

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES****X. SUPPLEMENTAL PAYMENTS FOR HOSPITALS PARTICIPATING IN THE
SUPPLEMENTAL HOSPITAL OFFSET PAYMENT PROGRAM (SHOPP)****1. Supplemental Payment Pools**

The components of the Medicare Inpatient Prospective Payment System (PPS) were used to reasonably estimate what Medicare would pay for Medicaid DRG reimbursed inpatient hospital services. The DRG upper payment limit (UPL) methodology consists of determining a Case Mix Adjusted Medicare DRG base rate, computing a Medicare pass-through payment per discharge, calculating Medicaid costs for hospitals not paid on a DRG basis, and then calculating the overall aggregate UPL for each of the three classes of hospitals.

a. Case Mix Adjusted Medicare DRG Base Rate

The Case Mix Adjusted Medicare DRG base rate is computed using Medicare hospital base rate amounts and relative weights to determine a Medicare base payment per Medicaid claim. Oklahoma Medicaid inpatient hospital claims paid in the previous state fiscal year were extracted from the OHCA MMIS claims processing system. The Oklahoma Medicaid DRG relative weights from the extracted claims were replaced with Medicare Hospital PPS Final Relative Weights for the applicable dates of service. DRG codes newborn claims (Oklahoma Medicaid Newborn DRG codes N01 thru N80) were manually mapped to the Medicare newborn DRG codes (MS-DRG codes 789 thru 795) based on the OHCA Newborn Logic flowchart. After replacing the Medicaid relative weights with the Medicare weights, a hospital specific case mix index (CMI) is computed by summing the Medicare weights for each hospital then dividing the sum of the weights by the number of claims for each hospital. The CMI for each hospital is then multiplied by the hospital's Medicare base rate from the Medicare Hospital PPS Final Rates and Weights for the applicable federal fiscal year to derive a Case Mix Adjusted Medicare DRG Base Rate.

b. Medicare Pass-Through Payments

In addition to the base DRG payment, the Medicare inpatient PPS includes pass-through payments. Medicare pass-through payments include outliers, capital adjustments, GME, IME, DSH, routine and ancillary services pass-through, reimbursable bad debt and organ acquisition cost. The Medicare pass-through payments are identified on the Medicare hospital cost report form 2552, Worksheet E, Part A. In order to calculate the hospital specific pass-through payment per discharge, all pass-through payments are summed and divided by the Medicare discharges from Worksheet S-3, Part 1, line 12.

New Page 07-01-11

TN# 11-04 Approval Date JAN 17 2012 Effective Date 07-01-11

Supersedes

TN# New Page

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES****X. SUPPLEMENTAL PAYMENTS FOR HOSPITALS PARTICIPATING IN THE
SUPPLEMENTAL HOSPITAL OFFSET PAYMENT PROGRAM (SHOPP) (continued)****c. Non-DRG hospitals**

The UPL for Non-DRG reimbursed hospitals are calculated using inpatient hospital specific cost to charge ratios. To determine the ratios, inpatient hospital costs are extracted from the most recently available Medicare hospital cost report form 2552 Worksheet C, Part 1, column 5, line 25-33 and inpatient hospital charges from Worksheet C, Part 1, column 8, lines 25-33. This cost to charge ratio is multiplied by allowable charges for Medicaid inpatient hospital claims to determine the cost of these services.

d. Upper Payment Limit Gaps

Payments calculated in paragraphs a, b and c shall be summed across the three classes of hospitals: privately owned, non-state government owned, and state government owned. These sums will equal the upper payment limits for each class of hospital. Total Medicaid payments for each class of hospital will be subtracted from its respective upper payment limit to determine the upper payment limit gaps.

