

## **Table of Contents**

**State/Territory Name: Washington**

**State Plan Amendment (SPA) # WA 24-0004**

This file contains the following documents in the order listed:

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

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, MD 21244-1850



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**Financial Management Group**

April 12, 2024

Sue Birch, Acting Medicaid Director  
Health Care Authority  
PO Box 45502  
Olympia, WA 98504-5010

RE: Washington State Plan Amendment (SPA) 24-0004

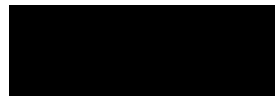
Dear Director Birch:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 24-0004 effective for services on or after January 1, 2024. The purpose is to update the rates and methodology for short term psychiatric per diem rates and remove outdated references and methodologies no longer in use.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act. We hereby inform you that Medicaid State plan amendment 24-0004 is approved effective January 1, 2024. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Tom Caughey at (517) 487-8598.

Sincerely,



Rory Howe  
Director

Enclosure

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

1. TRANSMITTAL NUMBER 2 4 — 0 0 0 4 2. STATE WA

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, 2024**

5. FEDERAL STATUTE/REGULATION CITATION  
**Section 1902a of the Social Security Act**

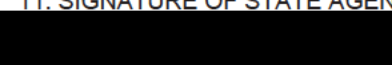
6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)  
a. FFY 2024 \$ 17,981,250  
b. FFY 2025 \$ 23,975,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  
**Attachment 4.19-A Part 1 pages 31 - 39, 39a (remove), 39b (remove), 40**

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  
**Attachment 4.19-A Part 1 pages 31( TN#14-0016), 32 (TN#11-22B), 33 (TN#11-22B), 34 (TN#14-0016), 35 (TN#11-22B), 36 (TN#23-0028), 37 (TN#11-22B), 38 (TN#14-0016), 39 (TN#23-0028), 40 (TN#19-0025)**

9. SUBJECT OF AMENDMENT  
**Psychiatric Per Diem Rate Updates**

10. GOVERNOR'S REVIEW (Check One)  
 GOVERNOR'S OFFICE REPORTED NO COMMENT  OTHER, AS SPECIFIED: EXEMPT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

11. SIGNATURE OF STATE AGENCY OFFICIAL  
  
12. TYPED NAME  
**Susan E. Birch**  
13. TITLE  
**Director and Acting Medicaid Director**  
14. DATE SUBMITTED  
**February 28, 2024**

15. RETURN TO  
**State Plan Coordinator  
POB 42716  
Olympia, WA 98504-2716**


**FOR CMS USE ONLY**

16. DATE RECEIVED  
**February 28, 2024**

17. DATE APPROVED  
**April 12, 2024**

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL  
**January 1, 2024**

19. SIGNATURE OF APPROVING OFFICIAL  


20. TYPED NAME OF APPROVING OFFICIAL  
**Rory Howe**

21. TITLE OF APPROVING OFFICIAL  
**Director, FMG**

22. REMARKS  
**Pen an Ink changed requested by the state on 2/29/2024 on line 6a and 6b**

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES**

## D. DRG COST-BASED RATE METHOD (cont.)

Bordering city hospitals include facilities located in areas defined by state law as: Oregon - Astoria, Hermiston, Hood River, Milton-Freewater, Portland, Rainier, and The Dalles; Idaho - Coeur d'Alene, Lewiston, Moscow, Priest River and Sandpoint.

## 9. New Hospitals Rate Methodology

New hospitals are those entities that have not provided services prior to August 1, 2007. A change in ownership does not necessarily constitute the creation of a new hospital. New hospitals' ratio of cost-to-charge rates are based on the instate average rate. For their DRG conversion factor or per diem rate, the statewide average rate is used. For new hospitals that have direct medical education costs and a submitted Medicare cost report with at least twelve months of data, the Agency will identify and include the direct medical education cost to the hospital-specific rate. For a new hospital that has direct medical education cost and Medicare cost report submitted to Medicare with less than twelve months of data, the Agency will not identify and include the direct medical education cost to the hospital-specific rate.

## 10. Change in ownership

When there is a change in ownership and/or the issuance of a new federal identification, the new provider's cost-based rate is the same rate as the prior owner's.

Depreciation and acquisition costs are recaptured as required by Section 1861 (V) (1) (0) of the Social Security Act. Mergers of corporations into one entity with sub-providers receive a blended rate based on the old entities' rates. The blended rate is weighted by admission for the new entity.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES**

## E. PER DIEM AND RCC PAYMENT METHODS

## 1. Per diem rate

## a. Per diem rates determination for specialty services

Washington State Medicaid uses per diem rates to pay for claims grouped into specialty services. APR-DRG classifications identified as specialty services are grouped into:

