

DEPARTMENT OF SOCIAL SERVICES

Notice of Proposed Medicaid State Plan Amendment (SPA)

SPA 19-X: Inpatient Hospital Reimbursement

The State of Connecticut Department of Social Services (DSS) proposes to submit the following Medicaid State Plan Amendment (SPA) to the Centers for Medicare & Medicaid Services (CMS) within the U.S. Department of Health and Human Services (HHS).

Changes to Medicaid State Plan

Based on the Governor's proposed budget and the most recent versions of the draft state budget and implementing legislation for State Fiscal Years (SFY) 2020 and 2021 and actions to date by the General Assembly, including the Appropriations Committee version of the draft state budget and the current version of House Bill 7164, it is anticipated that SPA 19-X will amend Attachment 4.19-A of the Medicaid State Plan effective on or after July 1, 2019 to make the following changes to inpatient hospital reimbursement.

- (1) Implement one or more pools of inpatient supplemental payments to specified acute care hospitals.
- (2) Implement one or more value-based payment methodologies in order to improve health outcomes and reduce unnecessary costs.
- (3) Reduce inpatient rate payments by 15% for each readmission, defined as admission for the same or similar diagnosis within 30 days of the initial discharge.

Although budget proposals and implementing legislation are still pending in the General Assembly at the time this notice is being prepared and this proposal may be modified in whole or in part before adoption of the final state budget for SFY 2020 and 2021, federal regulations require DSS to submit public notice at this time. Accordingly, this SPA is subject to change, in whole or in part, as necessary to comply with the final approved state budget and implementing legislation for SFY 2020 and 2021.

Fiscal Impact

Based on preliminary estimates using the information that is available at this time, DSS estimates that this SPA will change annual aggregate expenditures compared to the levels currently specified in the Medicaid State Plan for SFY 2020 and 2021 as follows:

- (1) Increase annual aggregate expenditures in an approximate range of between \$131.5 million and \$354.5 million annually for SFY 2020 and SFY 2021 for supplemental payments. Because the effective date of the current Medicaid State Plan language regarding inpatient hospital supplemental

payments ends as of June 30, 2019, any supplemental payment amounts in SFY 2020 and 2021 reflect an increase compared to the current language.

(2) Increase of \$13.0 million in SFY 2020 and \$39.1 million in SFY 2021, to be allocated for value-based supplemental payments.

(3) Decrease of \$6.1 million in SFY 2020 and \$7.3 million in SFY 2021 for reduction in payment for readmissions.

Compliance with Federal Access Regulations

As described above, this SPA proposes to change inpatient hospital reimbursement in various ways, including a proposal to reduce payment for readmissions by 15%. In accordance with federal regulations at 42 C.F.R. §§ 447.203 and 447.204, DSS is required to ensure that there is sufficient access to Medicaid services, including services where payment rates are proposed to be reduced or where payment rates or methodologies are being restructured in a manner that may affect access to services. Those federal regulations also require DSS to have ongoing mechanisms for Medicaid members, providers, other stakeholders, and the public to provide DSS with feedback about access. In addition to other available procedures, anyone may send DSS comments about the potential impact of this SPA on access to inpatient hospital services as part of the public comment process for this SPA. Contact information and the deadline for submitting public comments are listed below.

Obtaining SPA Language and Submitting Comments

This SPA is posted on the DSS web site at this link: <http://portal.ct.gov/dss>. Scroll down to the bottom of the webpage and click on “Publications” and then click on “Updates.” Then click on “Medicaid State Plan Amendments”. The proposed SPA may also be obtained at any DSS field office or the Town of Vernon Social Services Department, or upon request from DSS (see below).

To request a copy of the SPA from DSS or to send comments about the SPA, please email: Public.Comment.DSS@ct.gov or write to: Medical Policy Unit, Department of Social Services, 55 Farmington Avenue, 9th Floor, Hartford, CT 06105 (Phone: 860-424-5067). Please reference “SPA 19-X: Inpatient Hospital Reimbursement”.

Anyone may send DSS written comments about the SPA. Written comments must be received by DSS at the above contact information no later than June 28, 2019.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Connecticut

C.2 Readmissions

Inpatient rate payments shall be reduced by 15% for each readmission, defined as admission for the same or similar diagnosis within 30 days of the initial discharge.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Connecticut

(2) Supplemental Reimbursement for Inpatient Hospital Services.

Supplemental payments to eligible hospitals shall be made from a pool of funds in the amounts of \$314.1million for the year ending June 30, 2020 (SFY 2020) and \$292.6 million for the year ending June 30, 2021 (SFY 2021). The payments shall be made periodically throughout each fiscal year.

(a) Hospitals eligible for supplemental payments under this paragraph are short-term general hospitals other than short-term children's general hospitals and short-term acute care hospitals operated exclusively by the State, other than a short-term acute care hospital operated by the State as a receiver.

