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State/Territory Name: MT

State Plan Amendment (SPA) #: 21-0022

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary 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



Financial Management Group

March 17, 2022

Marie Matthews
State Medicaid Director
Montana Department of Public Health
and Human Services
P.O. Box 4210
Helena, MT 59620

Re: Montana 21-0022

Dear Ms. Matthews:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 21-0022. Effective for services on or October 1, 2021, this amendment decreases inpatient hospital base rates by one percent, updates the Diagnostic Related Group (DRG) methodology to adopt Version 38 of the All Payor Refined (APR) DRG grouper system and incorporates modifications to payment adjustors.

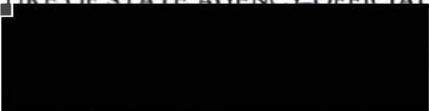
We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 21-0022 is approved effective October 1, 2021. The CMS-179 and the amended plan pages are attached.

If you have any questions, please contact Christine Storey at Christine.storey@cms.hhs.gov or (303) 844-7044.

Sincerely,



Rory Howe
Director

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION		1. TRANSMITTAL NUMBER: 21-0022	2. STATE Montana
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE 10/01/2021	
5. TYPE OF PLAN MATERIAL (Check One):			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447 42 CFR 447.250 1902(a)(30)(A) of the Social Security Act		7. FEDERAL BUDGET IMPACT: FFY 22 (\$993,449) FFY 23 (\$1,773,475)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19A, Service 1, Inpatient Hospital Services, Pages 1-20 of 20.		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19A, Service 1, Inpatient Hospital Services, Pages 1-17 of 17.	
10. SUBJECT OF AMENDMENT: Effective October 1, 2021, this amendment adopts version 38 of the APR-DRG grouper, which updates the relative weight values, and average national length of stay (ALOS). In addition, the 67th Montana Legislature required Montana Medicaid to decrease inpatient hospital reimbursement by 1%. To accomplish the required reduction the department proposes to decrease base rates. This amendment also incorporates modifications to payment adjusters. All proposed changes are incorporated into the posted APR-DRG calculator. With this amendment, Montana Medicaid is submitting all of the Inpatient Hospital 4.19A reimbursement pages to bring all transmittal numbers and approvals current.			
11. GOVERNOR'S REVIEW (Check One):			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Single Agency Director Review	
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Montana Department of Public Health and Human Services Marie Matthews Attn: Mary Eve Kulawik PO Box 4210 Helena MT 59620	
13. TYPED NAME: Marie Matthews			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED: 12-22-2021			
17. DATE RECEIVED: December 22, 2021			
FOR REGIONAL OFFICE USE ONLY			
18. DATE APPROVED: March 17, 2022		19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2021	
PLAN APPROVED – ONE COPY ATTACHED			
20. SIGNATURE OF REGIONAL OFFICIAL: 		21. TYPED NAME: Rory Howe	
22. TITLE: Director, FMG		23. REMARKS:	

REIMBURSEMENT FOR INPATIENT HOSPITAL SERVICES

A. MONTANA MEDICAID PROSPECTIVE PAYMENT (DRG) REIMBURSEMENT

Except as specified in Subsection B, the Inpatient Prospective Payment Method applies to all inpatient stays in all acute care general, rehabilitation and mental health (psychiatric/substance abuse treatment) hospitals and units located in Montana or out-of-state.

1. Primacy of Medicaid Policy

Some features of the Medicaid Inpatient Prospective Payment Method are patterned after similar payment policies used by Medicare. When specific details of the payment method differ between Medicaid and Medicare, then the Medicaid policy prevails.

2. APR-DRG Reimbursement

For admissions dated October 1, 2016 and after, the Department will reimburse hospitals the lesser of a per-stay rate based on All Patient Refined Diagnosis Related Groups (APR-DRGs) or billed charges. APR-DRGs classify each case based on information contained on the inpatient Medicaid claim such as diagnosis, procedures performed, patient age, patient sex, and discharge status. The APR-DRG determines the reimbursement when the DRG Relative Weight is multiplied by the DRG Base Price.

