

**STATE OF RHODE ISLAND  
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES**

**8/21/2014 PUBLIC NOTICE OF PROPOSED AMENDMENT TO RHODE ISLAND  
MEDICAID STATE PLAN**

In accordance Rhode Island General Laws 42-35, notice is hereby given that the Executive Office of Health and Human Services (EOHHS) proposes to make the following amendment to the Rhode Island State Plan under Title XIX of the Social Security Act:

**In-Patient Hospital Adjustment Payment**

In accordance with Article 17 of the State Fiscal Year 2015 budget enacted by the General Assembly, EOHHS is seeking federal authority to make adjustment payments to hospitals for In-Patient Services. Adjustment payments are designed to close the gap between the hospitals' estimated costs of care and Medicaid reimbursement levels.

This proposed amendment is accessible on the EOHHS website ([www.eohhs.ri.gov](http://www.eohhs.ri.gov)) or available in hard copy upon request (401-462-1965 or RI Relay, dial 711). Interested persons should submit data, views, or written comments by 22 September 2014 to Darren J. McDonald, Office of Policy and Innovation, Executive Office of Health and Human Services, 57 Howard Avenue, Cranston, RI, 02920, or [darren.mcdonald@ohhs.ri.gov](mailto:darren.mcdonald@ohhs.ri.gov).

In accordance with the Rhode Island General Laws 42-35-3, an oral hearing will be granted on the proposed State Plan Amendment if requested by twenty-five (25) persons, an agency, or by an association having at least twenty-five (25) members. A request for an oral hearing must be made within thirty (30) days of this notice.

The Executive Office of Health and Human Services does not discriminate against individuals based on race, color, national origin, sex, gender identity or expression, sexual orientation, religious belief, political belief, or handicap in acceptance for or provision of services or employment in its programs or activities.

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Payment for Medical and Remedial Care and Services

1. Fee Structures will be designed to enlist participation of a sufficient number of service providers in the program so that eligible persons can receive the medical care and services included in the plan at least to the extent these are available in the general population.
2. Participation in the program will be limited to service providers who accept, as payment in full, the amounts paid in accordance with the fee structure.
3. Payment for physician, dentist, and other individual practitioner services may be made up to the reasonable charge under Title XVIII. The upper limits with respect to any item of medical care and services provided under the State Plan shall not exceed the amounts established as ceilings for the prices of such item pursuant to nationally imposed economic controls or limitations on the prices of goods and services. Fee schedules are posted on the Executive Office of Health and Human Services website under the Provider and Partners tab:  
<http://www.eohhs.ri.gov/ProvidersPartners/BillingampClaims/FeeSchedule.aspx>. All governmental and private service providers are reimbursed according to the same published fee schedule. The Medical Assistance Program rates were set as of July 21, 2008 and are effective for services on or after that date.
4. The following is a description of the payment structure by items of service.

- a. Inpatient hospital services: as described in attachment 4.19A.

1. Inpatient Supplemental Payment and UPL Calculation

- a. For inpatient services provided for the fiscal periods beginning on and after July 1, 2014, each hospital as defined in Section 23-17-38.1(c)(1) is paid an amount determined as follows:
  1. Determine the sum of all Medicaid payments from Rhode Island MMIS to hospitals made for inpatient services provided during each hospital's preceding fiscal year, including settlements,
  2. Multiplying the result of (1) above by a percentage consistent with Medicare cost finding principles; and

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3. The Inpatient UPL calculation is an estimate of Medicare inpatient cost for private hospitals. Specifically, a ratio of Medicare inpatient costs to Medicare inpatient charges is applied to Medicaid inpatient charges to determine total Medicaid cost (the limit). Total Medicaid inpatient payments are then subtracted to determine the UPL gap, which is the basis for the size of the inpatient supplemental payment. The UPL gap is calculated using an aggregate of the individual hospital gaps for private hospitals. The inpatient UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services.

Cost information is from each providers Medicare cost report (CMS 2552), Worksheet D-1, Part 2, Line 49 (PPS services and sub-providers).

Charge information is from each providers Medicare cost report (CMS 2552), Worksheet D-3, Column 2, Lines 30-40 (PPS services and sub-providers).

The UPL is trended for inflation and utilization using Medicare Inpatient PPS market basket.

4. Pay each hospital on July 20, October 20, January 20, and April 20 one-quarter of the product created by multiplying the result of (1) above and (2) above.

