Table of Contents

State/Territory Name: Washington

State Plan Amendment (SPA) # WA 24-0043

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

December 13, 2024

Charissa Fotinos, Medicaid Director
Health Care Authority
PO Box 45502
Olympia, WA 98504-5010

RE: TN 24-0043

Dear Director Fotinos:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Washington state plan amendment (SPA) to Attachment 4.19-A WA 24-0043, which was submitted to CMS on September 18, 2024. This plan amendment updates the outdated information about Small Rural Indigent Assistance Disproportionate Share Hospital payments and clarify references to Medicaid clients.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 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), and 1923 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 16, 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 Tom Caughey at 517-487-8598 or via email at tom.caughey@cma.hhs.gov.

Sincerely,

[redacted]

Rory Howe
Director
Financial Management Group

Enclosures

DEPARTMENT OF HEALTH AND HUMAN 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: 24-0043

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
July 16, 2024

5. FEDERAL STATUTE/REGULATION CITATION
1902(a) of the Social Security Act

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2024 $ 0
b. FFY 2025 $ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-A Part 1 Pages 5, 48, 50, 52, 54, 57a

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-A Part 1 pages 5 (TN#14-0016), 48 (TN# 13-25), 50 (TN# 13-25), 52 (TN# 15-0015), 54 (TN# 24-0015), 57a (TN# 15-0015)

9. SUBJECT OF AMENDMENT
Miscellaneous Disproportionate Share Hospital Updates

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: EXEMPT

11. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Charissa Fotinos, MD, MSc

13. TITLE
Medicaid and Behavioral Health Medical Director

14. DATE SUBMITTED
September 18, 2024

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

FOR CMS USE ONLY

16. DATE RECEIVED
September 18,2024

17. DATE APPROVED
December 13, 2024

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 16, 2024

19. SIGNATURE OF APPROVING OFFICIAL
[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, FMG

22. REMARKS

FORM CMS-179 (09/24)

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES

Children's Health Program (CHP)
The CHP provides medical coverage for non-citizen children under age 19 whose household income is at or less than 300% of the Federal Poverty Level.

Cost Limit for DSH Payments
The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Critical Access Hospital (CAH) Program
Critical Access Hospital (CAH) program means a Title XIX inpatient and outpatient hospital reimbursement program where in-state hospitals that are Agency-approved and DOH Medicare-certified as a CAH, are reimbursed through a cost settlement method.

.

DRG Conversion Factor (DRG rate)
The DRG conversion factor is a calculated amount based on the statewide-standardized average payment per discharge adjusted by the Medicare wage index for each hospital's geographical location and any indirect medical education costs to reflect the hospital's specific costs.

DSH Limit
The total DSH payments to an eligible hospital may not exceed the hospital-specific cost limit for DSH payments, in accordance with federal regulations. The total DSH payments to all eligible hospitals in a given year are limited to the State allotment for that year.

DSH One Percent Inpatient Medicaid Utilization Rate
All hospitals must meet the one percent Medicaid inpatient utilization rate in order to qualify for any of the Agency disproportionate share hospital programs.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES

G. BASE COMMUNITY PSYCHIATRIC HOSPITALIZATION PAYMENT RATE

Under the DRG, RCC, and "full cost" methods, and only for dates of admission before August 1, 2007, a base community psychiatric hospital payment rate may apply for psychiatric claims submitted by an in-state hospital that has already treated a patient covered under the state's Involuntary Treatment Act (ITA) in an ITA-certified bed. The base community psychiatric payment rate is a per diem rate.

The base community psychiatric hospitalization payment rate used in conjunction with the DRG, RCC, and "full cost" methods as follows:

(1) The respective DRG, RCC, or "full cost" allowable on a qualifying claim is divided by the length of stay for the claim to determine an allowable per diem amount.

(2) The base community psychiatric hospital payment rate is then compared to that amount.

(3) If the base community psychiatric hospital payment rate is greater, then it is applied to the authorized length of stay for the claim to determine a revised allowable for the claim.

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS

As required by Section 1902(a)(13)(A) and Section 1923(a)(1) of the Social Security Act, the Medicaid reimbursement system takes into account the situation of hospitals which serve a disproportionate number of low-income patients with special needs by making a payment adjustment for eligible hospitals. To be eligible for any disproportionate share hospital payment, a hospital must meet the minimum requirement of a one-percent Medicaid inpatient utilization rate. A hospital will be considered for one or all of the disproportionate share hospital (DSH) payment adjustments if the hospital meets the eligibility criteria for that respective DSH program and has met the State DSH application requirements explained in WAC 182-550-4900 through 182-550-5400.

The total of all DSH payments will not exceed the State's DSH allotment. To accomplish this goal, the Agency intends to distribute DSH payments to ensure costs incurred by Medicaid and uninsured patients are covered to the maximum extent permitted by federal rules.

