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PAYMENT FOR INPATIENT HOSPITAL SERVICES  
METHODS AND STANDARDS

I. HOSPITALS UNDER PROSPECTIVE RATES

Types of rates: Inpatient hospital services, which have been authorized for payment at the acute level by a quality improvement organization (QIO-like vendor), as specified in the contract between the QIO-like vendor and Nevada Medicaid, are reimbursed by all-inclusive, prospective per diem rates by type of admission. The all-inclusive prospective rates cover routine and ancillary services furnished by the hospital, including direct patient care for professional services furnished to inpatients by hospital-staffed physicians and practitioners. All-inclusive per diem rates are developed for Maternity, Newborn, Neonatal, Rehabilitative/Specialty Hospital, Level I Trauma, Medical/Surgical, and Psychiatric/Substance Abuse Treatment admissions, as described in Sections II, III, and IV. All-inclusive rates for selected Organ Transplants are described in Section III. Administrative day rate development is covered in Section V. Critical Access Hospitals under Medicare retrospective cost reimbursements are described in Section VII.

II. PROSPECTIVE RATE DEVELOPMENT (Prior to September 1, 2003)

The primary goals of the inpatient hospital rate methodology are: Rates should be based on actual, reasonable, and allowable hospital costs, and the rate development method should comply with federal requirements. The prospective rates are inclusive of all ancillary services required by patients.

A. Basic data sources for tier rate development.

1. The most recently filed Hospital Health Care Complex Cost Report (HCFA 2552) was the basis for identifying allowable cost. Routine cost limits were not applied.
2. Paid claims and billing information were taken from the Nevada database for Medicaid claim payment history report for services provided during the period covered by the HCFA 2552.

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B. Adjustments made to determine allowable cost.

The following adjustments were made to each individual hospital's cost report:

1. An audit adjustment was applied to the total Medicaid cost for each hospital. The adjustment was determined by using an average for each hospital of the audit adjustment percentages for the three most recent years available. Adjustments for two years were used if three were not available.
2. Since the hospitals' cost report periods vary, all cost data was indexed to the same period, using the Medicare inflation factor for non-prospective payment system (non-PPS) hospitals.

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III. Conversion of Existing Tier Rates to Per Diem Rates as of September 1, 2003

The current hospital inpatient tier rates for Medical/Surgical, Maternity, and Newborn inpatient categories are in effect for Medicaid payments made through August 31, 2003.

In order to convert to a MMIS system on September 1, 2003, hospital reimbursement tier rates will be converted to per diem rates. The Maternity and Newborn service categories will be retained. The service category Medical/Surgical will be converted to Level I Trauma and Medical/Surgical categories.

These per diem rates will be effective for claims paid on or after September 1, 2003, with admission dates before September 8, 2008. The Level I Trauma will be retained at the September 1, 2003 amount.

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A. Maternity Rate Conversion

An all-inclusive per diem rate is paid for obstetrical hospital admissions. The rate also covers related admissions such as false labor, undelivered OB, and miscarriages.

Historical Medicaid data for the Calendar Year (CY) ended December 31, 2002, has been extracted showing Medicaid Maternity admissions and Maternity patient days by tier. Projected Maternity payments for each tier are calculated as CY2002 Maternity admissions per tier times the current tier rate. Total projected Maternity payments are the sum of all projected tier payments.

The conversion per diem rate for Maternity has been determined by the following formula:

$$\frac{\text{Total Projected Maternity Payments}}{\text{CY2002 Historical Maternity Patient Days}} = \text{Maternity Per Diem Rate}$$

For services performed on or after January 1, 2006, the maternity per diem rate will be determined by multiplying a factor of 1.1001 times the conversion per diem rate.

For services performed on or after July 1, 2007, the maternity per diem rate will be determined by multiplying a factor of 1.0757 times the conversion per diem rate.

For services performed for claims with an admission date on or after September 8, 2008, the maternity per diem rate will be calculated as follows:

1. Charges submitted for claims paid in SFY 2007 were used from the Nevada Medicaid claims data.
2. The number of days admitted (the length of stay) for claims paid in SFY 2007 was used to calculate each claim's billed charges per day.
3. The per diem rate will be 34% of the median of billed charges per day for Nevada in-patient hospitals for obstetric services.