The APR-DRG relative weights values, average national length of stay (ALOS), outlier thresholds, and APR-DRG grouper are contained in the APR-DRG Calculator effective October 1, 2021. The APR-DRG calculator can be referenced on the state's website:

<https://medicaidprovider.mt.gov/>.

Hospitals reimbursed using the Inpatient Prospective Payment Method are not subject to retrospective cost reimbursement.

3. DRG Relative Weights

For each DRG a relative weight factor is assigned. The relative weight is applied to determine the DRG Base Payment that will be paid for each admit-through-discharge case regardless of the specific services provided or the length of stay. The DRG relative weight is a weight assigned that reflects the typical resources consumed. DRG weights are reviewed and updated annually by the Department. The weights are adapted from national databases of inpatient stays and are then "re-centered" so that the average Montana Medicaid stay in a base year has a weight of 1.00.

When the Department determines that adjustments to relative weights for specific DRGs are appropriate to meet Medicaid policy goals related to access to quality care, a "policy adjustor" will be explicitly applied to increase or decrease these relative weights. Policy adjustors are intended to be budget neutral, that is, they change payments for one type of service relative to other types without increasing or decreasing payments overall.

4. DRG Base Price

There are three different base prices for stays in acute care hospitals. These three base prices consist of the Montana average base rate, a base rate for Long Term Acute Care (LTAC) hospital facilities, and the base rate for Center of Excellence hospitals. The base price is a dollar amount that is reviewed by the Department each year. Changes in the DRG Base Price are subject to the public notice requirements of the Montana Code Annotated.

5. DRG Base Payment

For each stay, the DRG Base Payment equals the DRG Relative Weight multiplied by the DRG Base Price.

6. Cost Outlier Payments

It is recognized that there are occasional stays that are extraordinarily costly in relation to other stays within the same DRG because of the severity of the illness or complicating conditions. These variations are recognized by the Cost Outlier Payment which is an add-on payment for expenses that are not predictable by the diagnosis, procedures performed, and other statistical data captured by the DRG grouper.

Cost outlier stays are stays that exceed the cost outlier threshold for the DRG. To determine if a hospital stay exceeds the cost outlier threshold, the Montana Medicaid program excludes all services that are not medically necessary. Montana Medicaid then converts the charge information for medically necessary services into the estimated cost of the stay by applying the hospital specific cost-to-charge ratio (CCR) for in-state hospitals and Center of Excellence Hospitals and the statewide average CCR for all other out-of-state facilities, including border hospitals. The estimated cost for medically necessary services is then compared to the cost outlier threshold for the appropriate DRG to determine if the stay qualifies for reimbursement as a cost outlier. Costs exceeding the threshold are multiplied by a marginal cost ratio to determine the Cost Outlier Payment.

7. Transfer Payment Adjustments

The transfer payment adjustment applies when a patient is transferred to another acute care hospital. It does not apply when a patient is discharged to a post-acute setting such as a skilled nursing facility. The receiving hospital is not impacted by the transfer payment adjustment unless it transfers the patient to another hospital.

In the transfer payment adjustment, payment is calculated as if the member were not a transfer, then payment is adjusted. The DRG Base Payment is divided by the nationwide average length of stay for the assigned DRG to arrive at a per diem amount.

The per diem amount is then multiplied by the actual length of stay, except that payment is doubled for the first day to reflect costs related to the admitting process.

If the transfer payment adjustment results in an amount greater than the amount without the adjustment, the transfer payment adjustment is disregarded. The cost outlier payment, if applicable, is then added to the DRG base payment, with the transfer adjustment made as needed.

The Transfer Payment Adjustment is not applicable to providers and services that are exempt from the Inpatient Prospective Payment Method. See Subsection B.

8. Prorated Payment Adjustment

When a member has Medicaid coverage for fewer days than the length of stay, the payment is prorated. The DRG Base Payment plus cost outlier payments, if applicable, is divided by the nationwide average length of stay for the assigned DRG to arrive at a per diem amount. The per diem amount is then multiplied by the number of days the member is eligible for Medicaid during the stay. If the prorated payment adjustment results in a payment amount greater than the amount without the adjustment, the prorated payment is disregarded.

