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State/Territory Name: Wisconsin

State Plan Amendment (SPA) WI: 25-0002

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

June 24, 2025

Bill Hanna
State Medicaid Director
Department of Health Services
1 W. Wilson St.
P.O. Box 309
Madison, WI 53701-0309

RE: TN 25-0002

Dear Director Hanna:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Wisconsin state plan amendment (SPA) to Attachment 4.19-A, which was submitted to CMS on March 28, 2025. This plan amendment updates reimbursement rates for LARC/ventilator/brain injury care inpatient payments which are paid outside the DRG.

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), 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 January 1, 2025. 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@cms.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: 25-0002

2. STATE: WI

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
1/1/25

5. FEDERAL STATUTE/REGULATION CITATION
47 CFR 447 Subpart F

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2025 $ 78,207
b. FFY 2026 $ 104,276

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Inpatient Hospital State Plan 4.19-A
Pg. 3-4, 20, 21, 21a, 27

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Inpatient Hospital State Plan 4.19-A
Pg. 3-4, 20, 21, New, 27

9. SUBJECT OF AMENDMENT

Inflation updates to LARC/ventilator/brain injury care inpatient payments.

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: [redacted]

11. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Bill Hanna

13. TITLE
Medicaid Director

14. DATE SUBMITTED
3/28/2025

15. RETURN TO
Allie Merfeld
State Plan Amendment Coordinator
Department of Health Services
1 W. Wilson St.
P.O. Box 309
Madison, WI 53701-0309

FOR CMS USE ONLY

16. DATE RECEIVED
March 28, 2025

17. DATE APPROVED
June 24, 2025

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2025

19. SIGNATURE OF APPROVING OFFICIAL
[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, FMG

22. REMARKS

Instructions on Back

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DEFINITIONS

Access Payment. **To promote WMP member access to acute care, children's, rehabilitation, and critical access** hospitals throughout Wisconsin, the WMP provides a hospital access payment amount per eligible inpatient discharge. See §9700 for further details.

Acute Care Hospital. A hospital that provides inpatient medical care and other related services for surgery, acute medical conditions, or injuries (usually for a short-term illness or condition).

All Patient Refined Diagnosis Related Group (APR DRG). A patient classification system developed and maintained **by 3M™ establishing clinically-similar groupings of services that can be expected to consume similar amounts of hospital resources.**

Annual Rate Update. The process of annually adjusting hospital payment rates to be effective January 1 of each year **based on more current Medicare cost reports and Medicaid claims.**

Base DRG. The first three numeric values assigned to an inpatient visit under APR DRG.

Border Status Hospital. A hospital not located in Wisconsin, which has been certified by the WMP as a border status hospital to provide hospital services to WMP recipients. Exact criteria for eligibility for border status are provided in §4240.

Centers for Medicare and Medicaid Services (CMS). The federal agency which regulates the WMP.

CMS Market Basket. The inflation index published by CMS used to estimate hospital inflation during the rate setting **process.**

Children's Hospital. Acute care hospital that meets the federal definition of a children's hospital (42 CFR 412.23(d)) **and whose primary activity is to serve children.**

Critical Access Hospital (CAH). A hospital that meets both the requirements under 42 CFR Part 485, Subpart F and **the following requirements: no more than 25 beds for inpatient acute care and/or swing-bed services; no more than 4 beds for observation services; An annual average inpatient stay of no more than 96 hours; provision of emergency services and availability of registered nurses on a 24-hour-per-day basis; and establishment of a written referral agreement with one or more network hospitals.**

Department. The Wisconsin Department of Health Services (or its agent); the State agency responsible for the administration of the WMP.