(b) Payments shall be split into two components with differing distribution methodologies.

(c) The first component shall be a total pool of \$222.1 million for state fiscal year 2020 and \$206.9 million for state fiscal year 2021. Each eligible hospital's share of the supplemental payment pool shall be equal to that hospital's pro rata share of the total Medicaid inpatient revenues of all eligible hospitals in the aggregate. For purposes of this supplemental payment, "Medicaid inpatient revenues" means payments for Medicaid inpatient hospital services provided in federal fiscal year 2016 to each eligible hospital up to a maximum of \$70 million for SFY 2020 per hospital and \$80 million for SFY 2021 per hospital as reported as Medicaid inpatient accrued payments in each hospital's filing with the State of Connecticut Office of Health Strategy (OHS), formerly Office of Health Care Access (OHCA). Each hospital's share of the supplemental payment pool is subject to adjustment if its Medicaid inpatient revenue as reported by the hospital on OHS Reports 500 and 550 is audited. There shall be no further redistribution of inpatient hospital supplemental payments after adjustments are made based on such audit.

(d) The second component shall be a total pool of \$92.0 million for the year ending June 30, 2020 and \$85.7 million for the year ending June 30, 2021. It shall be allocated to eligible hospitals using the same methodology described in subsection (c) except there will be no cap on total Medicaid inpatient revenues used to determine each hospital's pro rata share of Medicaid inpatient hospital revenues.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State Connecticut**(2a) Supplemental Reimbursement to Small Independent Hospitals for Inpatient Hospital Services.**

Supplemental payments to eligible hospitals shall be made from a pool of funds in the amount of \$8.7 million for the state fiscal year ending June 30, 2020 and \$8.1 million for the state fiscal year ending June 30, 2021. The payments shall be made periodically throughout each fiscal year in accordance with the following paragraphs:

- (a) Hospitals eligible for supplemental payments under this section are short-term general acute care hospitals that have 180 or fewer licensed beds and are independent and are not affiliated with any other hospital or hospital system that includes two or more hospitals, as defined in item (c). Hospital affiliations shall be based on the Connecticut Office of Health Strategy (OHS), formerly Department of Public Health, Office of Health Care Access (OHCA), as documented through its Certificate of Need process.
- (b) Each eligible hospital's share of the supplemental payment pool shall be equal to that hospital's pro rata share of the total Medicaid inpatient revenues, subject to a cap of \$5 million, of all eligible hospitals in the aggregate as reported in each hospital's Federal Fiscal Year 2016 filing with OHS.
- (c) A hospital shall become ineligible for supplemental payments beginning with the quarter following either: (i) the closing date of the completion of a merger or formal affiliation (*i.e.*, a formal affiliation in which the hospital controls, is controlled by, or operates under common control, directly or indirectly) with another hospital or hospital system that includes at least one other hospital, as determined based on OHS's Certificate of Need process or (ii) the effective date of an increase in licensed beds to greater than 180 beds. A hospital that becomes ineligible shall remain ineligible for supplemental payments for calendar quarters after it became ineligible. Any remaining funds due to one or more hospitals becoming ineligible shall not be distributed to any other hospitals. Furthermore, if a hospital becomes ineligible in SFY 2020, the SFY 2021 pool shall be reduced by such hospital's SFY 2020 annual allocation.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State Connecticut

(2b) Supplemental Reimbursement to Mid-Sized Hospitals for Inpatient Hospital Services.

Supplemental payments to eligible hospitals shall be made from a pool of funds in the amount of \$57.8 million for the state fiscal year ending June 30, 2020 and \$53.8 million for the state fiscal year ending June 30, 2021. The payments shall be made periodically throughout each fiscal year in accordance with the following paragraphs:

- (a) Hospitals eligible for supplemental payments under this section are privately operated short-term general acute care hospitals that, as reported in each hospital's Federal Fiscal Year 2016 filing with the Connecticut Office of Health Strategy (OHS), formerly Department of Public Health, Office of Health Care Access (OHCA), have: (1) staffed beds of not less than 150 but not more than 300 and (2) Medicaid gross revenue of not less than 6% but not more than 18% of total revenue.
- (b) Each eligible hospital's share of the supplemental payment pool shall be equal to that hospital's pro rata share of the total Medicaid inpatient revenues, subject to a cap of \$14.5 million, of all eligible hospitals in the aggregate as reported in each hospital's Federal Fiscal Year 2016 filing with OHS.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State Connecticut

(2c) Supplemental Reimbursement for Value-Based Payment Methodologies for Inpatient Hospital Services.

Value-based supplemental payments shall be made to eligible hospitals from a pool of funds of up to \$13.0 million for the state fiscal year ending June 30, 2020 and up to \$39.1 million for the state fiscal year ending June 30, 2021.

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