2. Disbursement of payments to hospitals:

- a. All hospitals shall be eligible for inpatient hospital access payments each year as set forth in this subsection except the following:
- i. A hospital that is owned or operated by the state or a state agency, the federal governments, a federally recognized Indian tribe, or the Indian Health Service;
 - ii. a hospital that provides more than fifty percent (50%) of its inpatient days under a contract with a state agency other than the OHCA;
 - iii. a hospital that specializes in any one of the following: (i) treatment of a neurological injury (ii) treatment of cancer, (iii) treatment of cardiovascular disease, (iv) obstetrical or childbirth services, (v) surgical care, except that this exemption shall not apply to any hospital located in a city of less than five hundred thousand (500,000) population and for which the majority of inpatient days are for back, neck, or spine surgery; and
 - iv. a hospital that is certified by the federal Centers for Medicaid and Medicare Services as a long-term acute care hospital or as a children's hospital;

New Page 07-01-11

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Supersedes
TN# New Page

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL SERVICES**

**X. SUPPLEMENTAL PAYMENTS FOR HOSPITALS PARTICIPATING IN THE
SUPPLEMENTAL HOSPITAL OFFSET PAYMENT PROGRAM (SHOPP) (continued)**

- b. In addition to any other funds paid to critical access hospitals for inpatient hospital services to Medicaid patients, each critical access hospital (CAH) shall receive hospital access payments equal to the amount by which the payment for these services was less than one hundred one percent (101%) of the hospital's cost of providing these services, as determined by using a CCR calculated from the three most recently available Medicare hospital cost report form 2552 Worksheet B, Part 1, column 27, lines 25-62 and inpatient hospital charges from Worksheet C, Part 1, columns 6 and 7, lines 25-62. A CCR for each year is calculated and then they are averaged. This cost to charge ratio is multiplied by allowable charges to determine the cost of these services.
- c. In addition to any other funds paid to hospitals for inpatient hospital services to Medicaid patients, each eligible hospital shall receive inpatient hospital access payments each year equal to the hospitals pro rata share of the inpatient supplemental payment pool available to the hospital's class of hospitals, as reduced by the payments distributed in paragraph 2(b). The pro rata share will be based upon the hospital's Medicaid payments for inpatient services divided by the total Medicaid payments for inpatient services of all eligible hospitals within each class of hospital.
- d. The inpatient supplemental payment pool available to each class of hospitals will be determined by multiplying the class's upper payment limit gap, as determined under X.1.d. above, by the available funds ratio. The available funds ratio is determined by dividing the total of all funds available under the Supplemental Hospital Offset Payment Program, less the CAH supplemental payments described in Attachment 4.19-A Page 32.5, X 2(b) and Attachment 4.19-B Page 1d, H 2(b), by the total of the inpatient and outpatient upper payment limit gaps for all classes of hospital eligible for supplemental payments under this paragraph.

3. Frequency of Payments

The OHCA will pay from the Supplemental Hospital Offset Payment Program Fund quarterly installment payments to hospitals, not to exceed the UPL, of amounts available for supplemental payments for Critical Access Hospitals and supplemental inpatient payments.

New Page 07-01-11

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 Supersedes
 TN# New Page

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE OUTPATIENT HOSPITAL SERVICES****H. SUPPLEMENTAL PAYMENTS FOR OUTPATIENT HOSPITALS PARTICIPATING
IN THE SUPPLEMENTAL HOSPITAL OFFSET PAYMENT PROGRAM (SHOPP)****1. Hospital Outpatient Supplemental Payment Pools**

Components of the Medicare Cost Report form 2552 were used to reasonably estimate what Medicare would pay for Medicaid outpatient hospital services. The upper payment limit (UPL) methodology consists of determining a hospital specific Medicare outpatient cost to charge ratio, applying that to Medicaid charges and then calculating the overall aggregate UPL for each of the three classes of hospitals.

a. Cost to Charge Ratios

The UPL was calculated using outpatient hospital specific cost to charge ratios. To determine the ratios, outpatient hospital costs were extracted from the most recently available Medicare hospital cost report form 2552 Worksheet C, Part 1, column 5, lines 37-68 and charges from Worksheet C, Part 1, column 8, lines 37-68 less applicable RHC charges.

b. Upper Payment Limit Gaps

The hospital specific cost to charge ratio in 1(a) shall be applied to hospital specific total outpatient hospital Medicaid charges. That amount calculated shall be separately summed across the three classes of hospitals: privately owned, non-state government owned, and state government owned. These sums will equal the upper payment limits for each class of hospitals. Total Medicaid payments for each class of hospitals will be subtracted from its respective upper payment limit to determine the upper payment limit gaps.