Diagnosis Related Group (DRG). A patient classification system that establishes clinically-similar groupings of **services that can be expected to consume similar amounts of hospital resources.**

Fee-for-Service (FFS). A WMP payment methodology in which providers are reimbursed service-by-service for serving WMP members. Most WMP members are either enrolled with Health Maintenance Organizations (HMOs) or have their **services reimbursed on a FFS basis.**

Graduate Medical Education (GME). The phase of training that occurs after the completion of medical school in which **physicians serve as residents, typically at a teaching hospital, and receive several years of supervised, hands-on training in a particular area of expertise. Hospitals that train residents incur real and significant costs beyond those customarily associated with providing patient care; in recognition of this, the WMP provides various payment** adjustments to help defray the direct costs of GME programs.

Healthcare Cost Report Information System (HCRIS). The centralized electronic clearinghouse for Medicare cost reports maintained by CMS.

Hospital P4P Guide. The annual publication, available on the Wisconsin ForwardHealth Portal, that supplements this State Plan with additional details about, among other things, the P4P program.

Hospital-Specific DRG Base *Rate.* The payment rate per discharge which will be calculated for and assigned to each hospital by the Department for the RY. This is the rate by which a DRG weight and applicable policy adjustor is multiplied to establish the amount of payment for an individual inpatient stay.

Hospital Withhold Pay-for-Performance (P4P) Program. A performance-based reimbursement system in which the WMP withholds a portion of payment for inpatient hospital services and allows hospitals to earn back those dollars by meeting

various quality benchmarks. See §6720 for further details.

P4P Pool Amount. The amount of money withheld from inpatient hospital reimbursement for use in one of the Hospital Withhold P4P programs.

IMO. Institution for Mental Disease, as defined in 42 CFR 435.1009.

Long-Term Care Hospital. A separately licensed hospital that meets the requirements of 42 CFR 412.23(e) and is **reimbursed by Medicare under the Medicare prospective payment system for long-term care hospitals.**

Measurement Year (MY). The claims experience period for the Hospital Pay-for-Performance (P4P) program.

Medicaid Deficit. The amount by which the cost of providing inpatient services to WMP recipients exceeds the WMP payment for those services. See §9100 for further details.

Medicaid Management Information System (MM/SJ. The system used by the WMP to process and document provider claims for payment.

Medicare Cost Report. The CMS 2552 form.

Metropolitan Statistical Area (MSA). Geographic regions designated by the Office of Management and Budget (0MB) consisting of one or more counties used by the Department for wage index assignment.

Non-Border Status Hospital. A hospital not located in Wisconsin and which has not been certified by the WMP as a border status hospital.

Office of Management and Budget (0MB). The federal agency that, among other things, sets standards and **announces results for classifications within Core Based Statistical Areas.**

Policy Adjustor. A factor used when calculating provider payment whereby the provider specific rate is multiplied by the DRG weight and applicable policy adjustor. Examples of policy adjustors include but are not limited to: specific **services rendered, specific facility types and specific age categories.**

Prospective Rate per Diem. **The hospital-specific rate for each day of service.**

Psychiatric Hospital. A general psychiatric hospital which is not a satellite of an acute care hospital and for which the department has issued a certificate of approval that applies only to the psychiatric hospital. A subcategory of psychiatric hospital is Institution for Mental Disease (IMO), which is defined in 42 CFR 435.1009, though IMDs are **only eligible for Medicaid reimbursement under specific circumstances.**

Rate Notification Letter. **The notification sent to hospitals at the conclusion of the annual rate update informing each hospital of its updated reimbursement rates and how to appeal them if necessary.**

Rate Year (RY). The time period from January 1 through December 31 during which rates established under the annual rate update are to be effective for most, if not all, hospitals.

Rehabilitation Hospital. A separately licensed hospital that meets the requirements of 42 CFR 412.23(b) and is **reimbursed by Medicare under the Medicare prospective payment system for rehabilitation hospitals. The hospital provides intensive rehabilitative services for conditions such as stroke, brain injury, spinal cord injury, amputation, hip** fractures, and multiple traumas to at least 75% of its patient population. IMO hospitals cannot be considered **rehabilitation hospitals under the provisions of this plan.**

Severity of Illness (SOI). The numeric value assigned to the fourth position under APR DRG to provide additional stratification of the base DRG. SOI values include 1 (minor), 2 (moderate), 3 (severe) and 4 (extreme).