The Prorated Payment Adjustment is not applicable to providers and services that are exempt from the Inpatient Prospective Payment Method. See Subsection B.

9. DRG Payment, Allowed Amount, and Reimbursement Amount

The DRG Payment equals the DRG Base Payment, plus the DRG Cost Outlier Payment, if applicable, with transfer and/or prorated adjustments made as needed. The allowed amount equals the DRG Payment plus applicable add-on payments for disproportionate share hospitals (DSH) as described elsewhere in this Attachment. The Reimbursement Amount equals the Allowed Amount minus deductions such as member cost-sharing, third-party liability, or patient responsibility (incurment).

10. Related Outpatient Services

Outpatient hospital services (as identified in attachment 4.19B), such as provider based entity hospital outpatient services, emergency room services, and diagnostic services to include clinical diagnostic laboratory tests that are provided by an entity owned or operated by the hospital either the day of or the day prior to the inpatient hospital admission must be bundled into the inpatient claims. These services will be reimbursed as part of the DRG.

Dialysis services and Long Acting Reversible Contraceptives (LARCs) are excluded from the bundling requirements. These services will be reimbursed based on the department's hospital outpatient prospective payment system methodology.

11. Readmissions

Readmissions are subject to the provisions of Subsection E.

12. Interim Claims and Late Charges

Hospitals subject to the inpatient hospital prospective payment reimbursement method may interim bill every 30 days if the member has been a patient at least 30 days, is Medicaid eligible for the entire 30 days, and has received prior authorization. Interim claims are paid by a per diem amount multiplied by the number of covered Medicaid eligible days. Upon patient discharge, the hospital must credit all interim claim payments and bill a complete admit through a discharge claim.

The Department will not accept late charges (type of bill = 115). Instead, hospitals are instructed to adjust earlier claims if appropriate.

13. Payment for Capital

Capital cost is included in the DRG-based payment and will not be paid separately.

14. Prior Authorization

Out-of-state inpatient hospital claims are required to have prior authorization. Out-of-state inpatient hospital claims that are not prior authorized will be paid at a reduced percentage of the APR-DRG payment as described in ARM 37.86.2801.

- i) Out-of-state Centers of Excellence inpatient hospital claims will be reimbursed according to the reimbursement methodology described in ARM 37.86.2947.

15. ELECTIVE DELIVERIES POLICY

All facilities enrolled in Montana Medicaid that provide obstetrical services must have an elective deliveries policy in place by July 1, 2014. Effective October 1, 2014 elective inductions or cesarean sections prior to 39 weeks and 0/7 days of gestation, and non-medically necessary cesarean sections at any gestation, will be subject to a 33% reduction of payment.

B. EXEMPT HOSPITALS, SERVICES, AND COSTS

1. Exempt Providers

The following providers are exempt from the Inpatient Prospective Payment Method described in Subsection A. In the interest of clarity, this list includes acute care hospitals as well as facilities that provide similar inpatient services:

- i) Indian Health Service hospitals;
- ii) The Montana State Hospital;
- iii) Psychiatric residential treatment facilities (PRTFs) as defined in Service 16 of the Supplement to Attachments 3.1A and 3.1B of Montana's Medicaid State Plan. See Subsection H below;
- iv) Critical access hospitals (CAHs);

2. Exempt Services and Costs

The following services are exempt from the Inpatient Prospective Payment Method described in Subsection A even when provided by hospitals that are otherwise subject to prospective payment.

- i) Services where Medicare is the primary payer (crossover claims)
- ii) Certified Registered Nurse Anesthetist costs as defined by Medicare. See subsection C.

C. REASONABLE COST REIMBURSEMENT

Hospitals, units and costs exempt from prospective payment will continue to use the Title XVIII retrospective reasonable cost principles for reimbursing Medicaid inpatient hospital services. Allowable costs will be determined in accordance with generally accepted accounting principles as defined by the American Institute of Certified Public Accountants. Such definition of allowable costs is further defined in accordance with the Medicare Provider Reimbursement Manual, CMS Publication 15-1, subject to the exceptions and limitations provided in the Department's Administrative Rules. Publication 15-1 is a manual published by the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, which provides guidelines and policies to implement Medicare regulations which set forth principals for determining the reasonable cost of provider services furnished under the Health Insurance for Aged Act of 1965, as amended.