This rate will be used as a prospective rate until rebased as directed by the Department of Health and Human Services. There will be no cost settlement.

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B. Newborn Rate Calculation

An all-inclusive per diem rate will be developed for newborns admitted through routine delivery at a hospital.

Historical Medicaid data for the Calendar Year (CY) ended December 31, 2002, has been extracted showing Medicaid Newborn admissions and Newborn patient days by tier. Projected Newborn payments for each tier are calculated as CY2002 Newborn admissions per tier times the current tier rate. Total projected Newborn payments are the sum of all projected tier payments.

The conversion per diem rate for Newborn has been determined by the following formula:

$$\frac{\text{Total Projected Newborn Payments}}{\text{CY2002 Historical Newborn Patient Days}} = \text{Newborn Per Diem Rate}$$

For services performed on or after January 1, 2006, the newborn per diem rate will be determined by multiplying a factor of 1.1001 times the conversion per diem rate.

For services performed on or after July 1, 2007, the newborn per diem rate will be determined by multiplying a factor of 1.0757 times the conversion per diem rate.

For services performed for claims with an admission date on or after September 8, 2008, the newborn per diem rate will be calculated as follows:

1. Charges submitted for claims paid in SFY 2007 were used from the Nevada Medicaid claims data.
2. The number of days admitted (the length of stay) for claims paid in SFY 2007 was used to calculate each claim's billed charges per day.
3. The per diem rate will be 34% of the median of billed charges per day for Nevada in-patient hospital routine services related to the care of a newborn.

This rate will be used as a prospective rate until rebased as directed by the Department of Health and Human Services. There will be no cost settlement.

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C. Neonatal Intensive Care Rate Calculation

For admissions prior to September 8, 2008:

A separate rate is used for patients admitted to Level III Neonatal Intensive Care Units. The current rate was developed from historical costs pursuant to Section II, Prospective Rate Development. The calculated cost per day of each neonatal unit was arrayed from highest to lowest. The prospective per diem rate was then calculated at the 55th percentile and indexed.

For admissions on or after September 8, 2008:

1. Charges submitted for claims paid in SFY 2007 were used from the Nevada Medicaid claims data.
2. The number of days admitted (the length of stay) for claims paid in SFY 2007 was used to calculate each claim's billed charges per day.
3. The per diem rate will be 34% of the median of billed charges per day for Nevada in-patient hospital services for Neonatal Intensive Care.

This rate will be used as a prospective rate until rebased as directed by the Department of Health and Human Services. There will be no cost settlement.

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D. Rehabilitative and Specialty Hospital Rate Calculation

A few Nevada hospitals are licensed to provide acute care in single diagnostic category. Rehabilitative and specialty hospital patients generally have hospital stays of ninety or more days. The length of stay does not significantly influence the cost per day.

To the extent these hospitals participate in Medicaid, they are reimbursed as follows:

1. Inpatient hospital services which have been certified for payment at the acute level by a QIO-like vendor are reimbursed an all-inclusive per diem rate at the lowest rate acceptable to both parties. In establishing the lowest rate acceptable to both parties, Nevada Medicaid reviews cost information filed by the provider, amounts paid by other insurers and national literature on comparable costs for similar services. The rate cannot exceed the reasonable and customary charges of the facility for similar services.

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E. Medical/Surgical Rate Development

The current tier rate will be paid for Medical/Surgical payments made on or prior to August 31, 2003. Beginning September 1, 2003, an all-inclusive per diem rate will be paid for general hospital admission, not meeting the criteria of patients described in Parts B. - D. and F. of this Section or Section IV.

Historical Medicaid data for the Calendar Year (CY) ended December 31, 2002, has been extracted showing Medicaid Medical/Surgical admissions and Medical/Surgical patient days by tier. Projected Medical/Surgical payments for each tier are calculated as CY2002 Medical/Surgical admissions per tier times the current tier rate. Total projected Medical/Surgical payments are the sum of all projected tier payments.

The conversion per diem rate for the Medical/Surgical category has been determined by the following formula:

$$\frac{\text{Total Projected Medical/Surgical Payments}}{\text{CY2002 Historical Medical/Surgical Patient Days}} = \text{Medical/Surgical Per Diem Rate}$$

For services performed on or after January 1, 2006, the medical/surgical per diem rate will be determined by multiplying a factor of 1.1001 times the conversion per diem rate.

