



Arkansas Department of Health and Human Services

Division of Medical Services



P.O. Box 1437, Slot S-295
Little Rock, AR 72203-1437

Fax: 501-682-2480

TDD: 501-682-6789 & 1-877-708-8091

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

TO: Arkansas Medicaid Health Care Providers – Hospital/Critical Access Hospital (CAH)/End Stage Renal Disease (ESRD)

DATE: July 1, 2006

SUBJECT: Provider Manual Update Transmittal #96

REMOVE

Section	Date
250.203	10-13-03
250.220	10-13-03
250.230	10-13-03
—	—
250.600	10-13-03
250.610	10-13-03

INSERT

Section	Date
250.203	7-1-06
250.220	7-1-06
250.230	7-1-06
250.240	7-1-06
250.600	7-1-06
250.610	7-1-06

Explanation of Updates

Section 250.203: This section is included to add new information to part C.

Section 250.220: This section is included to make miscellaneous amendments and corrections.

Section 250.230: This section contains a new rule, comprising part D, which implements regular, biennial cost report reviews to determine daily upper limit amounts.

Section 250.240: This is a new section that establishes and explains the Limited Acute Care Hospital Inpatient Quality Incentive Payment (IQIP).

Section 250.610: This section is included to state that pediatric hospitals are not eligible for IQIP and to make minor corrections and revisions.

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 or 1-877-708-8091. Both telephone numbers are voice and TDD.

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

250.203 Cost Settlement 7-1-06

- A. The Division of Medical Services or its designee audits each hospital's cost report.
1. Allowable costs are determined and validated in accordance with CMS Publication 15-1 (costs and allowable costs) and CMS Publication 15-2 (cost reports).
 2. Accounting exceptions specific to Title XIX or to the Arkansas Medicaid Program are noted in this section (Reimbursement, section 250.000) of this provider manual.
- B. With the exception of special payments and adjustments listed below in part C, Arkansas Medicaid limits total inpatient reimbursement to the lowest of three amounts. The amounts compared are:
1. Allowable costs after application of the TEFRA rate of increase limit (the TEFRA rate of increase limit does not apply to Arkansas State Operated Teaching Hospitals for cost reporting periods ending on and after June 30, 2000),
 2. The hospital's customary charges to the general public for the services and
 3. An upper limit per Medicaid day.
- C. Special adjustments or payments apply to some hospitals.
1. In-state hospitals and certain qualifying out-of-state hospitals receive "disproportionate share hospital" payments. See Sections 250.300 through 250.500 for details.
 2. Arkansas State Operated Teaching Hospitals receive direct graduate medical education (GME) payments. See Section 250.621 for details.
 3. Arkansas State Operated Teaching Hospitals receive an adjustment based on the Medicare daily upper limit. See Section 250.622 for details.
 4. Arkansas private, acute care, critical access, psychiatric and rehabilitative hospitals receive an adjustment based on the Medicaid upper payment limit. See section 250.623 for details.
 5. Arkansas non-state government-owned or operated acute care and critical access hospitals receive an adjustment based on the Medicare upper payment limit. See section 250.624 for details.

250.220 Customary Charges 7-1-06

- A. The lesser of allowable costs and charges is the amount to be compared to the upper limit amount.
1. The amount carried forward from the TEFRA rate-of-increase limitation calculations is compared to the hospital's charges for services furnished during the cost reporting period to Medicaid-eligible inpatients aged one year and older.
 2. The lesser amount is carried forward for comparison to the upper limit amount.
- B. Charges are obtained from the hospital's inpatient Medicaid claims for dates of service within the cost reporting period.

250.230 Daily Upper Limit 7-1-06

A daily upper limit to inpatient hospital reimbursement is established in the Title XIX State Plan.

- A. A daily upper limit amount of \$675.00 is effective for dates of service April 1, 1996 through June 30, 2006. The \$675.00 daily upper limit for this period represents the 90th percentile of the cost-based per diems (per the cost settlements of their fiscal year-end 1994 cost

reports) of all hospitals subject to the Arkansas Medicaid **daily upper limit** at the time of the computation.