Hospitals subject to retrospective reasonable cost reimbursement shall receive interim payments weekly or bi-weekly during the facility's fiscal year by submitting claims to the Department's fiscal intermediary. Effective July 1, 2018, for dates of services January 1, 2018 through June 30, 2018, interim reimbursement is based on the provider's specific inpatient cost-to-charge ratio (CCR), less 2.99%. For dates of service on or after July 1, 2018, the interim reimbursement is based on the provider's specific inpatient cost-to-charge ratio, not to exceed 100%. The inpatient CCR is determined by Montana Medicaid's contracted intermediary or by the Department under Medicare reimbursement principles, based upon the provider's most recently settled Medicare cost report. If a provider fails to submit financial information to compute the rate, the provider will be reimbursed at 50% of its usual and customary billed charges. Hospital providers are required to submit the CMS 2552-10 to the Medicare Fiscal Intermediary (FI) and the Department within five months of their fiscal year end. The FI either audits or desk reviews the cost report, and sends the Department the "as adjusted" cost report. Medicaid settlements are made from the "as adjusted" cost report.

For each exempt hospital, reimbursement for reasonable costs of inpatient hospital services shall be limited to 101% of allowable costs or the upper payment limit (UPL). Effective July 1, 2018, Critical Access Hospitals (CAH) will be reimbursed 101% of allowable costs for inpatient hospital services. For dates of services on or prior to December 31, 2017, final cost settlements for CAH facilities will be reimbursed at 101% of allowable costs. For dates of services on January 1, 2018 through June 30, 2018, final cost settlements for CAH facilities will be reimbursed at 97.98% of allowable costs. For dates of services on or after July 1, 2018, final cost settlements for CAH facilities will be reimbursed at 101% of allowable costs. For facilities where the cost reporting period spans multiple cost settlement percentages, the department will prorate the final cost settlement.

For services where Medicare is the primary payer (crossover claims) are not reimbursed using retrospective cost principles. Reimbursement for these services is the remaining coinsurance and deductible. Certified Registered Nurse Anesthetist costs as defined by Medicare are reimbursed using retrospective cost principles.

D. TRANSFERS

All transfers are subject to review for medical necessity of the initial as well as subsequent hospitalizations and the medical necessity of the transfer itself. Reimbursement cannot be made to a provider unless the service provided was medically necessary.

E. READMISSIONS

All readmissions are subject to review for medical necessity of the initial as well as the subsequent hospitalization and the medical necessity of the readmission itself. Reimbursement cannot be made to a provider unless the service provided was medically necessary. Readmissions may be reviewed on a retrospective basis to determine if additional payment for the case is warranted.

F. DISPROPORTIONATE SHARE PROVIDERS

Hospitals providing services to a disproportionate share of low-income or Medicaid eligible members shall receive an additional payment as computed below.

To be deemed eligible for a routine DSH payment adjustment, the hospital must meet the following criteria:

- A) Medicaid inpatient utilization rate at least one standard deviation above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments in the State or a low income utilization rate that exceeds twenty percent (20%);
- B) Medicaid inpatient utilization rate of at least one percent (1%);
- C) The hospital must have at least two obstetricians with staff privileges at the hospital who agree to provide obstetric services to individuals entitled to such services under the State Plan. In the case where a hospital is located in a rural area (that is, an area outside of a Metropolitan Statistical area, as defined by the Executive Office of Management and Budget), the term obstetrician includes any physician with staff privileges at the hospital to perform non-emergency obstetric procedures; and
- D) Section C does not apply to a hospital which:
 - i) Predominantly has inpatient admissions for individuals under 18 years of age; or
 - ii) Does not offer non-emergency obstetric services as of December 22, 1987.

The Medicaid inpatient utilization rate (expressed as a percentage) for a hospital shall be computed as a total number of Medicaid inpatient days for a hospital in a cost reporting period, divided by the total number of inpatient days in the same period.

