



State of Louisiana
Department of Health and Hospitals
Bureau of Health Services Financing

VIA ELECTRONIC MAIL ONLY

May 23, 2016

Bill Brooks
Centers for Medicare and Medicaid Services
Division of Medicaid and Children's Health Operations
Dallas Regional Office
1301 Young Street, Suite 833
Dallas, TX 75202

Dear Mr. Brooks:

**RE: LA SPA TN 15-0032 RAI Response
Inpatient Hospitals – Non-Rural, Non-State Public Hospitals - Supplemental
Payments (East Jefferson General Hospital)**

Please refer to our proposed amendment to the Medicaid State Plan submitted under transmittal number (TN) 15-0032 with a proposed effective date of October 1, 2015. The State Plan amendment (SPA) proposes to amend the reimbursement methodology governing inpatient hospital services in order to revise the provisions governing supplemental Medicaid payments to qualifying non-rural, non-state public hospitals. We are providing the following in response to your request for additional information (RAI) dated February 3, 2016:

FORM-179

1. Form 179, Block 7 – Please provide a detailed analysis of how the FFP determination was made and provide supporting documentation of the calculation for Federal Fiscal Year (FFY) 2016 and 2017.

RESPONSE: Please see the attached fiscal impact analysis.

STATE PLAN LANGUAGE – 4.19-A

2. Please clarify if there are one or more hospitals that qualify under this methodology. If only one hospital qualifies, then please correct Attachment 4.19-A, Item 1, page 8c (3) to reflect that only one hospital will qualify under

this methodology. Additionally, please include the name of the hospital on the Attachment 4.19-A, Item 1, page 8c (3).

RESPONSE: The name of the qualifying hospital, East Jefferson General Hospital, has been added to the language. Please see Attachment 4.19-A, Item 1, Page 8c (3).

3. Is this facility a non-state or private acute care hospital? Please add clarifying language on the State plan page that specifies the type of hospital and if it is state, non-state or private hospital.

RESPONSE: This hospital is a non-state governmental hospital. The current approved State Plan page lists the title of this section as “Non-Rural, Non-State Government Hospitals.”

4. In the State’s response to the RAI for LA 15-0004 and 15-0005, it was noted about “re-ordering the UPL priorities”. On Tuesday, July 28, 2015, we had an internal discussion with the NIRT about the “re-ordering the UPL priorities”. Consequently, the State will need to submit new plan pages to discuss this methodology regarding the UPL demonstration for inpatient hospital services. CMS considers this type of methodology similar to when a state distributes their DSH allotment. Louisiana SPA 15-0004, 15-0005, and 15-0006 may have to be resolved prior to CMS taking action on the SPA 15-0032.

RESPONSE: The SPAs referenced in this question are applicable to private hospitals. LA SPA TN 15-0032 is applicable only to non-state government hospitals which is in a separate upper payment limit (UPL) pool from the private hospitals.

5. CMS wants the State’s assurance regarding financial transactions including IGT. The following sentence should be included in the reimbursement methodology:

“No payment under this section is dependent on any agreement or arrangement for providers or related entities to donate money or services to a governmental entity.”

RESPONSE: This hospital is owned by a non-state government entity which is allowed to intergovernmental transfer (IGT) funds.

6. Did the State receive any feedback or complaints from the public regarding the current proposal or about the changes to non-rural non-state public hospitals? If so, what were the concerns and how were they addressed and resolved?

RESPONSE: The State did not receive any feedback or complaints from the public.

Please clarify the additional questions related to the new supplemental payments:

7. Please justify why Louisiana needs to pay supplemental payments to non-rural non-state public hospitals.

RESPONSE: The only hospital that will qualify under this proposed SPA for supplemental payments is East Jefferson General Hospital. Due to recent consolidations, East Jefferson General Hospital is the only remaining public Hospital in the state's second largest parish.

Additionally, East Jefferson provides capacity for specialty hospital services to women and neonates. Since 2012, East Jefferson's Medicaid population has grown by 19 percent with inpatient growing by 27 percent. During the same period, East Jefferson's uninsured has grown by 14 percent. Over 41 percent of the 2015 deliveries at East Jefferson General Hospital were Medicaid deliveries and that number continues to grow. Not only does East Jefferson provide basic gynecological, obstetrical and neonatal services to the Medicaid population, but the following examples demonstrate their focus and commitment to improving both the quality of care and outcomes which will result in decreased future healthcare expenditures by the Medicaid programs for recipients treated through these initiatives:

