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,

Rory Howe
Director

Enclosure
TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER: 21-0035
2. STATE Washington
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE 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:
   1902(a) of the Social Security Act

7. FEDERAL BUDGET IMPACT:
   a. FFY 2022 $992,500
   b. FFY 2023 $992,500

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
   Attachment 4.19-A Part 1 page 30a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
   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
    - COMMENTS OF GOVERNOR’S OFFICE ENCLOSED
    - NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
    OTHER, AS SPECIFIED: Exempt

12. SIGNATURE OF STATE AGENCY OFFICIAL:
    Charissa Fotinos, MD, MSc

13. TYPED NAME:
    Charissa Fotinos, MD, MSc

14. TITLE:
    Acting Medicaid Director

15. DATE SUBMITTED:
    11/10/2021

16. RETURN TO:
    Ann Myers
    Rules and Publications
    Division of Legal Services
    Health Care Authority
    626 8th Ave SE, MS: 42716
    Olympia, WA 98504-2716

17. DATE RECEIVED:
    November 10, 2021

18. DATE APPROVED:
    February 8, 2022

19. EFFECTIVE DATE OF APPROVED MATERIAL:
    October 1, 2021

20. SIGNATURE OF REGIONAL OFFICIAL:
    Rory Howe
    Director, Financial Management Group

21. TYPED NAME:
    Rory Howe

22. TITLE:
    Director, Financial Management Group

23. REMARKS:
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 instate 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.