

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**

February 8, 2022

Dr. Charissa Fotinos, Acting Medicaid Director  
Health Care Authority  
PO Box 45502  
Olympia, WA 98504-5010

RE: Washington State Plan Amendment (SPA) 21-0035

Dear Ms. Fotinos:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 21-0035 effective for services on or after October 1, 2021. The purpose of this SPA is to update the Fee-For Service supplemental payment amounts for Inpatient services described in the Medicaid State Plan for prospective payment hospitals other than psychiatric or rehabilitation hospitals, psychiatric hospitals, and rehabilitation hospitals to align with APR-DRG update.

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 regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 21-0035 is approved effective October 1, 2021. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Tom Caughey at (517) 487-8598.

Sincerely,

A handwritten signature in cursive script that reads "Rory Howe".

Rory Howe

Director

Enclosure

|   |   |                        |
|---|---|------------------------|
| <b>TRANSMITTAL AND NOTICE OF APPROVAL OF<br/>STATE PLAN MATERIAL</b>  | 1. TRANSMITTAL NUMBER:<br><b>21-0035</b>                                      | 2. STATE<br>Washington |
|   | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE<br>SOCIAL SECURITY ACT (MEDICAID) |                        |
| <b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>  |   |                        |
| TO: REGIONAL ADMINISTRATOR<br>HEALTH CARE FINANCING ADMINISTRATION<br>DEPARTMENT OF HEALTH AND HUMAN SERVICES | 4. PROPOSED EFFECTIVE DATE<br>October 1, 2021                                 |                        |

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN                       AMENDMENT TO BE CONSIDERED AS NEW PLAN                       AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

|  |  |
|--|--|
| 6. FEDERAL STATUTE/REGULATION CITATION:<br>1902(a) of the Social Security Act          | 7. FEDERAL BUDGET IMPACT:<br>a. FFY 2022 \$992,500<br>b. FFY 2023 \$992,500  |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:<br>Attachment 4.19-A Part 1 page 30a | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION<br>OR ATTACHMENT (If Applicable):<br>Attachment 4.19-A Part 1 page 30a |

10. SUBJECT OF AMENDMENT:

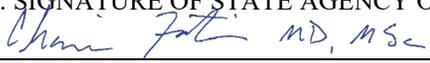
**Supplemental Hospital Payments**

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT                       OTHER, AS SPECIFIED: Exempt

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

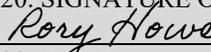
NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

|   |   |
|---|---|
| 12. SIGNATURE OF STATE AGENCY OFFICIAL:<br> | 16. RETURN TO:<br>Ann Myers<br>Rules and Publications<br>Division of Legal Services<br>Health Care Authority<br>626 8 <sup>th</sup> Ave SE, MS: 42716<br>Olympia, WA 98504-2716 |
| 13. TYPED NAME:<br>Charissa Fotinos, MD, MSc  |   |
| 14. TITLE:<br>Acting Medicaid Director  |   |
| 15. DATE SUBMITTED:<br>11/10/2021   |   |

**FOR REGIONAL OFFICE USE ONLY**

|   |  |
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| 17. DATE RECEIVED:<br>November 10, 2021 | 18. DATE APPROVED:<br>February 8, 2022 |
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PLAN APPROVED – ONE COPY ATTACHED

|   |   |
|---|---|
| 19. EFFECTIVE DATE OF APPROVED MATERIAL:<br>October 1, 2021 | 20. SIGNATURE OF REGIONAL OFFICIAL:<br> |
| 21. TYPED NAME:<br>Rory Howe                                | 22. TITLE:<br>Director, Financial Management Group  |

23. REMARKS:

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

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

## D. DRG COST-BASED RATE METHOD (cont.)

Effective for dates of admission on or after July 1, 2014, the Agency changed the inpatient prospective payment system from AP-DRG to APR-DRG. The base conversion factor for APR-DRG payments was calculated so that aggregate inpatient payments would remain constant between AP-DRG and APR-DRG payment methods. This calculation included a shift of \$3,500,000 from DRG to specialty psychiatric services.

## c. Supplemental payments

Effective for dates of admission on or after July 1, 2013, supplemental payments will be paid for inpatient Medicaid services not to exceed the upper payment limit as determined by available federal financial participation for fee-for-service claims. The supplemental payment is based on the distribution amount mandated by the legislature to the following hospital categories as defined in RCW 74.60.010:

- Prospective payment hospitals other than psychiatric or rehabilitation hospitals,
- Psychiatric hospitals
- Rehabilitation hospitals, and
- Border hospitals.

For hospitals designated as prospective payment system (PPS) hospitals, \$59,785,000 per state fiscal year. For hospitals designated as freestanding psychiatric specialty hospitals, \$1,750,000 per state fiscal year. For hospitals designated as freestanding rehabilitation specialty hospitals, \$450,000 per state fiscal year. For hospitals designated as out-of-state border area hospitals, \$500,000 per state fiscal year.

The payment is calculated by applying the Medicaid fee-for-service rates to each hospital's Medicaid and CHIP inpatient fee-for-service claims and Medicaid and CHIP managed care encounter data for the base year as defined in RCW 74.60.010. This sum is divided by the aggregate total of all hospitals within each category to determine the individual hospital pro rata share percentage. The individual hospital payment is the pro rata percentage multiplied by the amount mandated to be distributed by the Legislature within each hospital category.

The payment will be made quarterly, by dividing the total annual disbursement amount by four to calculate the quarterly amount.

## d. Hospital-specific DRG conversion factors for critical border hospitals and bordering city hospitals

The hospital-specific DRG conversion factors for critical border hospitals were calculated using a process similar to the hospital specific conversion factors process for in-state hospitals. The conversion factor for bordering city hospitals that are not designated by the Agency as critical border hospitals is the lowest hospital specific conversion factor for a hospital located in-state.