- 1. Increasing use of specialized treatment of gynecological cancers through less invasive procedures using robotics for treatment and staging;**
- 2. Maintaining a Neo-natal intensive care unit;**
- 3. Maintaining the "Baby Friendly" certification to provide a higher quality of care for mothers and babies;**
- 4. Maintaining a neurosurgery practice;**
- 5. Maintaining a cardiac catheterization, vascular and electro physiology lab to provide services to low income patients;**
- 6. Maintaining specialty physician services such as a vascular, cardiovascular, and orthopedic surgeon, and an interventional cardiologist;**
- 7. Maintaining family practitioner clinics and providing 25 doctors and nine nurse practitioners to serve the community.**

East Jefferson is the only public hospital in Jefferson parish that offers the entire continuum of care of specialty services to the low income and Medicaid population. Without these supplemental Medicaid payments, East Jefferson would be forced to evaluate current services that benefit all citizens serviced, including Medicaid patients. Without the stability of these payments it is unlikely that East Jefferson could absorb new Medicaid patients or ensure that the above-listed services would remain available.

8. Why do these payments need to be made to these specific providers?

RESPONSE: See the response to question 7 above.

9. Why has Louisiana decided to target non-rural non-state public hospitals to the exclusion of other providers of the same services?

RESPONSE: See the response to question 7 above.

10. Does the state expect that these payments will positively impact access to care or quality of care?

RESPONSE: As detailed in the response to question 7 above, the State expects these payments to maintain access to care and quality of care to Medicaid recipients that require obstetrical, gynecological and neonatal, cardiac and other inpatient specialty services in conjunction with their primary care family practice services in the Jefferson/Orleans region.

11. If it is to improve access, please provide data that shows there is an access issue.

RESPONSE: Please refer to the response to question 10 above.

12. What outcome does the state hope to achieve by targeting payments to non-rural non-state public hospitals?

RESPONSE: As detailed in the responses to questions 7 and 10 above, the State Plan amendment for these proposed payments is to maintain access to care and quality of care to Medicaid recipients that require obstetrical, gynecological, neonatal, cardiac and other specialty inpatient services in conjunction with their primary care family practice in the Jefferson/Orleans region. Without the stability in current Medicaid reimbursement that these Medicaid supplemental payments will provide, it is unlikely that East Jefferson could absorb new Medicaid patients or ensure that existing specialized and primary care services would remain available.

13. Will the state monitor the impact of the supplemental payments with respect to the expected outcomes?

RESPONSE: Yes. The State will confirm with East Jefferson General Hospital that initiatives such as the ones included in the response to question 7 not only remain in place, but are enhanced. The State will also review the statistics that the hospital maintains regarding the effectiveness of these initiatives.

14. How will the state measure if targeting payments resulted in the desired outcome?

RESPONSE: The State will review the statistics that the hospital maintains regarding the effectiveness of these initiatives.

15. How do the supplemental payments compare to the base payments?

RESPONSE: Medicaid inpatient base rate payments for East Jefferson's fiscal year end (FYE) December 31, 2014 cost reporting period were \$3,377,833. The proposed supplemental payments are \$2,926,748 for state fiscal year (SFY) 2016 and \$3,902,331 for SFY 2017.

16. Has the State done any analysis to increase the base payments to non-rural non-state public hospitals?

RESPONSE: No. As explained in the response to question 7 above, East Jefferson General Hospital is the only public provider that has the immediate available capacity to accommodate the volume of these low income and uninsured patient services in the Jefferson Parish area.

ADDITIONAL

17. How did the State determine that the Medicaid provider payments are sufficient to enlist enough providers to assure access to care and services in Medicaid at least to the extent that care and services are available to the general population in the geographic area?

RESPONSE: The impact of this SPA is a decrease in expenditures, as the criteria for West Jefferson Medical Center were removed since they are no longer a non-state government hospital.

18. How were providers, advocates and beneficiaries engaged in the discussion around this SPA proposal? What were their concerns and how did the State address these concerns? Was there any direct communication (bulletins, town hall meetings, etc.) between the State and providers regarding the reductions proposed via this amendment?

RESPONSE: There were no concerns regarding this SPA as it pertains only to West Jefferson Medical Center being removed since it no longer qualifies as a non-state government hospital, and East Jefferson General Hospital being added. These hospitals have been in discussions with the Department regarding this SPA.

15-0032 RAI Response

May 23, 2016

Page 6

Please consider this a formal request to begin the 90-day clock. We trust that this additional information will result in the approval of the pending SPA. We look forward to negotiating with CMS to ensure approval.

