

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT HOSPITAL SERVICES

Revised: January 1, 2008

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1. Inpatient Hospital Services (Continued)

Limited Acute Care Hospital Inpatient Quality Incentive Payment

Effective for claims with dates of service on or after January 1, 2007, all acute care hospitals with the exception of Pediatric Hospitals, Border City University-Affiliated Pediatric Teaching Hospitals, Arkansas State Operated Teaching Hospitals, Rehabilitative Hospitals, Inpatient Psychiatric Hospitals, Critical Access Hospitals, and Out-of-State Hospitals may qualify for an Inpatient Quality Incentive Payment. The Inpatient Quality Incentive Payment shall be a per diem amount reimbursed in addition to the hospital's cost-based interim per diem rate and shall be payable for beneficiaries ages 1 and above only (does not include children hospitalized on their first birthday). The Inpatient Quality Incentive Payment shall equal \$50 or 5.9% of the interim per diem rate, whichever is lower. The Inpatient Quality Incentive Payment reimbursement amounts shall not be included when calculating hospital year-end cost settlements.

The State Agency will determine which quality measures will be designated for the Inpatient Quality Incentive Payment for the upcoming year and the required compliance rate for each measure. The State Agency will utilize quality measures which are reported by hospitals under the Medicare program. In order to qualify for an Inpatient Quality Incentive Payment, a hospital must meet or exceed the compliance rate on two-thirds of the designated quality measures designated by the State Agency for the most recently completed reporting period. A hospital that meets or exceeds the compliance rate on two-thirds of the designated quality measures shall receive an Inpatient Quality Incentive Payment for that year.

Private Hospital Inpatient Adjustment

Effective April 19, 2001, all Arkansas private acute care and critical access hospitals (that is, all acute care and critical access hospitals within the state of Arkansas that are neither owned nor operated by state or local government), with the exception of private pediatric hospitals, shall qualify for a private hospital inpatient rate adjustment. Effective August 1, 2002, all Arkansas private inpatient psychiatric and rehabilitative hospitals (that is, all inpatient psychiatric and rehabilitative hospitals within the state of Arkansas that are neither owned nor operated by state or local government) shall qualify for a private hospital inpatient rate adjustment.

The adjustment shall be equal to each eligible hospital's pro rata share of a funding pool, based on the hospital's Medicaid discharges. The adjustment shall be calculated as follows:

1. The amount of the funding pool shall be \$24,200,000 for State Fiscal Year (SFY) 2007, \$25,200,000 for SFY 2008 **and \$25,200,000 for all following SFYs.**
2. For each private hospital eligible for the adjustment, Arkansas shall determine the number of Medicaid discharges for the hospital for the most recent audited fiscal year.

For hospitals who, for the most recently audited cost report year filed a partial year cost report, such partial year cost report data shall be annualized to determine their rate adjustment; provided that such hospital was licensed and providing services throughout the entire cost report year. Hospitals with partial year cost reports who were not licensed and providing services throughout the entire cost report year shall receive pro-rated adjustments based on the partial year data.