1. Medicaid inpatient days means the hospital's number of inpatient days attributable to patients who were eligible for medical assistance under the approved Medicaid State Plan in a cost reporting period, whether the patients receive medical assistance on a fee-for-service basis or through a managed care program.
2. Inpatient days includes each day in which an individual (including a newborn) is an inpatient in the hospital, whether or not the individual is in a specialized ward and whether or not the individual remains in the hospital for lack of suitable placement elsewhere.

The low-income utilization rate for a hospital shall be computed as the sum (expressed as a percentage) of the fraction and is calculated as follows:

1. Total Medicaid patient revenues includes fee for service and managed care programs paid to the hospital, plus the amount of cash subsidies received directly from state and local governments in a cost reporting period, divided by the total amount of revenues of the hospital for patient services (including the amount of cash subsidies) in the same reporting period; and
2. The total amount of the hospital's charges for inpatient hospital services attributable to charity care (care provided to individuals who have no source of payment, third party or personal resources) in a cost reporting period divided by the total number of the hospital's charges for inpatient services in the same period. Total inpatient charges attributed to charity care shall not include contractual allowances and discounts (other than for indigent patients not eligible for medical assistance under the State Plan), that is, reductions in charges given to other third party payer, such as Health Maintenance Organizations, Medicare, and private insurances.

The routine DSH payment will be an amount equal to the product of the hospital's Medicaid operating cost payment times the hospital's Medicaid DSH adjustment percentage developed under rules established by section 1886 (d) (5) (F) (iv) of the Social Security Act. Prospective Payment System (PPS) hospitals are paid routine DSH upon payment of the claim. CAHs are paid annually during the fourth quarter of the federal fiscal year (FFY).

Hospitals must be located within the borders of the State of Montana to be eligible for routine disproportionate share payments.

The total DSH payment made to the hospital shall not exceed the costs of furnishing hospital services by the hospital to individuals who either are eligible for medical assistance under the State Plan or have no health insurance (or other source of third party coverage), as established in Section 1923 of the Social Security Act and the Benefits Improvement and Protection Act of 2000 (BIPA).

G. AUDITS AND RECOVERY OF OVERPAYMENTS

The Department may perform audits or desk reviews pursuant to ARM 37.40.346. If at any time during an audit or desk review, the Department discovers evidence suggesting fraud or abuse by a provider, such evidence along with the last audit report regarding said provider, shall be referred to the State's Medicaid Fraud Unit.

The Department shall submit an independent certified audit to the Centers for Medicare and Medicaid Services (CMS) for each Medicaid State Plan rate year consistent with 42 CFR 455 Section(D). Should the Department determine there was an overpayment paid to a provider based upon the most recent audit or desk review, the Department will immediately recover the overpayment pursuant to ARM 37.86.2820. The amount of the overpayment will be redistributed to providers who did not exceed the hospital specific UPL during the period in which the DSH payments were determined. The payments will be distributed pursuant to ARM37.86.2925 and will be subject to hospital specific UPLs.

H. HOSPITAL BASED AND FREE STANDING INPATIENT PSYCHIATRIC SERVICES

1. Hospital based and free standing inpatient psychiatric services are reimbursed using the Inpatient Prospective Payment Method described in section A of this document.
2. The Department will reimburse in-state PRTFs an all-inclusive bundled per-diem interim rate as described in Attachment 4.19D, Service 16, PRTF.
3. All Montana providers of hospital based inpatient psychiatric services for individuals under age 21 shall be eligible to receive an annual continuity of payment (CCP) in addition to per-diem reimbursement. The CCPs will completely or partially reimburse providers for their otherwise un-reimbursed costs of providing care to Medicaid members. Total Medicaid payments to a provider of hospital based inpatient psychiatric services for individuals under age 21 will not exceed the Medicaid costs of that provider.