As always, we appreciate the assistance of Tamara Sampson in resolving these issues. If further information is required, you may contact Darlene A. Budgewater at Darlene.Budgewater@la.gov or by phone (225) 342-3881.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jen Steele", with a stylized flourish at the end.

Jen Steele
Medicaid Director

JS:DAB:JH

Attachments (3)

c: Darlene Budgewater
Cheryl Rupley
Tamara Sampson

**Estimated Fiscal Impact of Proposed Changed to Large Public (non-state) Hospitals Inpatient UPL
Effective 10/1/2015**

	Annual Impact	Impact SFY 16 (9 mos.) Effective 10/1/15	FMAP impact @.6221	IGT match impact @.3779
Qualify East Jefferson Hospital	\$3,902,331	\$2,926,748	\$1,820,730	\$1,106,018
Remove criteria qualifying West Jefferson *	(\$9,057,303)	(\$6,792,977)	(\$4,225,911)	(\$2,567,066)
Inpatient UPL payment impact	(\$5,154,972)	(\$3,866,229)	(\$2,405,181)	(\$1,461,048)
Loss of East Jeff DSH qualification for CPE SFY 16**	(\$10,557,825)	(\$10,557,825)	(\$6,568,023)	
Net Impact	(\$15,712,797)	(\$14,424,054)	(\$8,973,204)	(\$1,461,048)

* West Jeff is scheduled to convert to private ownership approximately 10/1/2015.

** East Jefferson's loss of DSH eligibility is for the entire SFY 2016.

STATE OF LOUISIANA
PAYMENT FOR MEDICAL AND REMEDIAL CARE AND SERVICES

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - IN-PATIENT HOSPITAL CARE

e. Non-Rural Non-State Government Hospitals

Effective for dates of service on or after May 15, 2011, quarterly supplemental payments will be issued to qualifying non-rural, non-state government hospitals for inpatient services rendered during the quarter. Payment amounts shall be up to the Medicare inpatient upper payment limit (UPL) as determined in accordance with 42 CFR §447.272.

1. Qualifying Criteria

In order to qualify for the supplemental payment, a non-rural, non-state government acute care hospital must meet one of the following:

- a. Effective for dates of service on or after October 1, 2012 through June 30, 2013, be:
 - i. located in a Medicare Metropolitan Statistical Area (MSA) per 42 CFR 413.231(b)(1), and be located within 15 miles of a state-owned hospital scheduled to closed in SFY 2013; or
- b. Effective for dates of service on or after July 1, 2013, be designated as a non-teaching hospital and:
 - i. located in a Medicare Metropolitan Statistical Area (MSA) per 42 CFR 413.231(b)(1), and
 - ii. provide inpatient obstetrical and Neonatal Intensive Care Unit services, and
 - iii. per the cost report period ending in SFY 2012, have a Medicaid inpatient day utilization percentage in excess of 21 percent and a Medicaid newborn day utilization percentage in excess of 65 percent as documented on the as filed cost report; or
- c. Effective for dates of service on or after January 1, 2014, be located in a city with a population of over 300,000 as of the 2010 U.S. Census; or
- d. Effective for dates of service on or after July 1, 2015, be designated as a major teaching hospital by the Department and have at least 300 licensed acute hospital beds. This provision qualifies East Jefferson General Hospital.

TN _____
Supersedes
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Approval Date _____

Effective Date _____

STATE OF LOUISIANA
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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - IN-PATIENT HOSPITAL CARE

2. **Reimbursement Methodology**

- a. Each qualifying hospital shall receive quarterly supplemental payments for the inpatient services rendered during the quarter. Quarterly payments shall be the difference between each qualifying hospital's inpatient Medicaid billed charges and Medicaid payments the hospital receives for covered inpatient services provided to Medicaid recipients. Medicaid billed charges and payments will be based on a 12 consecutive month period for claims data selected by the Department.
- b. Qualifying hospitals that are enrolled in Medicaid **after January 1, 2014**, will use actual Medicaid utilization and claims data for the hospital for the preceding quarter per the Department's paid claims data as the basis for making quarterly supplemental payments during the hospital's start-up period:
 - i. For purposes of these provisions, the start-up period shall be defined as the first three years of operation.
 - ii. During the start-up period, each quarterly supplemental payment shall be made no later than the 60th day of the subsequent quarter to allow the Department sufficient time to compile actual inpatient Medicaid claims data for the new hospitals to calculate the actual quarterly inpatient charge differential. These retroactive quarterly payments shall be applicable to service dates in the preceding quarter.
- c. Payments in the aggregate will not exceed the UPL for all hospitals included in the non-state government owned group.

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Approval Date _____

Effective Date _____