For services performed on or after July 1, 2007, the medical/surgical per diem rate will be determined by multiplying a factor of 1.0757 times the conversion per diem rate.

For services performed for claims with an admission date on or after September 8, 2008, the medical/surgery per diem rate will be calculated as follows:

1. Charges submitted for claims paid in SFY 2007 were used from the Nevada Medicaid claims data.
2. The number of days admitted (the length of stay) for claims paid in SFY 2007 was used to calculate each claim's billed charges per day.
3. The per diem rate will be 22% of the median of billed charges per day for Nevada in-patient hospital services for medical/surgery procedures.

This rate will be used as a prospective rate until rebased as directed by the Department of Health and Human Services. There will be no cost settlement.

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F. Level I Trauma Centers

Nevada Medicaid will pay an enhanced rate for full trauma team cases at Level I Trauma Centers. For payments made on or before August 31, 2003, the enhanced trauma rate is 1.63 times the Medical/Surgical tier rate. For services paid September 1, 2003, and after the enhanced trauma rate is 1.63 times the Medical/Surgical conversion per diem rate described in Part E. of this Section.

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G. Transplants

For hospitals with accredited transplant programs, Nevada Medicaid will pay the lower of 1) billed charges; or 2) an all-inclusive fixed fee for the entire admission period (from admission date to discharge date). Organ procurement is a separate reimbursable charge, over and above the facility inpatient component of the transplant service. Organ procurement is reimbursed the lower 1) billed charges; or 2) the maximum reimbursement set forth below.

The maximum reimbursement rate for organ transplant procedures and procurement are:

<b>Organ</b>	<b>Hospital Services</b>	<b>Procurement</b>
Liver	\$83,700	\$34,300
Kidney	\$30,600	\$27,500
<b>Tissue</b>		
Bone Marrow - Autologous	\$44,190	\$10,800
Bone Marrow - Allogeneic Related	\$97,020	\$10,800
Bone Marrow - Allogeneic Unrelated	\$136,080	\$10,800
Cornea	\$5,490	\$0

Commencing July 1, 2009 and annually thereafter, the amounts listed above shall be adjusted for inflation using the Consumer Price Index for Inpatient Services; BLS Series CUUR0000SS5702.

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IV. PSYCHIATRIC/SUBSTANCE ABUSE TREATMENT RATE DEVELOPMENT

Psychiatric/substance abuse treatment admissions can vary from short stays to several weeks. The length of stay does not significantly impact the cost per day. Therefore, a per diem rate is a more appropriate method to pay acute care hospitals providing this type of service.

1. Psychiatric/substance abuse treatment costs for each hospital are divided by the number of psychiatric/substance abuse treatment days to determine a cost per day. The Medicaid related costs of freestanding psychiatric hospitals are determined using the steps in Section II, Parts A and B, then dividing their Medicaid costs by their total Medicaid days to determine the cost per day. The calculated cost per day of each general acute care hospital and freestanding psychiatric hospital is arrayed from highest to lowest. The prospective per diem rate is then calculated at the 55<sup>th</sup> percentile and indexed in accordance with Section II, Part E of this plan.
  - a. These rates do not apply to facilities accredited as Residential Treatment Centers by the Joint Commission on Accreditation of Health Organizations (JCAHO).

For services performed on or after July 1, 2014, the psychiatric/substance abuse per diem rate will be determined as follows:

2. General acute hospitals providing inpatient psychiatric services will be reimbursed with a per diem.
  - a. Billed charges for inpatient psychiatric claims paid in SFY ending 6/30/13 were used from the Nevada Medicaid claims data.
  - b. The aggregate average billed charges per day was calculated for all Nevada Medicaid enrolled general acute hospitals using this data.
  - c. The per diem rate will be 37% of the aggregate average billed charges per day for Nevada Medicaid enrolled inpatient general acute hospital psychiatric services.
3. Freestanding psychiatric hospitals are reimbursed at the lowest rate acceptable to Nevada Medicaid and the provider. In establishing the lowest rate acceptable to both parties, Nevada Medicaid will review cost information filed by the provider, rates received from other state Medicaid programs and other information it deems pertinent to calculate an average cost per day. Considering this information, Nevada Medicaid will then assign an individual rate to each provider. This rate will remain in effect until DHCFP authorizes a change. The rate cannot exceed the reasonable and customary charges of the facility.