The amount of the CCP for each qualifying provider will be determined based upon the following formula:

$$\text{CCP} = [\text{M}/\text{D}] \times \text{P}$$

Where:

1. CCP equals calculated continuity of care payment.
2. "M" equals the number of Medicaid days provided by the facility for which the CCP is being calculated.
3. "D" equals the total number of Medicaid days provided by all facilities eligible to receive a CCP.
4. "P" equals the total amount to be paid via the Continuity of Care Payment. The State's share of "P" will be the total amount of revenue generated by Montana's hospital utilization fee.

The Medicaid days figures shall be from the Department's paid Medicaid claims data for the most recent calendar year.

CCPs will be paid in lump-sum payments in the fourth quarter of the State's fiscal year and are limited by the PRTF UPL.

I. HOSPITAL REIMBURSEMENT ADJUSTOR

Effective January 1, 2020, all hospitals located in Montana, except the Montana State Hospital or a hospital or facility operated by the state, a political subdivision of the state, the United States, or an Indian Tribe or any facility authorized under the Indian Health Care Improvement Act, that provide inpatient hospital services are eligible for a Hospital Reimbursement Adjustment (HRA) Payment. The payment consists of two separately calculated amounts.

In order to maintain access and quality in the most rural areas of Montana, CAHs shall receive both components of the HRA. All other hospitals shall receive only Part 1, as defined below in (1). For the purposes of determining HRA payment amounts, the following apply:

1. Part 1 of the HRA payment will be based upon Medicaid inpatient utilization, and will be computed as follows: $HRA1=[M/D] \times P$. For the purposes of calculating Part 1 of the HRA, the following apply:

$$HRA1=(M/D) \times P$$

Where:

- (i) "HRA I" represents the calculated Part 1 HRA payment.
- (ii) "M" equals the number of Medicaid inpatient days provided by the hospital for which the payment amount is being calculated.
- (iii) "D" equals the total number of Medicaid inpatient days provided by all hospitals eligible to receive an HRA payment.
- (iv) "P" equals the total amount to be paid via Part 1 of the HRA. The State's share of "P" will be the total amount of revenue generated by Montana's hospital utilization fee, less all of the following:
 - (A) the amount expended as match for continuity of care payments;
and
 - (B) the amount expended as match for Part 2 of the HRA.

Effective January 01, 2017, the Medicaid inpatient day numbers used to calculate Part 1 of the HRA must be from the Department's and the Third Party Administrator's (TPA) paid claims data in the most recent calendar year.

2. Part 2 of the HRA payment will be based upon total Medicaid billed charges, and will be computed as follows: $HRA2=[J/D]P$. For the purposes of calculating Part 2 of the HRA, the following apply:

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Service 1
Inpatient Hospital Services
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HRA2=(J/D) xP

Where:

- (i) "HRA2" represents the calculated Part 2 HRA payment.
- (ii) "J" equals amount of charges billed to Medicaid by the hospital for which the payment is being calculated.
- (iii) "D" equals the total amount of charges billed to Medicaid by all hospitals eligible to receive Part 2 of the HRA payment.
- (iv) "P" equals the total amount to be paid via Part 2 of the HRA. The State's share of "P" will be a minimal portion of the total revenue generated by Montana's hospital utilization fee, less all of the following:
 - (A) the amount expended as match for continuity of care payments; and
 - (B) the amount expended as match for Part 1 of the HRA.

Effective January 01, 2017, the total Medicaid billed charge amounts used to calculate part 2 of the HRA must be from the Department's and the Third Party Administrator's (TPA) paid claims data in the most recent calendar year. The State will make HRA in a lump-sum payment in the fourth quarter of the State's fiscal year and is limited by the inpatient UPL. This reimbursement will be excluded from cost settlement.

J. GRADUATE MEDICAL EDUCATION (GME)

In addition to Medicaid payments, a GME payment is made to partially fund providers for their otherwise unreimbursed costs of providing care to Medicaid members as part of the primary care and psychiatry residency program to an eligible hospital located in Montana.

The State portion of the GME pool amount for the current state fiscal year (SFY) is \$914,769. Therefore, the GME payment made in the current SFY supplements services for the first quarter of the SFY.

