based on the calculated upper payment limit (UPL) demonstration.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1923 and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C.

This is to inform you that Medicaid State plan amendment TN 21-0011 is approved effective July 1, 2021. The CMS-179 and the amended plan page(s) are attached.

As described in the state's letter to CMS dated April 29, 2022 regarding its Hospital Licensing Fee (HLF) and in CMS's response letter dated May 19, 2022, please note that CMS's approval of this State Plan Amendment (SPA) whose non-federal share source may include the HLF relates only to the requested change in payment methodology, not the source of non-federal share. Approval of this SPA does not relieve the state of its responsibility to comply with federal laws and regulations, and to ensure that claims for federal financial participation are consistent with all applicable requirements.

If you have any additional questions or need further assistance, please contact Novena James-Hailey at (617) 565-1291 or Novena.JamesHailey@cms.hhs.gov.

Sincerely,



Rory Howe
Director

Enclosures

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

1. TRANSMITTAL NUMBER:
21-0011

2. STATE
RI

FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES

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

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2021

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 447.271

7. FEDERAL BUDGET IMPACT:
a. FFY 2022 \$ 11.7M
b. FFY 2023 \$ 11.5M

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Supplement 3 to Attachment 4.19A- Page 1
Supplement 3 to Attachment 4.19A- Page 1a

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

Supplement 3 to Attachment 4.19A- Page 1
NEW

10. SUBJECT OF AMENDMENT:

Inpatient Hospital Supplemental Payments

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

XX OTHER, AS SPECIFIED:
See Attached Letter

12. SIGNATURE OF STATE AGENCY OFFICIAL:

[Redacted Signature]

13. TYPED NAME: Womazetta Jones

14. TITLE: Secretary

15. DATE SUBMITTED: August 13, 2021

16. RETURN TO:

EOHHS
3 West Rd, Virks Building
Cranston, RI 02920

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: August 13, 2021

18. DATE APPROVED:
June 7, 2022

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
July 1, 2021

20. SIGNATURE OF REGIONAL OFFICIAL:

[Redacted Signature]

21. TYPED NAME: Rory Howe

22. TITLE: Director, Financial Management Group

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Rhode Island**INPATIENT HOSPITAL SUPPLEMENTARY PAYMENT**

For inpatient services provided on and after July 1, 2021, each acute care hospital will be paid up to an amount determined as follows:

1. Determine the sum of gross Medicaid payments (including TPL, but excluding the cross-over claims for which Medicare is the primary payer) from Rhode Island MMIS and all other Medicaid FFS inpatient payments to hospitals made for inpatient services provided during each hospital's preceding fiscal year, including settlements
2. The Inpatient UPL calculation is an estimate of Medicare inpatient cost for private hospitals. Specifically, a ratio of Medicare inpatient costs to Medicare inpatient charges is applied to Medicaid inpatient charges to determine total Medicaid UPL amount. This is then inflated to adjust from the cost report year to the UPL year, and the Medicaid Provider Tax cost is added to determine the Adjusted Medicare UPL amount. Total Medicaid inpatient payments Inflated to Demonstration Year are then subtracted from the Adjusted Medicare UPL amount to determine the UPL gap, which is the basis for the size of the inpatient supplemental payment. The UPL gap is calculated using an aggregate of the individual hospital gaps for private hospitals. The inpatient UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services.

Except for Bradley Hospital, Medicare routine and ancillary cost information is from each provider's as-filed Medicare cost report (CMS 2552), Worksheet D-1, Part 2, Line 49 (PPS services and sub-providers).

Medicare routine and ancillary charge information is from each provider's as-filed Medicare cost report (CMS 2552), Worksheet D-3, Column 2, Lines 30-41 and 202 (PPS services and sub-providers)

For Bradley Hospital, Medicare routine and ancillary charge information is from the provider's as filed Medicare cost report (2552-10), Worksheet G-2, Part I, Column I, Line 28. To determine the Bradley Hospital's inpatient cost information:

- A. Identify total inpatient charges (detailed above)
- B. Identify outpatient charges (from filed Medicare cost report (2552-10), Worksheet G-2, Part I, Column 2, Line 28)
- C. Calculate total inpatient and outpatient charges (A + B)
- D. Calculate the percentage of inpatient charges to total charges (A / C)
- E. Identify total inpatient and outpatient costs from filed Medicare cost report (2552-10), Worksheet G-2, Part II, Column 2, Line 43)

TN# 21-0011Approved: June 7, 2022Effective: July 1, 2021

Supersedes

TN: 19-010

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: Rhode Island

F. Calculate total amount of inpatient costs (D * E)

The State shall use a Medicare cost report for the hospital's fiscal year beginning in the federal fiscal year two years prior to the state demonstration year. For example, a SFY 22 demonstration submitted in June 2022 (end of SFY22, within FFY 22) would use a Medicare cost report for the hospital fiscal year beginning in FFY 20 (10/1/2019 and 1/1/2020 reporting start dates, both in FFY 20)

Because RI's UPL calculations rely on Medicare and Medicaid data from prior periods, RI trends the base data to the current demonstration rate year using the change in the "actual regulation market basket" as reflected in the CMS Inpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for the federal fiscal years corresponding to each hospital's Medicare Cost Report (Report) end date. For example, a SFY 22 demonstration due 6/30/2022 uses hospital data from Report end dates of 9/30/2020 (FFY 2020) and 12/31/2020 (FFY 2021). Therefore, the inflationary adjustments are the FFY 20 and FFY 21 CMS Inpatient Hospital PPS Market Basket Updates without productivity adjustment. The amounts of these two inflationary adjustments are multiplied together to determine the total inflationary adjustment to use in RI's UPL demonstration.

An amount not to exceed the aggregate UPL gap is distributed quarterly (by the 20th of July, October, January and April) among all eligible hospitals based on the percentage relationship of each hospital's Medicaid payments to total Medicaid payments for all the private hospitals. No hospital will be paid more for inpatient hospital services under Medicaid than the provider's customary charges to the general public for the services. Eligible hospitals are actual facilities and buildings in existence in Rhode Island that are licensed by the Rhode Island Department of Health to provide short-term acute inpatient care to persons who require definitive diagnosis and treatment for injury, illness, disabilities, or pregnancy.

TN#21-0011

Supersedes

TN: NEWApproved: June 7, 2022Effective: July 1, 2021