Standard DRG Group Rate. The statewide DRG base rate that serves as the starting point for the hospital-specific **DRG base rate development process.**

State Fiscal Year (SFY). July 1 - June 30. For example, SFY 2014 is defined as July 1, 2013 -June 30, 2014.

Upper Payment Limit (UPL). The maximum amount the WMP may reimburse a hospital for services provided to WMP members. This is formally specified in 42 CFR 447.272.

Usual and Customary Charges. **A provider's charge for the provision of a given service to persons not entitled to**

WMP benefits.

Wisconsin CheckPoint. **A centralized electronic clearinghouse for quality data for Wisconsin hospitals, maintained by the Wisconsin Hospital Association, available at www.wicheckpoint.org.**

Wisconsin ForwardHealth Portal. A website administered by the WMP listed at www.forwardhealth.wi.gov.

Wisconsin Medicaid Program (WMP). The State of Wisconsin's implementation of Medical Assistance as per Title XIX of the federal Social Security Act.

6700 Performance-Based Payments

6710 Assessment-Funded Performance-Based Payments

The Department reserves $5 million (all funds) in each SFY for its Hospital Assessment Pay-for-Performance (P4P) program, which provides for payments to children's, rehabilitation, acute care, and long term care hospitals located in Wisconsin. Critical access hospitals are not included in the Assessment P4P program because they **already receive cost-based reimbursement. Psychiatric hospitals are not included because they are paid under a** different reimbursement methodology in the State Plan.

The Assessment P4P program is administered on a measurement year **(MY)** basis. Each **MY** runs from January 1 through December 31. Payments for each MY are made annually, as stated in the Hospital P4P Guide, following the conclusion of the MY.

The remainder of this section describes the program's design and requirements for the current measurement year. In order to be eligible for Assessment P4P program payments, hospitals are required to report performance measure data and meet performance-based targets as specified in the Hospital Pay-for-Performance (P4P) Guide, which is effective January 1 and published on the Wisconsin ForwardHealth Portal here: https://www.forwardhealth.wi.gov/wiportal/contenUprovider/medicaid/hospital/resources_01.htm.spage.

Hospitals receive payment for scoring at or above the averages published in the P4P Guide for the three CheckPoint **measures, and their respective sub-measures, as listed below.**

1) Perinatal Measures ($2 million) - Hospitals are scored on two sub-measures (Cesarean Section and Newborn Screening Turnaround Time). A hospital can earn a 75% "partial share" of the $2 million by scoring at or above the published average on one of the sub-measures, or can earn a 100% "full share" of the $2 million by scoring at or above the published average on both of the sub-measures.

2) Patient Experience of Care ($1.5 million) - Hospitals are scored on 10 sub-measures drawn from the -31 question Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey completed by patients. A hospital can earn a 100% "full share" of the $1.5 million by scoring at or above the published average on at least three of the sub-measures.

3) Central Line Associated Blood Stream Infections (CLABSI) ($1.5 million)- Hospitals are scored based on their performance on this standard infection ratio that is calculated for all Wisconsin hospitals. A hospital can earn a 100% "full share" of the $1.5 million by scoring at or above the published average for this measure.

Only data submitted to CheckPoint as of the June 30 following the conclusion of the **MY** are included in the **calculations of performance on these measures.**

The Department determines the payment amounts and recipients for each measure separately. The Department calculates the "full share" payment amount for a measure by dividing the budget for the measure by the sum of ("partial" and "full") shares earned by hospitals; the "partial share" payment amount is the "full share" payment amount multiplied by the "partial share" percentage. For example, if, for the Perinatal Measures, 25 hospitals qualify for "full shares" and 20 hospitals qualify for 75% "partial shares," the sum of the shares is 40 (25 + (0.75 x 20)), so the 25 hospitals each earn $50,000 ($2 million/ 40) while the 20 hospitals each earn $37,500 ($50,000 x 0.75).