The Department will make a payment for the first quarter of the SFY, no later than the fourth quarter of the SFY, to the eligible hospitals. Payment will not exceed 25 percent of the available upper payment limit (UPL) for the first quarter of the SFY. If the payment pool is not paid in its entirety due to its exceeding the 25 percent UPL availability, then the remainder not paid during the first quarter will be paid in the following quarter or quarters, up to the UPL room available for each respective quarter in the SFY.

TN: 21-0022
Supersedes TN: 19-0020

Approval Date: March 17, 2022 Effective: 10/1/2021

Payment for the current SFY for eligible participating providers will be calculated based upon the following variables from prior SFY data: the eligible hospital's inpatient Medicaid utilization per year, primary care provider FTEs on the as-filed cost report, and psychiatry and rural rotation FTEs on the approved self-attestation form. For Example, the hospital's Medicaid utilization data and FTE counts from the cost reports and self-attestation forms for the period ending SFY2017 will be used for the SHY2018 payments. The approved self-attestation forms include FTEs that are not on the Medicare as-filed cost report. The FTE counts include primary care and psychiatry residents and residents conducting rural rotations.

Should an eligible hospital report no full time equivalents (FTE) participating in the GME program for any given program year or portion thereof, the eligible hospital will not receive payment for those time periods of non-participation. The GME payment regarding the primary care and psychiatry residency program shall be computed as follows:

The approved newly eligible allocation methodology, the State portion of the GME pool amount, and the various FMAPs for each of the eligibility groups will be used to determine the total payment amount to be distributed. The total computable amount is calculated as follows:

- (1) Calculation of Traditional Medicaid Portion of the Total Computable Amount

State Portion of GME Pool X (Traditional Medicaid %) = Traditional Medicaid State Portion (TMSP)

$$\frac{\text{TMSP}}{(1 - \text{Traditional Medicaid FMAP})} = \text{Total for Traditional Medicaid}$$

- (2) Calculation of Newly Eligible Medicaid Portion of the Total Computable Amount

State Portion of GME Pool X (Newly Eligible Medicaid %) = Newly Eligible State Portion (NESP)

$$\frac{\text{NESP}}{(1 - \text{Newly Eligible Medicaid FMAP})} = \text{Total for Newly Eligible Medicaid}$$

- (3) Calculation of Total Computable Amount

Total Computable Amount = Total for Traditional Medicaid + Total for Newly Eligible Medicaid

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Below is a demonstrative example of how the total computable amount is calculated. The amounts utilized are not indicative of actual Montana Medicaid data. For the purposes of this example the following information is necessary:

State Portion of the GME Pool = \$1,000,000
Traditional Medicaid Percentage = 48%
Traditional Medicaid FMAP = 66%
Newly Eligible Medicaid Portion Percentage = 52%
Newly Eligible Medicaid FMAP = 95%

- (1) Calculation of Traditional Medicaid Portion of the Total Computable Amount

$$\$100,000 \times 48\% = \$480,000$$

$$\frac{\$480,000}{(1-0.66)} = \$1,411,765$$

- (2) Calculation of Newly Eligible Medicaid Portion of the Total Computable Amount

$$\$100,000 \times 52\% = \$520,000$$

$$\frac{\$520,000}{(1-0.95)} = \$10,400,00$$

- (3) Calculation of Total Computable Amount

$$\$11,811,765 = \$1,411,765 + \$10,400,000$$

Effective August 1, 2020, the distribution of the GME payment to each of the eligible hospitals will be computed as follows:

(1) divide the total amount of GME funding, including federal match, by the total number of primary care and psychiatry resident full-time equivalents (FTE) participating in the program to establish the per-resident amount (PRA);

(2) divide the number of FTE residents at each eligible hospital by the total number of primary care and psychiatry resident FTEs at all eligible hospitals participating in the program to establish each hospital's resident FTE percentage;

(3) divide the eligible hospital's Medicaid inpatient days by its total inpatient days to determine each eligible hospital's Medicaid utilization percentage;

(4) multiply each eligible hospital's Medicaid utilization percentage by its resident FTE percentage and then add the results from all of the eligible hospitals to establish the weighted average Medicaid utilization percentage for all hospitals;

(5) divide an eligible hospital's Medicaid utilization percentage from (3) by the weighted Medicaid utilization percentage for all eligible hospitals to establish each eligible hospital's Medicaid utilization index;

(6) multiply the eligible hospital's Medicaid utilization index by the PRA in (1) to establish each eligible hospital's adjusted PRA; and

(7) multiply the eligible hospital's adjusted PRA by the number of resident FTEs at the hospital to determine the GME payment amount.