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4. State-operated Inpatient Psychiatric Hospitals are reimbursed under Medicare principles of retrospective reimbursement described in 42 CFR 413 and further specified in CMS Publication 15.
  - a. In no case may payment exceed audited allowable costs.
  - b. Interim rates will be based upon the most recent audited cost reports for the current state fiscal year. The interim rate for the initial year of operation will be based upon cost and utilization projections.
  - c. Each facility is paid an interim rate subject to a cost settlement.

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### V. ADMINISTRATIVE DAY RATE DEVELOPMENT

For those patients who remain in an acute care hospital awaiting admittance to a long-term care facility, an administrative day rate is used. Services so reimbursed are call “administrative days.”

The administrative rate is calculated each year. It is based on the most recent statewide weighted average payment rate for skilled and intermediate levels of care plus a 100% factor. Under certain circumstances, up to an additional 300% is added for a patient with exceptional or abnormal needs; for example, patients in need of isolation, ventilation dependency, or total parental nutrition. The administrative rate, plus the maximum 300% factor, is lower than the hospital rate as described in Part II of the State Plan.

### VI. RESIDENTIAL TREATMENT CENTERS

Nevada Medicaid will only pay for stays in facilities accredited by the Joint Commission on Accreditation Health Organizations (JCAHO) as Residential Treatment Centers (RTCs). All stays must be pre-approved by the QIO-like vendor. These services will be reimbursed at the lowest rate acceptable to both parties. In establishing the lowest rate acceptable to both parties, Nevada Medicaid reviews cost information filed by the RTC, amounts paid by other insurers, and national literature on costs for RTCs. Each facility will have a negotiated rate established for each general level of service. If a placement is being proposed which is different from the general level of care offered by the facility, a rate will be negotiated after considering the average cost per day of the facility and the additional will be reviewed based upon cost information received on or prior July 1 of the year of review. The rate cannot exceed the reasonable and customary charges of the facility for similar services.

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VII. HOSPITALS UNDER MEDICAID RETROSPECTIVE COST REIMBURSEMENT  
(CRITICAL ACCESS HOSPITALS)

A few Nevada hospitals have been designated by Medicare as Critical Access Hospitals.

To the extent these hospitals participate in Medicaid, they are reimbursed under Medicare's retrospective cost reimbursement, as follows:

- A. Inpatient hospital services which have been certified for payment at the acute level by the QIO-like vendor, as specified in the contract between the QIO-like vendor and Nevada Medicaid, upon final settlement are reimbursed allowable costs under hospital-specific retrospective Medicare principles of reimbursement in accordance with 42 CFR 413 and further described in CMS Publications 15-I and 15-II.
1. Critical Access Hospitals (CAH) will use the CMS-2552-96 cost report form and apply Medicare cost principles and cost apportionment methodology.
  2. Critical Access Hospitals will file this cost report with the state annually within five (5) months of their respective fiscal year end.
  3. In general, underpayments will be paid to the provider in a lump sum upon discovery and overpayments will either be recouped promptly or a negative balance set up for the provider. However, other solutions acceptable to both parties may be substituted.
  4. The federal share of any overpayment is refunded to the federal government in accordance with 42 CFR 433 Subpart F.
- B. On an interim basis, each hospital is paid for certified acute care at the Provider specific interim Medicaid inpatient per diem rate as follows:
1. Effective July 1, 2009, the base interim rate for Critical Access Hospitals (CAH) will be the FY2007 Total Medicare inpatient per diem rate. This interim rate is defined as total Medicare in-patient cost divided by total Medicare in-patient days, and applies to the revenue codes billed by general acute hospitals that fall under the Medical/Surgery level of service category for inpatient services.
  2. The CAH Medical/Surgery interim rate will be updated annually for each provider on either January 1st or July 1st, depending upon the facilities' fiscal year as reported on the Medicare/Medicaid cost report.

