

DEPARTMENT OF SOCIAL SERVICES

Notice of Proposed Medicaid State Plan Amendment (SPA)

SPA 18-0002: Outpatient Hospital Payments – Rate Increase and Supplemental Payments

The State of Connecticut Department of Social Services (DSS) proposes to submit the following Medicaid State Plan Amendment (SPA) to the Centers for Medicare & Medicaid Services (CMS) within the U.S. Department of Health and Human Services (HHS).

Changes to Medicaid State Plan

Effective on or after January 1, 2018, SPA 18-0002 will amend Attachment 4.19-B of the Medicaid State Plan in accordance with section 17b-239e of the Connecticut General Statutes, as amended by section 618 of Public Act 17-2 of the June special session and as further amended by section 11 of 2017 Senate Bill 1503 and also in accordance with subsection (i) of section 17b-239 of the Connecticut General Statutes, as amended by section 619 of Public Act 17-2 of the June special session and as further amended by section 12 of 2017 Senate Bill 1503. This SPA implements a Medicaid rate increase and supplemental payments to specified hospitals.

Specifically, the ambulatory payment classification (APC) conversion factor for outpatient hospital services provided by acute care general hospitals will increase by 6.5%, an estimated annual increase of approximately \$35 million. In addition, an outpatient hospital supplemental pool will be implemented for certain hospitals as described in the SPA in the amount of \$85 million for state fiscal year (SFY) 2018 and \$65 million for SFY 2019. Hospitals eligible for supplemental payments under this section are short-term general acute care hospitals other than short-term children's general hospitals and short-term acute care hospitals operated exclusively by the State, other than a short-term acute care hospital operated by the State as a receiver. Each eligible hospital's share of the supplemental payment pool shall be equal to that hospital's pro rata share of the total Medicaid outpatient revenues of all eligible hospitals in the aggregate as reported in each hospital's Federal Fiscal Year 2016 filing with the Department of Public Health, Office of Health Care Access (OHCA).

Fiscal Impact

DSS estimates that this SPA will increase annual aggregate expenditures by approximately \$100 million in SFY 2018 and \$100 million in SFY 2019.

Obtaining SPA Language and Submitting Comments

This SPA is posted on the DSS web site at this link: <http://portal.ct.gov/dss>. Scroll down to the bottom of the webpage and click on "Publications" and then click on "Updates." Then click on "Medicaid State Plan Amendments". The proposed SPA may also be obtained at any DSS field office or the Town of Vernon Social Services Department, or upon request from DSS (see below).

To request a copy of the SPA from DSS or to send comments about the SPA, please email: Public.Comment.DSS@ct.gov or write to: Medical Policy Unit, Department of Social Services,

55 Farmington Avenue, 9th Floor, Hartford, CT 06105 (Phone: 860-424-5067). Please reference “SPA 18-0002: Outpatient Hospital Payments – Rate Increase and Supplemental Payments”.

Anyone may send DSS written comments about the SPA. Written comments must be received by DSS at the above contact information no later than December 28, 2017.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Connecticut

Payment Rate and Limitations for Hospitals Reimbursed Using APCs

The CMAP APC system is based on Medicare's Addendum B (OPPS payment by HCPCS code as modified and reflected in CMAP Addendum B), Addendum A (list of APCs) and Addendum D1 (list of payment status indicators) and uses Medicare's APC grouper software. Effective July 1, 2016, APC IOCE Version 17.1 will be used. When Medicare issues subsequent APC IOCE versions, the CMAP APC system will adopt such version with the same effective date as Medicare. In order to implement each such new version, the department will update Addendum B in accordance with such version and in conformance with the existing methodology and policy as reflected in the current version of CMAP Addendum B, including any new or deleted codes that were included by Medicare.

CMAP Addendum B also includes a column entitled "Payment Type" that indicates whether an item is reimbursable based on the APC methodology, the applicable fee schedule or other prospective payment methodology.

1. Effective for services provided on or after July 1, 2016, for applicable services as specified in CMAP Addendum B, the department pays for outpatient hospital services on a fully prospective per service basis using an APC payment methodology in accordance with this section.
2. Effective for services provided on or after July 1, 2016, the statewide conversion factor established by the department is \$82.25 for acute care general children's hospitals and \$71.76 for acute care general hospital hospitals, private chronic disease hospitals, and private psychiatric hospitals. Effective for services provided on or after January 1, 2018, the statewide conversion factor established by the department for acute care general hospitals is \$76.42.
3. The conversion factor is adjusted for the hospital's wage index based on the original Medicare assignment. Medicare reclassifications of the geographic wage index will not be recognized. The wage index is applied to 60% of the conversion factor and is updated annually effective January 1st of each year.
4. Hospitals located outside of Connecticut shall be paid the statewide conversion factor of \$71.76, with no adjustment for the wage index for services reimbursed using APCs, except that if a hospital requests to have the conversion factor adjusted for the hospital's actual wage index, the department may grant such request on a case-by-case basis if the department determines that such adjustment is necessary to ensure access to medically necessary services for a beneficiary. For services reimbursed using a non-APC methodology, hospitals located outside of Connecticut shall be reimbursed in the same manner as hospitals located in Connecticut. However, if the department determines that a service is not available in Connecticut, the department may negotiate payment rates and conditions with such provider, up to, but not exceeding, the provider's usual and customary charges.
5. Observation Services. Observation services shall include not less than eight hours but not greater than forty-eight hours of continuous care. Observation services are reimbursed using APCs. The hospital may bill for ancillary services related to observation only if such services are ordered during the observation stay.

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Connecticut**

Supplemental Reimbursement to Privately Owned or Operated Acute Care General Hospitals for Providing Outpatient Hospital Services

Supplemental payments to eligible hospitals shall be made from a pool of funds in the amount of \$85.4 million for the state fiscal year ending June 30, 2018 and \$65 million for the state fiscal year ending June 30, 2019. The payments shall be made periodically throughout each fiscal year in accordance with the following paragraphs:

- (a) Hospitals eligible for supplemental payments under this section are short-term acute care general hospitals other than short-term children's general hospitals and short-term acute care general hospitals operated exclusively by the State, other than a short-term acute care general hospital operated by the State as a receiver.

- (b) Each eligible hospital's share of the supplemental payment pool shall be equal to that hospital's pro rata share of the total Medicaid outpatient revenues of all eligible hospitals in the aggregate as reported in each hospital's Federal Fiscal Year 2016 filing with OHCA.

TN # 18-0002
TN # 11-017

Approval Date

Effective Date 01/01/2018 Supersedes