- **Psychiatric Services.** Psychiatric claims are claims with a psychiatric diagnosis (i.e., assigned to a psychiatric DRG classification).
- **Rehabilitation Services.** Rehabilitation claims are claims with a rehabilitation diagnosis (i.e., assigned to a rehabilitation DRG classification).
- **Withdrawal Management Services.** Withdrawal management claims are claims from freestanding withdrawal management hospitals, and all claims with a withdrawal management diagnosis (i.e., assigned to a withdrawal management DRG classification).
- **Substance-Using Pregnant People (SUPP) Program Services.** SUPP Program services are claims with units of service (days) submitted with revenue code 129 in the claim record.
- **Long-term civil commitment psychiatric services.** Long-term psychiatric commitments are psychiatric claims for 90 or more days with a psychiatric diagnosis and a legal commitment.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

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**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES**

## E. PER DIEM AND RCC PAYMENT METHODS

## 1. Per diem rate (cont.)

- b. Per diem rates determination for specialty services, excluding psychiatric services and long-term civil commitment services

The Agency determined the per diem rates for paying specialty services based on the statewide standardized average cost per day adjusted by Medicare wage index, indirect and direct medical education costs to reflect the hospital's specific costs. There are exceptions to the process used in determining psychiatric per diem rates that were directed by the Washington State legislature.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

## E. PER DIEMAND RCC PAYMENT METHODS (cont.)

## 1. Per diem rate (cont.)

## c. Per diem rates determination for psychiatric services

Per diem payments for inpatient psychiatric services provided at freestanding psychiatric hospitals and hospitals with psychiatric units are based on cost-based rates, with budget target adjusters applied (not to exceed a factor of 100%). In determining hospital costs for providing Medicaid psychiatric services, the hospital's estimated operating, capital, and direct medical education costs are calculated using hospital Medicaid claims data and Medicare cost report data.

✓ Effective for dates of admission between October 1, 2017, and December 31, 2023, psychiatric per diem rates were increased as directed by the legislature. The increase was applied to any hospital with 200 or more Washington Medicaid psychiatric bed days. The increase was prioritized for hospitals not currently paid based on provider-specific costs using a similar methodology to set rates for existing inpatient facilities utilizing cost report information for hospital fiscal years ending in 2016. To distribute the funds for each fiscal year, free-standing psychiatric hospitals were given 68.15% of the statewide average cost per day. All other hospitals were given the greater of 78.41% of their provider-specific cost, or their current Medicaid psychiatric per diem rate. Rate increases for providers were set so as not to exceed the amounts provided by the legislature.

- Effective for dates of admission beginning May 8, 2019, through June 30, 2019, psychiatric per diem rates were increased to \$1,050.00 as directed by the legislature. The increase was applied to any hospital that is designated as a rural hospital by the Department of Health (DOH), has less than fifty staffed acute care beds as reported by DOH, is not participating in the certified public expenditure full cost reimbursement program, and has combined Medicare and Medicaid inpatient days greater than fifty percent of total days. The agency set the rate increases for qualifying providers so as not to exceed the amounts provided by the legislature.
- Effective for dates of admission beginning July 31, 2019, through June 30, 2020, long-term psychiatric per diems were set at \$1,171 or the hospital-specific psychiatric per diem rate, whichever is greater as directed by the Legislature. The increase is applied to any hospital that accepts patients committed to a psychiatric facility for a period of 90 days or greater. The Agency set the rate so as not to exceed the amounts provided by the Legislature.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES**

## E. PER DIEM AND RCC PAYMENT METHODS (cont.)

## 1. Per diem rate (cont.)

## c. Per diem rates determination for psychiatric services (cont)

- Effective for dates of admission beginning July 1, 2020, Hospitals that have a 12-month Medicare cost report on file, their psychiatric per diem will be the greater of their costs or \$940. If the hospital does not have a 12-month cost report available, their long-term psychiatric per diem rate will be set at the greater of either the average of all in-state provider-specific long-term psychiatric per diem rates or their current short-term psychiatric per diem. The increase is applied to any hospital that accepts patients committed to a psychiatric facility for a period of 90 days or greater. The Agency set the rate so as not to exceed the amounts provided by the Legislature.
- ✓ Effective for dates of admission on or after January 1, 2024, psychiatric per diem rates for both freestanding psychiatric hospitals and hospital psychiatric units with more than 200 Washington Medicaid psychiatric bed days during calendar year (CY) 2021 will be rebased using hospital CY 2021 Medicaid claims data and Medicare cost report data overlapping CY 2021. Rebasing will follow the cost calculation process described previously, with budget target adjusters applied not to exceed a factor 100%, as follows:
  - Freestanding psychiatric hospitals with at least 200 Washington Medicaid psychiatric bed days in CY 2021: will receive the statewide average cost per day with at least 200 Washington Medicaid psychiatric days, with a freestanding-specific budget target adjuster applied.
  - Hospital psychiatric units with at least 200 Washington Medicaid psychiatric bed days in CY 2021: will receive the greater of the hospital psychiatric unit-specific average cost per day with a psychiatric unit-specific budget target adjuster applied, or the hospital's Medicaid psychiatric per diem rate effective July 1, 2023.
  - Hospital psychiatric units with less than 200 Washington Medicaid psychiatric bed days in CY 2021: will receive a psychiatric per diem rate equal to the statewide average cost per day, with a psychiatric unit-specific budget target adjuster applied.



## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES**

## E. PER DIEM AND RCC PAYMENT METHODS (cont.)

## 1. Per diem rate (cont.)

## c. Per diem rates determination for psychiatric services (cont)

- ✓ When rebasing psychiatric per diem rates, the agency will use Medicaid claims data and Medicare cost report data from the calendar year base period ending two years prior to the effective date of rebasing, using the methodology described for psychiatric per diem rates effective January 1, 2024. When rebasing, the agency will determine new budget target adjusters, not to exceed a factor of 100%. Hospital psychiatric units with at least 200 Washington Medicaid bed days in the base period will receive the greater of the rebased cost-based rate or the hospital's Medicaid psychiatric per diem rate effective 6 months prior to the effective date. Hospital psychiatric units with less than 200 Washington Medicaid psychiatric bed days in the base period will receive a psychiatric per diem rate equal to the rebased statewide average cost per day, with a psychiatric unit-specific budget target adjuster applied.
- ✓ The agency conducts annual reviews for updated cost information to determine whether new and/or existing providers meet the 200+ bed day criteria.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES**

## E. PER DIEM AND RCC PAYMENT METHODS (cont.)

## 1. Per diem rate (cont.)

## d. Per diem rates determination for long-term civil commitment psychiatric services

- ✓ Effective for dates of admission beginning July 1, 2021

## Acute Care Hospitals with psychiatric units

- Hospitals that have a 12-month Medicare cost report on file with at least 200 Washington Medicaid psychiatric bed days, will receive a long term psychiatric per diem rate equivalent to their costs documented on their most recent Medicare cost report Hospitals that do not have a 12-month cost report with at least 200 Washington Medicaid psychiatric bed days, will receive a long-term civil commitment psychiatric per diem rate equivalent to the greater of either the average of all acute care hospitals providing long-term civil commitment psychiatric services, in-state provider-specific long-term civil commitment psychiatric per diem rates, or their current short-term psychiatric per diem. This is applied to any hospital that accepts patients committed to a psychiatric facility for a period of 90 days or greater. The Agency set the rate so as not to exceed the amounts provided by the Legislature.

## Free Standing Psychiatric hospitals

- Will receive a long-term civil commitment psychiatric per diem of \$940, which may be adjusted in future years to account for additional appropriated funding. In addition to the \$ per diem rate, the hospital may submit supplemental cost data to the authority for consideration. If approved, the appropriate adjustments to the Medicaid inpatient long-term civil commitment psychiatric per diem payment rate of the hospital will be made. Adjustment of costs may include any of the following:
  - Costs associated with professional services and fees not accounted for in the hospital's Medicare cost report or reimbursed separately.
  - Costs associated with the hospital providing the long-term psychiatric patient access to involuntary treatment court services that are not reimbursed separately.
  - Other costs associated with caring for long-term civil commitment psychiatric patients that are not reimbursed separately.
- Hospitals that provide services for patients moving from a criminal to civil commitment will receive a rate enhancement for the additional requirements of these patients.

The Agency sets the rate so as not to exceed the amounts provided by the Legislature.

Rates are effective for dates of service on and after January 1, 2024. See 4.19-B I, General, #G for the agency's website where the fee schedules are published.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

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## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

## E. PER DIEM, AND RCC PAYMENT METHODS (cont.)

## 1. Per diem rate (cont.)

## e. New Hospitals Rate Methodology

New hospitals are those entities that have not provided services prior to the effective date of rebased rates. A change in ownership does not necessarily constitute the creation of a new hospital. For their per diem rate, excluding psychiatric services, the statewide average rate is used.

For psychiatric services at new hospitals without a 12-month cost report available, the per diem rate for hospital psychiatric units with less than 200 Washington Medicaid psychiatric bed days will be used until a 12-month cost report is available, at which time the methodology in section 1.i.b will be used.

Long-term civil commitment psychiatric services at an acute care hospital will receive a long-term civil commitment psychiatric per diem rate as the average of all in-state acute care hospitals providing long-term civil commitment psychiatric services.

Long-term civil commitment psychiatric services at new freestanding psychiatric hospitals will receive a per diem rate of \$940 without adjustments until the hospital has a 12-month cost report available.

For new hospitals that have direct medical education costs and a submitted Medicare cost report with at least twelve months of data, the Agency will identify and include the direct medical education cost to the hospital-specific rate. For a new hospital that has direct medical education cost and Medicare cost report submitted to Medicare with less than twelve months of data, the Agency will not identify and include the direct medical education cost to the hospital-specific rate.

## f. Change in ownership

When there is a change in ownership and/or the issuance of a new federal identification, the new provider's cost-based rate is the same rate as the prior owner's.

Depreciation and acquisition costs are recaptured as required by Section 1861 (V) (1) (0) of the Social Security Act. Mergers of corporations into one entity with sub-providers receive a blended rate based on the old entities' rates. The blended rate is weighted by admission for the new entity.

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