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3. The updated CAH Medical/Surgery interim rate will be calculated by dividing the total Title XIX program inpatient costs by the total program inpatient days as reported in the immediate prior years' Medicare/Medicaid cost report as filed.
4. If Title XIX data reported in the immediate prior years' Medicare/Medicaid cost report is not sufficient to calculate the adjusted CAH Medical/Surgery interim rate, the CAH Medical/Surgery interim rate will default to the Medical/Surgery rate paid to general acute care hospitals for the same service. This applies only to Critical Access Hospitals that have an existing CAH Medical/Surgery interim rate for the prior year.
5. Maternity, newborn and administrative days will be reimbursed at the rate paid to general acute care hospitals for the same in-patient services.
6. Critical Access Hospitals that do not have a CAH Medical/Surgery interim rate for the prior year based on the methodology in Paragraph VII.B.3, will be assigned either the prior years' Total Medicare inpatient per diem rate if available or the rate paid to general acute care hospitals for the same Medical/Surgery level of services until such time as the CAH Medical/Surgery interim rate can be updated according to the methodology detailed in Paragraphs VII.B.2 and VII.B.3.

Facilities accredited as Residential Treatment Centers by the Joint Commission on Accreditation of Health Organization (JCAHO) are not considered specialty or general acute hospitals. Residential Treatment Centers are paid in accordance with paragraph VI above.

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### III. HOSPITALS SERVING LOW-INCOME PATIENTS DISPROPORTIONATE SHARE HOSPITALS (DSH)

A. Eligibility – A Nevada hospital will qualify for DSH payment if it meets the conditions of either paragraph 1 or 2.

1. Subject to the provisions of subparagraph c, a Nevada hospital will be deemed to qualify for DSH payment if it meets either of the conditions under subparagraphs a or b. The data used to determine eligibility is from the prior State Fiscal Year ending June 30<sup>th</sup>. For example, eligibility for SFY 14 DSH is done in the third quarter of SFY 13, using data from SFY 12.

a. A hospital's Medicaid inpatient utilization rate (MIUR) is at least one standard deviation above the mean MIUR for hospitals receiving Medicaid payment in the State.

i. MIUR is the total number of inpatient days of Medicaid eligible patients, including patients who receive their Medicaid benefits through a health maintenance organization, divided by the total number of inpatient days of all patients during a fiscal year.

b. The hospital's low income utilization rate (LIUR) is at least 25%. LIUR is the sum (expressed as a percentage) of the fractions, calculated as follows:

i. Total Medicaid patient revenues paid to the hospital, plus the amount of the cash subsidies for patient service received directly from State and local governments in the cost reporting period, divided by the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the same cost reporting period; and,

ii. The total amount of the hospital's charges for inpatient hospital services attributable to charity care (care provided to individuals who have no source of payment, third-party or personal resources) in a cost reporting period, less the portion of any cash subsidies received directly from the state or local government for inpatient hospital services, divided by the total amount of hospital charges for inpatient services in the hospital in the same period. The total inpatient hospital charges attributed to charity care shall not include contractual allowances and discounts (other than for indigent patients not eligible for Medicaid assistance under an approved Medicaid State plan), that is, reductions in charges given to other third party payors, such as HMOs, Medicare, or Blue Cross Blue Shield.

c. A hospital must:

i. have a MIUR of not less than one percent;

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- ii. have at least two (2) obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals entitled to such services under State Medicaid plan. In the case of a hospital located in a rural area (that is, an area outside of a Metropolitan Statistical Area, as defined by the Executive Office of Management and Budget) the term “obstetrician” includes any physician with staff privileges at the hospital to perform non-emergency obstetric procedures. This does not apply to a hospital in which:
    - (a) the inpatients are predominantly individuals under 18 years of age; or
    - (b) non-emergency obstetric services were not offered as of December 22, 1987.
  - iii. not be an institution for mental disease or other mental health facility subject to the limitation on DSH expenditures under Section 4721 of the Balanced Budget Act of 1997.
2. Subject to the provisions of subparagraph 1c above, a hospital will qualify for DSH payments if it is:
- a. a public hospital (i.e., hospital owned or operated by a Nevada hospital district, county or other unit of local government); or
  - b. in Nevada counties which do not have a public hospital, the private hospital which provided the greatest number of Medicaid inpatient days in the previous year; or
  - c. a private hospital - located in a Nevada county which has a public hospital, if the public hospital has a MIUR greater than the average for all the hospitals receiving Medicaid payment in the State.