Assessment P4P payments are limited by the federal UPL regulations at 42 CFR §447.272. All Assessment P4P payments are included in the UPL calculation for the MY regardless of when payments are actually made.

6720 Withhold Based Performance Based Payments

The Department has multiple hospital Withhold-based Pay-for-Performance (P4P) programs that provide payments for Medicaid hospital services. Hospital eligibility is program specific as defined in the subsequent program sections below.

The Department administers the Withhold P4P programs on a measurement year (MY) basis. MYs are on a 12-month cycle, from January 1 through December 31.

For each MY, the Department pays FFS inpatient claims at a rate below 100% of the reimbursement in effect during the MY. The Withhold P4P pool amounts are the withheld percentages of the reimbursement in effect during the MY for those same FFS claims. Hospital supplemental payments made to eligible providers, including access payments, are excluded from the Withhold P4P pool amounts.

The Department makes these payments by the end of the calendar year that follows the programs' 12-month cycle.

The remainder of this section describes the program's design and requirements for the current measurement year. In order to earn eligibility for Withhold-Based P4P program payments, each program has hospital specific requirements which must be met, as specified in the Hospital Pay-for-Performance (P4P) Guide, which is effective January 1 and published on the Wisconsin ForwardHealth Portal here: https://www.forwardhealth.wi.gov/wiportal/content/provider/medicaid/hospital/resources_01.htm.spage.

Withhold Based P4P payments, including the additional bonus payments, are limited by the federal UPL regulations at 42 CFR §447.272. All Withhold Based P4P payments, including the additional bonus payments, are included in the UPL calculation for the MY regardless of when payments are actually made.

6721 Potentially Preventable Readmissions (PPR) Withhold Program

The Potentially Preventable Readmissions (PPR) Withhold program focuses on identifying inpatient admissions that occur within 30 days after an initial inpatient visit and could have been potentially prevented through a variety of discharge planning, outpatient or professional services, or other preventative care.
Wisconsin Medicaid uses 3M™ software to identify these potentially preventable readmissions, as well as to generate an expected number of PPR chains based on the historic Wisconsin inpatient hospital experience. The Department compares each provider's number of PPR chains in the measurement year to the number of PPR chains expected from that provider, based on historical data evaluated by the 3M™ software, to create the methodology for performance standards and returns.

The PPR Withhold program provides payments for acute care, children's, and critical access hospital services. Psychiatric, long-term care, and rehabilitation hospitals are exempt from the PPR Withhold program.

For each MY, the Department pays FFS inpatient claims at the rate of 97% of the reimbursement in effect during the MY. **The PPR Withhold pool amount is the withheld 3% of the reimbursement in effect during the MY for those same FFS claims.**

Providers that meet the requirements are eligible to receive payments from the PPR Withhold pool as follows:

1) If a hospital meets all of its performance targets for all applicable measures, it receives a payment equal to its individual PPR Withhold pool amount.

2) If a hospital does not meet or surpass its performance targets, it receives either no return, or a partial return calculated in a graduated manner as specified in the Hospital P4P Guide.

3) If all participating hospitals meet all of their individually applicable targets, no additional PPR Withhold pool funds are available and thus no bonus payments beyond those described above can be made to any hospital.

4) If at least one participating hospital does not receive its full PPR Withhold pool amount, the Department aggregates all remaining PPR Withhold pool funds and distributes them as additional bonus payments to hospitals that met their performance targets, up to 10% of their total Fee-for-Service inpatient reimbursement.

5) Payment amounts are commensurate with a hospital's individual performance of initial admissions during the program year compared to the benchmark initial admissions.