In accordance with the Omnibus Budget Reconciliation Act of 1993, the amounts paid under DSH programs to public hospitals will not exceed the uncompensated cost of furnishing hospital services to Medicaid individuals and individuals with no insurance or any creditable third party coverage for the services provided.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES

H. DISPROPORTIONATE SHARE PAYMENTS (cont)

1. Low-income Disproportionate Share Hospital (LIDSH) Payment

Hospitals will be considered eligible for a LIDSH payment adjustment if:

a. The hospital is an in-state (Washington) hospital;

b. The hospital's Medicaid inpatient utilization rate (as defined in Section 1923(b)(2)) is at least one standard deviation above the mean Medicaid inpatient utilization rate of hospitals receiving Medicaid payments in the State; or

c. The hospital's low-income utilization rate (as defined in Section 1923 (b) (3)) exceeds 25 percent;

d. The hospital qualifies under Section 1923 (d) of the Social Security Act; and

e. The hospital is not a Certified Public Expenditure (CPE) hospital.

Hospitals considered eligible under the above criteria will receive DSH payment amounts that in total will equal the annual appropriation for LIDSH. The process of apportioning payments to individual hospitals is as follows:

A single base payment is selected that distributes the total LIDSH appropriation. For each hospital, the Agency divides the hospital's MIPUR by the average MIPUR of all LIDSH-eligible hospitals, and then multiplies the result by the hospital's most recent Medicaid case mix index (CMI), and then multiplies the result by the hospital's base year Title XIX discharges. The Agency then converts the product to a percentage of the sum of all such products for individual hospitals and multiplies this percentage by the legislatively appropriated amount for LIDSH. For DSH program purposes, a hospital's Medicaid CMI is the average diagnosis related group (DRG) weight for all of its paid Medicaid DRG claims during the state fiscal year used as the base year for the DSH application.

Each hospital's total DSH payments will not exceed its DSH limit. The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Dollars not allocated due to a hospital reaching the DSH limit are reallocated to the remaining hospitals in the LIDSH pool. The payments are made periodically. LIDSH payments are subject to federal regulation and payment limits.

Total funding to the LIDSH program equals $17,204,000 in state fiscal year (SFY) 2010, $16,204,000 in SFY 2011, and $8,522,000 in SFY 2012 and thereafter.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES

H. DISPROPORTIONATE SHARE PAYMENTS (cont.)

3. Medical Care Services Disproportionate Share Hospital (MCSDSH) Payment

Effective July 1, 1994, hospitals will be considered eligible for a MCSDSH payment if:

a. The hospital is an in-state (Washington) or border area hospital;

b. The hospital provides services to low-income, Medical Care Services (MCS) patients. MCS persons are low-income individuals who are not eligible for Title XIX coverage and who are unemployable for at least 90 days due to a medical, mental health, or substance abuse incapacity; and

c. The hospital qualifies under Section 1923 (d) of the Social Security Act.

Hospitals qualifying for MCSDSH payments will receive a per claim payment for inpatient claims. For all hospitals, except hospitals participating in the “full cost” payment program through certified public expenditures, the inpatient payments made are at a rate lower than the Medicaid rate and are based on published, non-Medicaid rates. The hospital claims are processed through the Provider One (MMIS) system where the MCS clients are identified based upon their assigned Recipient Aid Category (RAC) code. If the hospital does not qualify for DSH, these claims are paid with State funds.

The total of each hospital’s claims-based MCSDSH payments will not exceed its hospital-specific DSH cap. The hospital-specific DSH cap limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

For the excepted hospitals, the payment equals “full cost” using the Medicaid RCCs to determine cost for the medically necessary care

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES

H. DISPROPORTIONATE SHARE PAYMENTS (cont.)

4. Small Rural Disproportionate Share Hospital (SRDSH) Payment (cont.)

Each hospital's total DSH payments will not exceed its DSH limit. The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Dollars not allocated due to a hospital reaching the DSH limit are reallocated to the remaining hospitals in the SRDSH pool. The payments are made periodically. SRDSH payments are subject to federal regulation and payment limits.

Total funding to the SRDSH program equals $3,818,000 per state fiscal year (SFY) beginning SFY 2021.

5. Reserved

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

8. Children's Health Program Disproportionate Share Hospital (CHPDSH) Payment

For all hospitals, except hospitals participating in the "full cost" payment program through certified public expenditures, the inpatient payments made are at a rate lower than the Medicaid rate and are based on published, non-Medicaid rates. The hospital claims are processed through the Provider One (MMIS) system where the eligible clients are identified based upon their assigned Recipient Aid Category (RAC) code. If the hospital is not eligible for DSH funds, these claims are paid with State Funds.

The total of each hospital's claims based CHPDSH payments will not exceed its hospital specific DSH cap. The hospital-specific DSH cap limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations

Hospitals qualifying for CHPDSH payments will receive a per claim payment for inpatient and outpatient claims at the equivalent Medicaid rate.

For the excepted hospitals, the inpatient payment equals "full cost" using the Medicaid RCCs to determine cost for the medically necessary care.