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- B. Distribution Pools: Hospitals qualified under paragraph 'A' above will be grouped into distribution pools on the following basis:
1. Distribution pools are established as follows:
    - a) All public hospitals qualifying under paragraph A above and in counties whose population is 700,000 or more, the total annual disproportionate share payments will be 87.97% of the total computable DSH allotment for the State Fiscal Year.
    - b) All private hospitals qualifying under paragraph A above and in counties whose population is 700,000 or more, the total annual disproportionate share payments will be 1.69% of the total computable DSH allotment for the State Fiscal Year.
    - c) All private hospitals qualifying under paragraph A above and in counties whose population is 100,000 or more but less than 700,000, the total annual disproportionate share payments will be 5.86% of the total computable DSH allotment for the State Fiscal Year.
    - d) All public hospitals qualifying under paragraph A above and in counties whose population is less than 100,000, the total annual disproportionate share payments will be 1.34% of the total computable DSH allotment for the State Fiscal Year.
    - e) All private hospitals qualifying under paragraph A above and in counties whose population is less than 100,000, the total annual disproportionate share payments will be 3.14% of the total computable DSH allotment for the State Fiscal Year.
    - f) Note: There is no public hospital in counties whose population is 100,000 or more but less than 700,000.
  2. The total amount distributed to an individual hospital may not, under any circumstance, exceed the total uncompensated care costs (DSH limit) for that facility.
  3. Total annual uncompensated care costs equal the cost of providing services to Medicaid inpatients, Medicaid outpatients and uninsured patients, less the sum of:  
  
Regular Medicaid FFS rate payments (excluding DSH payments);  
Medicaid managed care organization payments;  
Supplemental/enhanced Medicaid payments;  
Uninsured revenues; and  
Federal section 1011 payments for uncompensated services to eligible aliens with no source of coverage.
  4. An "uninsured patient" is defined as an individual without health insurance

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or other source of third party coverage (except coverage from State or local programs based on indigency). A system must be maintained by the hospitals to report revenues on Medicaid and uninsured patient accounts to determine uncompensated care cost consistent with Section 1923 (g) of the Social Security Act and implementing regulations at 42 CFR 447 Subpart E. Costs for Medicaid and uninsured patients will be based upon the methodology used in the HCFA 2552 report. Revenue will be deducted from cost. The total costs on the report will be subject to an independent audit. The HCFA 2552 report must be submitted within six months of the hospital's fiscal year end.

### C. Calculation of Hospital DSH Payments

1. Using the same period of data as outlined on subparagraph A 1, the Division will calculate the DSH payments for each hospital as follows:
  - a. 50% of the pool amount will be distributed based on the percent to total of the uncompensated care percentage of the hospitals within the pool.
    - i. Uncompensated Care Percentage is the uncompensated care cost of the hospital divided by the net patient revenues of the hospital, as reported on the Medicare Cost Report, which is required to be filed with the State.
      - (a) Net patient revenues are total patient revenues less contracted allowances and discounts. This comes from Medicare cost report, Worksheet G-3 line 3, less any net patient revenue from non-hospital inpatient and non-hospital outpatient services.
  - b. The remaining 50% of the pool amount will be distributed based on the percent to total of the uncompensated care cost of the hospitals within the pool.
2. The DSH payments will be made monthly to the eligible hospitals. Payments will be based on the State Fiscal Year. DSH payment will in no instance exceed a hospital's DSH limit. If any hospital's calculated DSH payment exceeds its DSH limit, the excess will be redistributed to the remaining hospitals within the pool using the same formula above.

### D. Adjusting DSH payments based on DSH Independent Certified Audit results

1. The Division will audit each hospital for each year in which the hospital received a disproportionate share payment pursuant to NRS, NAC and in accordance with the provisions of Title XIX of the Social Security Act, 42 U.S.C. §§ 1396 et seq.