- b. Outpatient hospital services: Annually, the Medical Assistance Program and Rhode Island community hospitals agree to a state-wide inflation factor that applies to all in-state hospitals, which prospectively establishes the maximum allowable increase in expenses for the hospital's coming hospital fiscal year. Within one (1) year of the close of the hospital's fiscal year, each hospital must submit settlements to the state. Based on the results of the cost finding process and in conjunction with the hospital's charge structure and revenue budget, ratios of allowable costs to hospital charges (RCCs) are established for outpatient services. Each hospital must publish a list of Hospital Board approved charges and dates of implementation at the beginning of the hospital's fiscal year that are consistent for all payers.

1. Outpatient laboratory and imaging services will be paid separately using the Medicare allowable rate.

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2. Physician fees will be paid separately from fee schedules posted on the Executive Office of Health and Human Services website under Providers and Partners tab:  
<http://www.eohhs.ri.gov/ProvidersPartners/BillingampClaims/FeeSchedule.aspx>.
3. There are two outpatient RCCs. The outpatient surgery RCC will be established as described above. The outpatient RCC for all other services, exclusive of laboratory, imaging, and physicians, will be sixty-four percent (64%) of the outpatient surgery RCC.
4. Out-of-state hospitals will be reimbursed for outpatient surgery services provided to Rhode Island Medical Assistance recipients at a rate equal to fifty-three percent (53%) of the out-of-state hospital's customary charge(s) for such services to Title XIX recipients in the state. The outpatient reimbursement for all other services, exclusive of laboratory, imaging, and physicians, will be sixty-four percent (64%) of the outpatient surgery rate.
5. All in-state outpatient hospital payments are subject to a year-end settlement. Hospitals are required to submit settlement documents within twelve (12) months of the close of the hospital's fiscal year. Each hospital submits a state-provided settlement document to submit outpatient charges, costs, and payments from the Medicaid program. Allowed costs from the prior year are adjusted by the agreed inflation factor for the fiscal year being settled. This information is reviewed by the state, adjusted where appropriate, and the new RCC is calculated by the state-provided settlement document.
6. Hospital outpatient claims and payments are processed through MMIS.
7. Only hospitals and provider-based entities, in accordance with 42 CFR 413.65, are reimbursed according to the outpatient hospital reimbursement methodology.
8. Outpatient Supplemental Payment and UPL Calculation
  - a. For outpatient services provided for the fiscal periods beginning on and after July 1, 2009, each hospital as defined in Section 23-17-38.1(c)(1) is paid an amount determined as follows:

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1. Determine the sum of all Medicaid payments from Rhode Island MMIS to hospitals made for outpatient and emergency department services provided during each hospital's preceding fiscal year, including settlements,
2. Multiplying the result of (1) above by a percentage consistent with Medicare cost finding principles; and
3. The Outpatient UPL calculation is an estimate of Medicare outpatient cost for private hospitals. Specifically, a ratio of Medicare outpatient costs to Medicare outpatient charges is applied to Medicaid outpatient and emergency room charges to determine total Medicaid cost (the limit). Total Medicaid outpatient and emergency room payments are then subtracted to determine the UPL gap, which is the basis for the size of the outpatient supplemental payment. The UPL gap is calculated using an aggregate of the individual hospital gaps for state owned and operated, non-state owned and operated, and private hospitals. The outpatient UPL calculation is a reasonable estimate of the amount Medicare would pay for equivalent Medicaid services.

Cost information is from each providers Medicare cost report (CMS 2552), Worksheet D, Part V, Columns 9.01, 9.02, 9.03, Line 104 (which is equal to Line 101).

Charge information is from each providers Medicare cost report (CMS 2552), Worksheet D, Part V, Columns 5.01, 5.02, 5.03, Line 104 (which is equal to Line 101).

The UPL is trended for inflation and utilization using CPI-U: Hospital and Related Service – CMS Health Care Indicators, Table 7: Percent Change in Medical Prices, and OP PPS Payment Increase and Market Basket Update.

4. Pay each hospital on July 20, October 20, January 20, and April 20 one-quarter of the product created by multiplying the result of (1) above and (2) above.

- c. Payment will be made for rural health clinic services at the reasonable cost rate per visit established by the Medicare carrier. Payment for each ambulatory

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