

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: July 1, 2007

1. Inpatient Hospital Services (Continued)

Inpatient Psychiatric Services For Individuals Under 21 Years of Age

Private and Public Providers Excluding Arkansas State Operated Psychiatric Hospitals

Effective for dates of service on or after August 8, 1991, inpatient psychiatric hospitals are reimbursed for services provided to individuals under **21** years of age using hospital-specific prospective per diem rates. **P**rospective **per diem** rates are established using Medicare Pinciples of Reasonable Cost Reimbursement **(42 CFR Part 413) to determine allowable costs.**

The rates for inpatient psychiatric hospitals are calculated utilizing the lesser of the hospital=s per diem **allowable** cost inflated by the consumer price index for all urban consumers (CPI-U), U.S. city average for all items, plus a \$69 professional component or the **maximum per diem limit**. The \$69 professional component is the average of the rates for the individual psychotherapy procedure codes as of August 8, 1991. Effective for claims with dates of service on or after February 1, 1994, the **maximum per diem limit** is established annually at the 60th percentile of all in-state inpatient psychiatric hospitals= inflation adjusted per diem **costs** plus the \$69 professional component. The calculation of the **maximum per diem limit** is rounded up (0.5000 or greater) or down (0.4999 or less) if the 60th percentile is not a whole number. This is a prospective rate with no cost settlement.

Rates are calculated annually and are effective for dates of service occurring during the next State Fiscal Year (July 1st through June 30th). Per diem costs and the **maximum per diem limit** are calculated from the most recent submitted hospital cost reports with ending dates occurring in the previous calendar year. Less than full year cost reports and out-of-state provider cost reports will not be included when calculating the 60th percentile. For hospitals with a cost report period of less than a full six months, the new State Fiscal Year per diem rate is calculated by inflating the previous State Fiscal Year=s per diem rate by the CPI-U. The **maximum per diem limit** will not be adjusted after being set should new providers enter the program or late cost reports be received.

New providers are required to submit a full year=s annual budget for the current State Fiscal Year (July 1st through June 30th) at the time of enrollment if no cost report is available. This annual budget is used to set their interim rate at the lesser of the budgeted allowable cost per day or the **maximum per diem limit** in effect as of the first day of their enrollment. The interim rate for new providers will be retroactively adjusted to the allowable per diem cost as calculated from the provider=s first submitted cost report for a period of at least a full six months.

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INPATIENT HOSPITAL SERVICES

Revised: July 1, 2007

1. Inpatient Hospital Services (Continued)

Inpatient Psychiatric Hospital Services For Individuals Under 21 Years of Age (Continued)

Residential Treatment Units Within Private and Public Providers Excluding Arkansas State Operated Psychiatric Hospitals

Effective for dates of service on or after July 1, 1993, **Residential Treatment Units located within an inpatient psychiatric hospital will be reimbursed based on reasonable cost with interim per diem rates and year-end cost settlements.** . The State will reimburse the lesser of audited cost or a maximum **per diem limit** of \$316.00 per day. Medicare Principles of Reasonable Cost Reimbursement (42 CFR Part 413) will be used to determine allowable costs, subject to cost settlement.

Allowable costs will include the professional component costs. The professional component cost included in the allowable cost is capped at \$69.00 per day which is the average of the rates for the individual psychotherapy procedure codes as of August 8, 1991.

The initial maximum **per diem limit** of \$316.00 represents the average budgeted cost per day of the in-state freestanding residential treatment centers for State Fiscal Year 1994. The State will review the maximum **per diem limit** annually (July 1 through June 30). The budgeted data for the upcoming State Fiscal Year submitted by the in-state freestanding residential treatment centers prior to the end of the State Fiscal Year will be used to determine the new maximum **per diem limit** for each new State Fiscal Year. The new maximum **per diem limit** will be effective for dates of service on or after July 1 of the new State Fiscal year. For each State Fiscal Year after the initial year, the State will set the maximum per diem **limit** at the average budgeted cost per day (mean) for in-state freestanding residential treatment centers (RTCs). If the average budgeted cost per day for the in-state freestanding RTCs changes at all, the State will calculate a new **maximum per diem limit**, and the new **limit** will be equal to the average of in-state freestanding RTCs. The **maximum per diem limit** will not be **adjusted** after being set should new Residential Treatment Centers enter the program or late budgets be received.

Interim reimbursement rates are implemented at the lesser of the per diem cost as calculated from the most recent submitted unaudited cost report (including the allowable professional component cost) or the **maximum per diem limit** in effect as of the first day after the cost report ending date.