Each eligible hospital may review the performance measure requirements to receive the PPR Withhold pool payment prior to the MY in the ForwardHealth P4P Guide, here: https://www.forwardhealth.wi.gov/wiportal/content/provider/medicaid/hospital/resources_01.htm.spage. The data provided includes criteria for which claims are excluded from the measure.

6722 Health Information Exchange (HIE) Withhold Program

The Health Information Exchange (HIE) Withhold program focuses on Wisconsin hospital participation in health information data sharing to facilitate higher quality of patient care, reduced Medicaid costs, and increased access to patient information. **The Department requires hospitals to participate with the state-designated entity for HIE to be eligible for payments.**

For each MY, the Department pays FFS inpatient claims at the rate of 98.5% of the reimbursement for acute care, critical access, long-term care, and rehabilitation hospitals, and 99% of the reimbursement for psychiatric hospitals, in effect during the MY. **The HIE Withhold pool amount is the withheld 1.5% and 1% of the reimbursement in effect during the MY for those same FFS claims.**

Providers that meet the requirements are eligible to receive payments from the HIE Withhold pool as follows:

1) If a hospital meets its performance target for an applicable measure, it receives a payment equal to its individual HIE Withhold pool amount for that measure.

2) If a hospital does not meet its performance target for an applicable measure, it receives no return.

3) If all participating hospitals meet all of their individually applicable targets, no additional HIE Withhold pool funds are available and thus no bonus payments beyond those described above can be made to any hospital.

4) If at least one participating hospital does not receive its full HIE Withhold pool amount, the Department aggregates all remaining HIE Withhold pool funds and distributes them as additional bonus payments to hospitals that met all of their performance targets for all measures.

5) Incentive payment amounts are based on an individual hospital's FFS claim volume.

Each eligible hospital may review the performance measure requirements to receive the HIE Withhold pool payment prior to the MY in the ForwardHealth P4P Guide, here: https://www.forwardhealth.wi.gov/wiportal/content/provider/medicaid/hospital/resources_01.htm.spage.

7900 Payment for Services Exempted from DRG-Based Payment System

These payment rates for Long-Term Ventilator Services and Brain Injury Care described in sections §7200 and §7500 respectively are established by applying the general payment rate increase provided by the state's biennial budget to the rate in effect for the prior rate year.

These per diem rates will be updated on January 1, 2025 and in subsequent years for an annual inflation increase. Inflation updates will be based on changes in CMS' market basket index levels from the prior rate year to the new rate year. The per diem rates effective January 1 of the current rate year and each subsequent year can be found on the Wisconsin ForwardHealth Portal:
https://www.forwardhealth.wi.gov/WIPortal/content/Provider/medicaid/hospital/drg/drg.htm.spage#

7910 Services Covered by Payment Rates in This Section

All covered services provided during an inpatient stay, except professional services described in §7920, are considered hospital inpatient services for which payment is provided under the payment rates listed in §7900 above. [Reference: Wis. Admin. Code, HS 107.08(3) and (4)]

7920 Professional Services Excluded from Payment Rates in This Section

Certain professional and other services are not covered by the payment rates listed in §7900 above. To be reimbursed by the WMP, professional services must be billed by a separately certified provider and billed on a claim form other than the UB-04 hospital claim form. The following services are excluded from the above payment rates and may be billed separately when the professionals are functioning in a capacity listed below.

Physicians	Optometrists	Pharmacists
Psychiatrists	Hearing aid dealers	Pharmacy, for take home drugs on the date of discharge
Psychologists	Audiologists	
Physician assistants	Podiatrists	Durable medical equipment and supplies for non-hospital use
Nurse midwives	Independent nurse practitioners	
Chiropractors	Anesthesia assistants	Specialized medical vehicle transportation
Dentists	Certified registered nurse anesthetists	Air, water, and land ambulance