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State/Territory Name: Wisconsin

State Plan Amendment (SPA) WI: 26-0003

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 23, 2026

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

RE: TN 26-0003

Dear Director Dreyer:

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 27, 2026. This plan amendment updates reimbursement for inpatient hospital rates to adjust behavioral health policy adjuster factor and update the outlier tripoint.

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, 2026. 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,



Rory Howe
Director
Financial Management Group

Enclosures

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

1. TRANSMITTAL NUMBER

2 6 — 0 0 0 3

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

1/1/2026

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR § 447 subpart C

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 26 \$ 0

b. FFY 27 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

4.19-A:
pgs. 9-10
pg. 15

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

4.19-A:
pgs. 9-10 (24-0001)
pg. 15 (18-0002)

9. SUBJECT OF AMENDMENT

Updating inpatient hospital rates to adjust BH policy adjuster factor and update the outlier trimpont.

10. GOVERNOR'S REVIEW (Check One)



GOVERNOR'S OFFICE REPORTED NO COMMENT



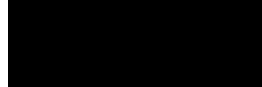
COMMENTS OF GOVERNOR'S OFFICE ENCLOSED



NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL



OTHER, AS SPECIFIED:



11. SIGNATURE OF STATE AGENCY OFFICIAL



12. TYPED NAME
Amanda Dreyer

13. TITLE
Medicaid Director

14. DATE SUBMITTED
3/27/2026

15. RETURN TO

Allie Merfeld
State Plan Amendment Coordinator
Department of Health Services
201 East Washington Ave
Room B300
Madison, WI 53701-0309

FOR CMS USE ONLY

16. DATE RECEIVED
March 27, 2026

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2026

19. SIGNATURE OF APPROVING OFFICIAL



20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
FMG, Director

22. REMARKS

6230 Policy Adjusters

Policy adjusters are applied at the claim level and are a numeric factor, much like a DRG weight, and are intended to enhance payments for select services, age groups, provider types, etc. The current rate year uses the following policy adjusters:

Policy Adjuster	Identification Basis	Factor
Neonate	DRG	1.30
Normal Newborn	DRG	1.80
Pediatric	Age (17 and Under)	1.20
Transplant	DRG	1.50
Level 1 Trauma Services	Provider Trauma Designation	1.30
Behavioral Health	DRG and DHS 61.71 Provider Designation	1.86

Only one policy adjuster is applied per claim. When a claim is eligible for more than one adjuster, the single largest factor is applied when calculating payment. When no policy adjusters are applicable, a factor of 1.00 is used.

TN 26-0003
Supersedes
TN24-0001

Approval Date: June 23, 2026
Effective Date: 01/01/2026

6235 Hospital-Specific DRG Base Rate

The Department calculates a hospital-specific DRG base rate for in-state and border status hospitals as follows:

The Department determines hospital-specific DRG base rates by inflating the standard DRG group rate from the prior rate year to the new rate year, and then adjusting for differences in the wage area index and direct graduate medical education costs for each hospital. Effective January 1, 2024 the Department applies an additional increase factor to the standard DRG group rate (in addition to the annual inflation increase) set to result in a \$1.5M modeled payment increase above modeled payments with only the annual inflation increase applied. Effective January 1, 2025 and beyond, Department will inflate the standard DRG group rate from the prior rate year to the new rate year. The Department will apply a one-time adjustment to the standard DRG group rate (in addition to the inflation adjustment) to offset reductions to modeled outlier payments (per §6350) implemented on or after January 1, 2026.

The labor portion of the standard DRG group rate is adjusted by the wage area adjustment index applicable to the hospital; the sum of the adjusted labor portion and the unadjusted non-labor portion forms the "total labor-adjusted group rate." §6240 describes the wage area adjustment index. To form the hospital-specific DRG base rate, the Department adds to the hospital's total labor-adjusted group rate its specific base payment add-on amounts for graduate medical education costs (if applicable), described in §6250 through §6270.

Finally, the Department adjusts the standard DRG group rate to account for the impact of including wage index adjustments and direct graduate medical education in the development of the hospital-specific DRG base rates. This action, in turn, serves to adjust the hospital-specific DRG base rates as well.

TN 26-0003
Supersedes
TN 24-0001

Approval Date: June 23, 2026
Effective Date: 01/01/2026

6340 Outlier Payment Calculation

Variable costs in excess of the DRG payment and the trimpoint will be paid. Following are the steps for calculation of an outlier payment. An example of a cost outlier calculation is presented in appendix §21000.

1. Allowed claim charges are adjusted to cost by multiplying the charges by the hospital's cost-to-charge ratio.
2. The allowed excess claim cost is calculated by subtracting the DRG payment (provider-specific rate x DRG weight x applicable policy adjuster) and the hospital's trimpoint from the claim cost. (Claim cost - DRG payment - Trimpoint = Excess cost, must be positive to qualify).
3. The outlier payment is the result of multiplying the excess claim cost by the variable cost factor. The variable cost factors are:



APR DRG SOI	
Level 1 or 2	Level 3 or 4
80%	95%
100%	100%

6350 Outlier Trimpoint

The outlier trimpoint amount shall be established effective January 1 of the rate year separately for Critical Access Hospitals and Acute Care Hospitals. The Critical Access Hospital outlier trimpoint is \$300. The Acute Care Hospital trimpoint will be determined annually by the Department to result in aggregate modeled outlier payments not to exceed 15% of total acute care hospital APR-DRG modeled payments.

6360 Outlier Trimpoint for Hospital Combinings

A "hospital combining" is the result of two or more hospitals combining into one operation, under one WMP provider certification, either through merger or consolidation, or a hospital absorbing a major portion of the operation of another hospital through purchase, lease, or donation of a substantial portion of another hospital's operation or a substantial amount of another hospital's physical plant. For combining hospitals, the applicable trimpoint will depend on the type and size of the combined operation. One trimpoint will apply to all individual combining hospitals under the combined operation, regardless of the type and size of the individual combining hospitals.