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**State/Territory Name: Washington**

**State Plan Amendment (SPA) #: 15-0019**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 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



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**Financial Management Group**

**OCT 26 2015**

MaryAnne Lindeblad, Medicaid Director  
Health Care Authority  
Post Office Box 42716  
Olympia, Washington 98504-2716

**RE: WA State Plan Amendment (SPA) Transmittal Number #15-0019 – Approval**

Dear Ms. Lindeblad:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 15-0019. This SPA revises the standard to qualify for bariatric surgery and bases reimbursement on the two hospitals in the state that provide this service.

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 15-0019 is approved effective as of July 1, 2015. For your files, we are enclosing the HCFA-179 transmittal form and the amended plan page.

If you have any questions concerning this state plan amendment, please contact Tom Couch, CMS' RO NIRT Representative at 208-861-9838 or [Thomas.Couch@cms.hhs.gov](mailto:Thomas.Couch@cms.hhs.gov).

Sincerely,



Timothy Hill  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: <b>15-0019</b>	2. STATE Washington
<b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>		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 <del>June 18, 2015</del> July 1, 2015 P&I	
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:		7. FEDERAL BUDGET IMPACT: a. FFY 2015 \$0 b. FFY 2016 \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <del>Supplement 3 to Attachment 4.19-B</del> Attachment 4.19-A Part 1, page 43 P&I		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) <del>Supplement 3 to Attachment 4.19-B</del> Attachment 4.19-A Part 1, page 43 P&I	
10. SUBJECT OF AMENDMENT  Conversion Factors Update			
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: 42716 Olympia, WA 98504-2716	
13. TYPED NAME: MARYANNE LINDEBLAD			
14. TITLE: MEDICAID DIRECTOR			
15. DATE SUBMITTED: 8-13-15			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 8/13/15		18. DATE APPROVED: OCT 26 2015	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2015		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Kristin FAN		22. TITLE: Deputy Director, FMC	
23. REMARKS: 8/13/15: State authorizes P&I change to box 4, 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.)**

## E. PER DIEM, PER CASE, AND RCC PAYMENT METHODS (cont.)

## 2. PER CASE RATE (cont.)

## g. Data resources

- (1) State Medicaid Management Information System ("MMIS") fee-for-service (FFS) paid claim data
- (2) Inpatient Healthy Options (HO) claims extracted from the Department of Health's Comprehensive Hospital Abstract Reporting System ("CHARS") dataset for SFY 2004 (7/1/2003-6/30/2004) and 2005 (7/1/2004-6/30/2005)
- (3) Hospital Medicare Cost Report - CMS 2552 - Hospital fiscal year ending 2004

## h. Per Case Rate Determination

Washington State Medicaid uses case rate method to pay for claims grouped into bariatric surgery services. The bariatric surgery services are identified by the primary diagnosis of morbid obesity and require prior authorization by the Agency.

The Agency determines the case rates based on the statewide-standardized average cost per discharge amount. The amount is adjusted by the Medicare wage index, direct, and indirect medical education costs to reflect the hospital's specific costs.

The hospital-specific case rate determination processes are described as follows:

- Statewide-standardized average operating and capital cost-per-day calculation

The hospital estimated operating and capital costs were calculated based on Medicaid FFS and HO paid claims in the 2005 claims dataset for University of Washington Medical Center and Sacred Heart Medical Center. Upon the hospital rate rebasing process, operating costs are adjusted for differences in wage index and indirect medical education costs. Capital costs are adjusted for differences in indirect medical education costs. The statewide standardized average cost per case for operating and capital are calculated by dividing aggregate estimated costs of two hospitals by the total number of cases for the two hospitals.