RULE-MAKING ORDER
PERMANENT RULE ONLY

CR-103P (December 2017)
(Implements RCW 34.05.360)

Agency: Health Care Authority

Effective date of rule:
   Permanent Rules
   ☒   31 days after filing.
   ☐   Other (specify) _____ **(If less than 31 days after filing, a specific finding under RCW 34.05.380(3) is required and should be stated below)**

Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?
   ☐ Yes   ☒ No   If Yes, explain:

Purpose: The agency is amending WAC 182-550-7500 to comply with ESSB 6032, Sec. 213 (1)(fff) that provides funding for a 50% rate increase of outpatient services for sole community hospitals for SFY 2019. The operating budget became effective on July 1, 2018.

Citation of rules affected by this order:
   New:
   Repealed:
   Amended: 182-550-7500
   Suspended:

Statutory authority for adoption: RCW 41.05.021, 41.05.160, ESSB 6032, Sec. 213 (1)(fff)

Other authority:

PERMANENT RULE (Including Expedited Rule Making)
   Adopted under notice filed as WSR 18-13-114 on June 20, 2018 (date).
   Describe any changes other than editing from proposed to adopted version: N/A

   If a preliminary cost-benefit analysis was prepared under RCW 34.05.328, a final cost-benefit analysis is available by contacting:

   Name:
   Address:
   Phone:
   Fax:
   TTY:
   Email:
   Web site:
   Other:

**Note: If any category is left blank, it will be calculated as zero.
No descriptive text.**

**Count by whole WAC sections only, from the WAC number through the history note.
A section may be counted in more than one category.**

The number of sections adopted in order to comply with:

Federal statute:	New ____	Amended ____	Repealed ____
Federal rules or standards:	New ____	Amended ____	Repealed ____
Recently enacted state statutes:	New ____	Amended _1_	Repealed ____

The number of sections adopted at the request of a nongovernmental entity:

New ____   Amended ____   Repealed ____

The number of sections adopted on the agency's own initiative:

New ____   Amended ____   Repealed ____

The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New ____   Amended ____   Repealed ____

The number of sections adopted using:

Negotiated rule making:	New ____	Amended ____	Repealed ____
Pilot rule making:	New ____	Amended ____	Repealed ____
Other alternative rule making:	New ____	Amended _1_	Repealed ____

Date Adopted: July 26, 2018

Name: Wendy Barcus

Title: HCA Rules Coordinator

Signature:

WAC 182-550-7500 OPPS rate. (1) The medicaid agency calculates hospital-specific outpatient prospective payment system (OPPS) rates using all of the following:

(a) A base conversion factor established by the agency;

(b) An adjustment for direct graduate medical education (DGME); and

(c) The latest wage index information established and published by the centers for medicare and medicaid services (CMS) when the OPPS rates are set for the upcoming year. Wage index information reflects labor costs in the cost-based statistical area (CBSA) where a hospital is located.

(2) Base conversion factors. The agency calculates the base enhanced ambulatory patient group (EAPG) conversion factor during a hospital payment system rebasing. The base is calculated as the maximum amount that can be used, along with all other payment factors and adjustments described in this chapter, to maintain aggregate payments across the system. The agency will publish base conversion factors on its web site.

(3) Wage index adjustments reflect labor costs in the CBSA where a hospital is located.

(a) The agency determines the labor portion of the base rate by multiplying the base rate by the labor factor established by medicare; then

(b) Multiplying the amount in (a) of this subsection is multiplied by the most recent wage index information published by CMS when the rates are set; then

(c) The agency adds the nonlabor portion of the base rate to the amount in (b) of this subsection to produce a hospital-specific wage adjusted factor.

(4) DGME. The agency obtains the DGME information from the hospital's most recently filed medicare cost report as available in the CMS health care cost report information system (HCRIS) dataset.

(a) The hospital's medicare cost report must cover a period of twelve consecutive months in its medicare cost report year.

(b) If a hospital's medicare cost report is not available on HCRIS, the agency may use the CMS Form 2552-10 to calculate DGME.

(c) In the case where a hospital has not submitted a CMS medicare cost report in more than eighteen months from the end of the hospital's cost reporting period, the agency may remove the hospital's DGME adjustment.

(d) The agency calculates the hospital-specific DGME by dividing the DGME cost reported on worksheet B, part 1 of the CMS cost report by the adjusted total costs from the CMS cost report.

(5) The formula for calculating the hospital's final specific conversion factor is:

EAPG base rate × (.6(wage index) + .4)/(1-DGME)

(6) ((Effective January 1, 2015, the agency multiplies the hospital's specific conversion factor by 1.25 if the hospital meets the agency's sole community hospital criteria listed in (a) of this subsection.

(a))) The agency considers an in-state hospital a sole community hospital if all the following conditions apply. The hospital must:

OTS-9636.1

(((i))) (a) Be certified by CMS as a sole community hospital as of January 1, 2013.

(((ii))) (b) Have a level III adult trauma service designation from the department of health as of January 1, 2014.

(((iii))) (c) Have less than one hundred fifty acute care licensed beds in fiscal year 2011.

(((iv))) (d) Be owned and operated by the state or a political subdivision.

(((b))) (7) If the hospital meets the agency's sole community hospital (SCH) criteria listed in subsection (6) of this section, effective:

(a) January 1, 2015, through June 30, 2018, the agency multiplies the hospital's specific conversion factor by 1.25;

(b) July 1, 2018, through June 30, 2019, the agency multiplies an in-state hospital's specific EAPG conversion factor by 1.50;

(c) July 1, 2019, the agency multiplies an in-state hospital's specific EAPG conversion factor by 1.25.

(8) The formula for calculating a sole community hospital's final conversion factor is:

$$[\text{EAPG base rate} \times (.6(\text{wage index}) + .4)/(1-\text{DGME})] \times ((1.25)) \text{ SCH Factor}$$