- B. For dates of service July 1, 2006 and after, DMS will review the hospital cost report data at least biennially and adjust the daily upper limit reimbursement amount if necessary
- C. The daily upper limit does not apply to the following.
1. Pediatric hospitals
 2. Arkansas State Operated Teaching Hospitals, effective for cost reporting periods ending on or after June 30, 2000)
 3. Inpatient services for children under the age of 1
 4. Inpatient services from the first birthday to discharge for children over the age of one who were admitted on or before their first birthday and remained as inpatients past their first birthday
- D. The daily upper limit is **determined as follows.**
1. The aggregate daily upper limit amount is calculated by multiplying the cost-reporting period's Medicaid-covered days (**in all affected hospitals**) by the daily upper limit amount **in force at the time.**
 2. The aggregate daily upper limit amount is compared to the amount carried forward from the comparison of TEFRA-limited costs **or** charges.
 3. The lesser of those two amounts becomes the **new** aggregate daily upper limit amount, subject to any additional payments or adjustments that **may** apply, such as direct graduate medical education (GME) costs or disproportionate share hospital (DSH) payments.
 4. **Effective for dates of service on or after July 1, 2006, Medicaid will review at least biennially, hospital cost report data as described in part C above and will adjust the daily upper limit amount if necessary.**

250.240**Limited Acute Care Hospital Inpatient Quality Incentive Payment**

7-1-06

- A. **Effective for claims with dates of service on or after July 1, 2006, all acute care hospitals with the exception of pediatric hospitals, Arkansas State operated teaching hospitals, rehabilitative hospitals, inpatient psychiatric hospitals, critical access hospitals, and out-of-state hospitals (in both bordering and non-bordering states) may qualify for an Inpatient Quality Incentive Payment (IQIP).**
1. **An IQIP is a per diem-based payment in addition to the hospital's cost-based interim per diem.**
 2. **A qualifying hospital's IQIP is the lesser of \$50 (per Medicaid-covered day during the subject cost-reporting period) or 5.8% (also per Medicaid-covered day) of the hospital's interim per diem.**
- B. **Annually, Arkansas Medicaid will designate the quality measures to be reported and will establish a required compliance rate for each measure.**
1. **To the extent practicable, Medicaid will attempt to choose the quality measures that hospitals report to the Title XVIII (Medicare) Program.**
 2. **To qualify for an IQIP, a hospital must meet or exceed Medicaid's required compliance rate on two-thirds (66.7%) of Arkansas Medicaid's designated quality measures for the most recently completed reporting period.**
 3. **A hospital that meets or exceeds the compliance rate on 66.7% of a reporting period's specified quality measures will receive an IQIP for that year.**
-

250.600 In-State Hospital Class Groups 7-1-06

250.610 Pediatric Hospitals 7-1-06

A pediatric hospital is an acute care hospital that has in effect an agreement with the Division of Medical Services (DMS) to participate in Medicaid as a hospital and the majority of its patients are under 21. See section 201.110 for participation requirements for pediatric hospitals.

- A. Medicaid reimburses pediatric hospitals for inpatient services by means of an interim per diem with year-end cost settlement.
 - 1. Unless supplemented by state law or rule, reasonable costs are determined in accordance with 42 U.S.C. § 1395x (v)(1)(A) and the implementing federal regulations.
 - 2. Medicaid adjusts interim per diem rates annually upon receipt and review of initial cost reports.
 - B. Medicaid reimburses pediatric hospitals for outpatient services by a fee-for-service methodology, at the lesser of the billed charge or the Medicaid fee schedule maximum, with year-end cost settlement.
 - C. A new pediatric hospital is a pediatric hospital enrolling with Medicaid for the first time.
 - 1. The TEFRA rate-of-increase limit base year for new pediatric hospitals is the first full 12-month cost reporting period beginning after the State grants approval for the hospital to operate under Medicaid as a pediatric hospital.
 - 2. A new pediatric hospital may request an exemption from the TEFRA rate-of-increase limit.
 - a. The hospital must submit a written request at least 180 days before the end of the first full 12-month cost reporting period that began on or after the hospital's approved date of enrollment with Medicaid.
 - b. If a new pediatric hospital requests and receives an exemption to the TEFRA rate-of-increase limit, the hospital's base year will be the first full cost reporting period beginning at least two years after the effective date of the state's approval for the hospital to operate as a pediatric hospital.
 - D. Pediatric hospitals are exempt from limitation by the Arkansas Medicaid daily upper limit.
 - E. Pediatric hospitals are not eligible for Inpatient Quality Incentive Payments (IQIP). See section 250.240 for information regarding IQIP.
-