The GME payment shall comply with the following criteria:

- (i) If the eligible hospital's cost of hospital services do not exceed the total Montana Medicaid allowed payments for hospital care, the eligible hospital will receive a GME payment as calculated in section J. above;
 - (ii) As filed cost reports from eligible hospitals and information from the Medicaid paid claims database will be used for calculations; and
 - (iii) The GME payment must be for services derived from Medicaid paid claims.
- (A) Dates of service must occur within the eligible hospital's fiscal year end; and
- (B) The hospital's fiscal year must be the year immediately prior to the payment date.
- (iv) At the end of the contract period, the Department will reconcile the total Medicaid payments including the Medicaid GME payments to ensure that the total of these payments do not exceed the Medicaid UPL for the fiscal year.

MONTANA

The following is an example of how the GME payment will be calculated based on four hospitals with eight FTE residents per facility:

Total Computable GME Pool	\$10,000,000					
Total FTEs in State	100					
Per Resident Amount (PRA)	\$100,000 (1)					
	Hospital A	Hospital B	Hospital C	Hospital D	Hospital E	Total
FTE Count	30	10	20	25	15	100
FTE Percentage (2)	30.00%	10.00%	20.00%	25.00%	15.00%	100%
Medicaid Inpatient Days	18,000	11,000	6,000	10,000	7,000	52,000
Total Inpatient Days	75,000	50,000	40,000	25,000	35,000	225,000
Medicaid Utilization Percentage (3)	24.00%	22.00%	15.00%	40.00%	20.00%	
Weighted Medicaid Average (4)	7.20%	2.20%	3.00%	10.00%	3.00%	25.40%
Medicaid Utilization Index (5)	0.945	0.866	0.591	1.575	0.787	
Adjusted PRA (6)	\$94,488.19	\$86,614.17	\$59,055.12	\$157,480.31	\$78,740.16	
GME Distribution (7)	\$2,834,645.67	\$866,141.73	\$1,181,102.36	\$3,937,007.87	\$1,181,102.36	\$10,000,000

K. APPEAL RIGHTS

Providers contesting the computation of interim payments or final settlement for coding errors resulting in incorrect DRG assignment; medical necessity determinations; outlier determinations; or, determinations of readmission and transfer shall have the opportunity for a fair hearing in accordance with the procedures set forth in ARM 37.5.310.

L. PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS

Montana Medicaid meets the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for provider-preventable conditions.

1. Health Care-Acquired Conditions

The State identifies the following Health Care-Acquired Conditions for non-payment under Section 4.19 (A):

 X Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or hip replacement surgery in pediatric and obstetric patients.

Montana Medicaid will adopt the baseline health care-acquired conditions as identified by Medicare. The following reimbursement changes will apply:

PPS Hospitals

For claims with dates of payment on or after August 1, 2011, when a health care-acquired condition occurs during hospitalization and the condition was not present on admission, claims shall be paid as though the diagnosis is not present.

2. Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Section(s) 4.19(A) and 4.19(B):

 X Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

Montana Medicaid has adopted the baseline for other provider preventable conditions as identified by Medicare. The following reimbursement changes apply:

Payment will be denied for these conditions in any Health Care Setting as identified in Attachments 4.19A and 4.19B and any other settings where these events may occur. For any Montana Medicaid claim with dates of payment on or after August 1, 2011, that contains one of these diagnosis codes, these claims will be denied and will not be reimbursed. Reimbursement for PPS Hospitals regarding other provider preventable conditions is identified on page 4, number 15, of Attachment 4.19A.

 Additional Other Provider-Preventable Conditions identified below (please indicate the section(s) of the plan and specific service type and provider type to which the provisions will be applied. For example - 4.19(d) nursing facility services, 4.19(b) physician services) of the plan: