

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



MaryAnne Lindeblad  
Director  
Health Care Authority  
Post Office Box 45502  
Olympia, Washington 98504-5502

MAR 27 2013

RE: Washington State Plan Amendment (SPA) Transmittal Number 12-022

Dear Ms. Lindeblad:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 12-022. Effective July 1, 2012, this amendment sets outlier thresholds and outlier adjustment factors effective for hospital admissions on or after August 1, 2012. An outlier threshold, which determines which claims qualify for an outlier payment, was set for services provided by pediatric hospitals, and another threshold was set for all other Medicaid services. An outlier adjustment factor, which determines the amount of an outlier claim that will be paid, was set for pediatric service claims in pediatric hospitals, claims classified as burn treatment, and all other services.

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. As part of the review process, the State was asked to provide information regarding funding of the State share of expenditures under Attachment 4.19-A. Based upon your assurances, Medicaid state plan amendment 12-022 is approved effective July 1, 2012. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Joe Fico of the National Reimbursement Team at (206) 615-2380.

Sincerely,

  
Cindy Mann,  
Director  
Center for Medicaid & CHIP Services

cc  
Ann Myers, State Plan Coordinator

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: 12-022	2. STATE Washington
FOR: HEALTH CARE FINANCING ADMINISTRATION		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 July 1, 2012	
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 Part 447		7. FEDERAL BUDGET IMPACT: a. FFY 2012 \$910,141 b. FFY 2013 \$5,537,302	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Att. 4.19-B, Part 1, pp. 13-14 Att. 4.19-A, Part 1, pp. 13-14		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  Att. 4.19-B, Part 1, pp. 13-14 Att. 4.19-A, Part 1, pp. 13-14	
10. SUBJECT OF AMENDMENT:  Outlier Process			
11. GOVERNOR'S REVIEW (Check One):			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Exempt <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Ann Myers Office of Rules and Publications Legal and Administrative Services Health Care Authority 626 8 <sup>th</sup> Ave SE MS: 45504 Olympia, WA 98504-5504	
13. TYPED NAME: MARYANNE LINDERLAD			
14. TITLE: DIRECTOR			
15. DATE SUBMITTED: 09/13/12			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: September 14, 2012		18. DATE APPROVED: MAR 27 2013	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL:		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME:		22. TITLE:	
23. REMARKS: 02-22-2013 - PAI changes authorized by State (5 Blocks) B and C			

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
2201 6<sup>th</sup> Avenue, Mailstop RX-43  
Seattle, Washington 98121



**Division of Medicaid & Children's Health Operations**

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**MAR 27 2013**

Dorothy Frost Teeter, Director  
MaryAnne Lindeblad, Medicaid Director  
Health Care Authority  
P.O. Box 45502  
Olympia, WA 98504-5502

**RE: Washington State Plan Amendment 12-022**

Dear Ms. Teeter and Ms. Lindeblad:

The Centers for Medicare & Medicaid Services (CMS) National Institutional Reimbursement Team (NIRT) recently approved Washington State Plan Amendment (SPA) 12-022.

Although the NIRT has already sent the State a copy of the approval for this SPA, the Seattle Regional Office is following up with an additional copy for the reason that we were in receipt of the original, signed amendment request.

Therefore, enclosed you will find a copy of the official CMS Form 179, amended page(s), and copy of the approval letter from the NIRT for your records.

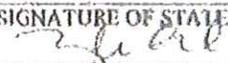
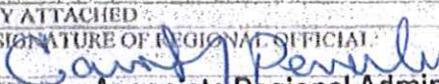
If you have any questions concerning the Seattle Regional Office role in the processing of this SPA, please contact Shante Abarabar at (206) 615-2326 or [Shante.Abarabar@cms.hhs.gov](mailto:Shante.Abarabar@cms.hhs.gov).

Sincerely,

A handwritten signature in blue ink that reads "Carol J.C. Peverly". The signature is written in a cursive style with a long horizontal stroke at the end.

Carol J.C. Peverly  
Associate Regional Administrator  
Division of Medicaid and Children's Health  
Operations

Enclosure

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: 12-022	2. STATE Washington
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13. TYPED NAME: MARYANNE LINDEBLAD			
14. TITLE: DIRECTOR			
15. DATE SUBMITTED: 09/13/12			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: September 14, 2012		18. DATE APPROVED: March 27, 2013	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 2012		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Carol J.C. Peverly		22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health	
23. REMARKS: 02-22-2013 - PAI changes authorized by State to Block(s) 8 and 9			

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

## C. GENERAL REIMBURSEMENT POLICIES (cont.)

## 2. DRG Relative Weights (cont.)

The relative weights are standardized to an overall case-mix index of 1.0 based on claims used during the recalibration process, but are not standardized to a case-mix index of 1.0 regarding the previous relative weights used.

For dates of admission on and after August 1, 2007, Washington State Medicaid recalibrated the relative weights using the All Patient DRG (AP-DRG) grouper version 23.0 classification software. The relative weights are cost-based and developed using estimated costs of in-state hospitals' Medicaid fee-for-service claims and Washington State Department of Health's (CHARS) claims representative of Healthy Options managed care from SFY 2004 and 2005.

The AP-DRG classification is unstable if the number of claims within the DRG classification is less than the calculated N for the sample size. The AP-DRG classification is also considered low-volume if number of claims within the classification is less than 10 claims in total for the two-year period.

## 3. High Outlier Payments

High-outliers are cases with extraordinarily high costs when compared to other cases in the same DRG. The reimbursement system includes an outlier payment for these cases.

For dates of admission on or after August 1, 2007 the Agency allows a high outlier payment for claims that meet high outlier qualifying criteria. To qualify, the claim's estimated cost must exceed a fixed outlier cost threshold of \$50,000 and an outlier threshold factor (a multiplier times the inlier). Only DRG and specific Per Diem claims (medical, surgical, burn and neonatal) qualify for outlier payments. If a claim qualifies, the outlier payment is the costs in excess of the outlier factor threshold multiplied by an outlier adjustment factor. Total payment is outlier plus inlier. (The inlier is the hospital's specific DRG rate times the relative weight or for per diem claims, the hospital's specific Per Diem rate times allowed days).

(a) Estimated Cost. The cost of a claim is estimated by multiplying the hospital's Ratio of Cost to Charges (RCC) by the billed charges.

(b) Outlier Threshold Factor. The inlier is multiplied by a date specific factor to determine the threshold that must be met in order to qualify for an outlier payment. This factor is referred to as the outlier threshold factor. For dates of admission August 1, 2007 through July 31, 2012, the outlier threshold factor is 1.50 for pediatric services and pediatric hospitals, and 1.75 for all other services. For dates of admission on or after August 1, 2012, the outlier threshold factor is 1.429 for pediatric services and pediatric hospitals, and 1.667 for all other services.

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING  
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

## C. GENERAL REIMBURSEMENT POLICIES (cont.)

- (c) Outlier Adjustment Factor. The costs that exceed the outlier threshold are multiplied by a date specific factor to determine the outlier payment. This factor is referred to as the outlier adjustment factor. For dates of admission August 1, 2007 through July 31, 2012, the outlier adjustment factor is 0.95 for pediatric services and pediatric hospitals, 0.90 for burn DRGs, and 0.85 for all other services. For dates of admission on or after August 1, 2012, the outlier adjustment factor is 0.998 for pediatric services and pediatric hospitals, 0.945 for burn DRGs, and 0.893 for all other services.

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