New providers are required to submit a full year=s annual budget for the current State Fiscal Year (July 1st through June 30th) at the time of enrollment if no cost report is available. This annual budget is used to set their interim rate of the lesser of the budgeted allowable cost per day or the **maximum per diem limit** in effect as of the first day of their enrollment.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

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1. Inpatient Hospital Services (Continued)

Inpatient Psychiatric Hospital Services For Individuals Under 21 Years of Age (Continued)

Private and Public Providers Excluding Arkansas and State Operated Psychiatric Hospitals

Sexual Offender Programs

Sexual Offender Programs are designed specifically for the treatment of those patients designated as sexual offenders who cannot be treated with other mental health patients. These services are provided in separate units in the psychiatric hospital. These units meet all the requirements of Subpart D of 42 CFR Part 441 for inpatient psychiatric services for individuals under 21. In addition, they must meet any certification requirements of the Division of **Behavioral Health Services**.

Effective for cost reporting periods beginning on or after September 1, 1995, **Sexual Offender Program** providers will be reimbursed **based on reasonable cost with interim per diem rates and year-end cost settlements**. Medicare Principles of Reasonable Cost Reimbursement (42 CFR Part 413) **will be used to determine allowable costs**, subject to cost settlement. The initial interim rates for these programs will use reasonable budgeted cost reports. Once audited cost reports are available the most recent audited cost report will be used to set the interim rate. Interim rates will be adjusted every six months if costs increase more than 10%.

New providers are required to submit a full year=s annual budget for the current State Fiscal Year (July 1st through June 30th) at the time of enrollment if no cost report is available. This annual budget is used to set their interim rate at the lesser of the budgeted allowable cost per day or the **maximum per diem limit** in effect as of the first day of their enrollment.

Year end cost reports must be submitted and will be audited in the same manner as audits for Residential Treatment Units (RTUs) and will be cost settled.

Interim rates and cost settlements are calculated using the same methodology as Residential Treatment Units with the same professional component cap and the same annual State Fiscal Year **maximum per diem limit**.

Arkansas State Operated Psychiatric Hospitals

Arkansas State Operated Psychiatric Hospitals are classified as a separate class group. A hospital is an Arkansas State Operated Psychiatric Hospital if it has in effect an agreement to participate in the Arkansas Medicaid Program as a psychiatric hospital and is operated by the State of Arkansas.

Effective for dates of service occurring on and after July 1, 2007, Arkansas State Operated Psychiatric Hospitals are reimbursed based on interim per diem rates with year end cost settlements and no per diem cost limits. Arkansas Medicaid will use the lesser of cost or charges to establish cost settlements. Services to be reimbursed at cost are (1) inpatient psychiatric services, (2) residential treatment unit services and (3) sexual offender program services.

Cost settlements and interim per diem rates will be determined using the same criteria and requirements as are used for Arkansas State Operated Teaching Hospitals except GME costs will not be reimbursed separately.



Arkansas Department of Health and Human Services

Division of Medical Services



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Internet Website: www.medicaid.state.ar.us

TO: Arkansas Medicaid Health Care Providers – Inpatient Psychiatric Services for Under Age 21

DATE: July 1, 2007

SUBJECT: Provider Manual Update Transmittal #87

REMOVE

Section

Date

INSERT

Section

Date

250.120

7-1-07

Explanation of Updates

An additional section point is added to the provider manual to outline new policy regarding reimbursement rates for Arkansas State Operated Psychiatric Hospitals.

Section 250.120 is being added to the manual to detail new policy that goes into effect July 1, 2007, for calculating reimbursement rates for Arkansas State Operated Psychiatric Hospitals.

Paper versions of this update transmittal have updated pages attached to file in your provider manual. See Section I for instructions on updating the paper version of the manual. For electronic versions, these changes have already been incorporated.

If you need this material in an alternative format, such as large print, please contact our Americans with Disabilities Act Coordinator at (501) 682-6789 (TDD only).

If you have questions regarding this transmittal, please contact the EDS Provider Assistance Center at 1-800-457-4454 (Toll-Free) within Arkansas or locally and Out-of-State at (501) 376-2211.

Arkansas Medicaid provider manuals (including update transmittals), official notices and remittance advice (RA) messages are available for downloading from the Arkansas Medicaid website: www.medicaid.state.ar.us.

Thank you for your participation in the Arkansas Medicaid Program.

Roy Jeffus, Director

TOC REQUIRED**250.120 Arkansas State Operated Psychiatric Hospitals**

7-1-07

Effective for dates of service occurring on or after July 1, 2007, Arkansas State Operated Psychiatric Hospitals are reimbursed based on interim per diem rates with year end cost settlements and no per diem cost limits. Services to be reimbursed at cost are (1) inpatient psychiatric services, (2) residential treatment unit services and (3) sexual offender program services.

Arkansas Medicaid will use the lesser of cost or charges to establish cost settlements. The interim per diem rates and cost settlements are calculated in the same manner as are used for Arkansas State Operated Teaching Hospitals, except graduate medical education (GME) costs will not be reimbursed separately.