2. Disbursement of payments to hospitals:

- a. All hospitals shall be eligible for outpatient hospital access payments each year as set forth in this subsection except the following:
- i. A hospital that is owned or operated by the state or a state agency, the federal governments, a federally recognized Indian tribe, or the Indian Health Service;
 - ii. a hospital that provides more than fifty percent (50%) of its inpatient days under a contract with a state agency other than the OHCA;

New Page 07-01-11

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TN# New Page

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE OUTPATIENT HOSPITAL SERVICES**

**H. SUPPLEMENTAL PAYMENTS FOR OUTPATIENT HOSPITALS PARTICIPATING
IN THE SUPPLEMENTAL HOSPITAL OFFSET PAYMENT PROGRAM (SHOPP) (continued)**

- iii. a hospital that specializes in any one of the following: (i) treatment of a neurological injury (ii) treatment of cancer, (iii) treatment of cardiovascular disease, (iv) obstetrical or childbirth services, (v) surgical care, except that this exemption shall not apply to any hospital located in a city of less than five hundred thousand (500,000) population and for which the majority of inpatient days are for back, neck, or spine surgery; and
 - iv. a hospital that is certified by the federal Centers for Medicaid and Medicare Services as a long-term acute care hospital or as a children's hospital;
- b. In addition to any other funds paid to critical access hospitals for outpatient hospital services to Medicaid patients, each critical access hospital (CAH) shall receive hospital access payments equal to the amount by which the payment for these services was less than one hundred one percent (101%) of the hospital's cost of providing these services, as determined using the CCR as described in paragraph 1(a). This cost to charge ratio is multiplied by allowable charges to determine the cost of these services.
- c. In addition to any other funds paid to hospitals for outpatient hospital services to Medicaid patients, each eligible hospital shall receive outpatient hospital access payments each year equal to the hospital's pro rata share of the outpatient supplemental payment pool available to the hospital's class of hospitals, less the payments distributed in paragraph 3(b), based upon the hospital's Medicaid payments for outpatient services divided by the total Medicaid payments for outpatient services of all eligible hospitals within each class of hospital.
- d. The outpatient supplemental payment pool available to each class of hospitals will be determined by multiplying the class's upper payment limit gap, as determined under H.1.b. above, by the available funds ratio. The available funds ratio is determined by dividing the total of all funds available under the Supplemental Hospital Offset Payment Program, less the CAH supplemental payments described in Attachment 4.19-A Page 32.5, X 2(b) and Attachment 4.19-B Page 1d, H 2(b), by the total of the inpatient and outpatient upper payment limit gaps for all classes of hospital eligible for supplemental payments under this paragraph.

New Page 07-01-11

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Supersedes
TN# New Page

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OTHER TYPES OF CARE OUTPATIENT HOSPITAL SERVICES**

**H. SUPPLEMENTAL PAYMENTS FOR OUTPATIENT HOSPITALS PARTICIPATING
IN THE SUPPLEMENTAL HOSPITAL OFFSET PAYMENT PROGRAM (SHOPP) (continued)**

- a. The total amount of payments shall not exceed the upper payment limit gap calculated in paragraph 1 for any of the three classes of hospitals.

2. Frequency of Payments

The OHCA will pay from the Supplemental Hospital Offset Payment Program Fund quarterly installment payments to hospitals of amounts available, not to exceed the UPL, for supplemental payments for Critical Access Hospitals and supplemental outpatient payments.

New Page 07-01-11

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TN# New Page