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2. After conducting an audit, if a hospital's eligibility changes or its initial DSH payment exceeded its audited DSH limit, the Division will recalculate the following for all hospitals in the affected pool:
  - a. Audited uncompensated care costs
  - b. Audited uncompensated care percentages
  - c. Final DSH payment amounts using the same methodology as defined in paragraph C. Final DSH payment amounts are calculated using the audited amounts in subparagraph D 2a and b.
  - d. The amount of monies available for redistribution within each pool based on a comparison of each hospital's final DSH payment amount and the initial DSH payment received by each hospital in the pool.
3. For all hospitals in the affected pool(s), the Division will reconcile each hospital's initial DSH payment to its final DSH payment as calculated in paragraph D 2. Any hospital whose initial DSH payment is greater than the final DSH payment will return the difference to the Division, and any hospital whose initial DSH payment is less than the final DSH payment will be paid the difference. The final DSH payment amount for an individual hospital, as calculated in paragraph D 2 and in accordance with the methodology in paragraph C, will in no instance exceed that hospital's audited DSH limit.
4. If each hospital within a pool of hospitals has received the maximum amount of disproportionate share payments allowable by federal and state statutes and regulations, the Division will use the money returned to pay additional disproportionate share payments as follows in the method described in paragraph C above:
  - a. If the money was returned by a hospital that is a member of pool A, to hospitals in pool B;
  - b. If the money was returned by a hospital that is a member of pool B, to hospitals in pool C;
  - c. If the money was returned by a hospital that is a member of pool C, to hospitals in pool D;
  - d. If the money was returned by a hospital that is a member of pool D, to hospitals in pool E; or
  - e. If the money was returned by a hospital that is a member of pool E, to hospitals in pool A.

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IX. MEDICARE CROSS OVER CLAIMS

Payment of crossover claims will be as follows:

- A. The lower of the Medicare deductible amount or the difference between the Medicare payment and Medicaid prospective payment for that service.

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X. HOSPITALS OUT OF STATE

Elective out-of-state admissions require prior authorization by Nevada Medicaid's Peer Review Organization, which must verify medical services required by Medicaid-eligible or pending-eligible clients are not available in Nevada. The out-of-state payment rate for inpatient care is based on one of the following criteria, whether emergency or elective in nature.

- A. For California hospitals, the following rates will be paid:
  - 1. If the hospital has no signed contract with the State of California to provide Medi-Cal services, the California interim reimbursement Medi-Cal rate.
  - 2. If the hospital has a signed contract with the State of California to provide Medi-Cal services, the Medi-Cal contract rate is paid. If the contract rate is not made available to Nevada Medicaid, the California interim Medi-Cal rate is paid.
- B. For Utah hospitals the payment rate is 45 percent of billed charges.
- C. For all other states' hospitals, the payment rate will be either the Nevada Medicaid prospective rate or the Medicaid rate for the state in which the hospital is located, but not more than billed charges. To receive the Medicaid rate for the state in which the hospital is located, the hospital must attach documentation to the UB-92 billing claim, produced and generated by that state's Medicaid program, verifying the state's payment rate to that hospital.
- D. All other states' freestanding psychiatric/substance abuse hospitals are reimbursed 70 percent of billed charges.
- E. For Medicare crossover claims, the payment will be the lower of the Medicare deductible amount or the difference between the Medicare payment and the Nevada Medicaid prospective payment for that service.
- F. For services that cannot be provided by a provider that accepts payments under (A) through (E), the State will maintain a list of other qualified out-of-state providers and will negotiate competitive rates that will not exceed the provider's customary charge.

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XI. RATE ADJUSTMENTS

Payment is made for services provided in inpatient hospital facilities in accordance with Section 1902(a)(13) of the Social Security Act as amended by Section 4711 of the Balanced Act of 1997. Prospective payment rates are based using the most current hospital costs reports (HCFA 2552) and cost reimbursement series (CRS) reports following the steps described in Section II - V above. Rates in effect on June 30, 1999 will be continued without adjustment except as may be directed by the Department of Human Resources.

XII. MONITORING FUTURE RATES

Nevada Medicaid monitors cost and utilization experience of all hospitals by evaluation of the cost reports filed each year. Payments are examined closely. Should modification of any elements or procedures such as creation or deletion of a rate or group appear necessary, this State Plan Attachment will be amended.

XIII. ADVANCES

Upon request, each hospital may receive each month an advance payment that represents expected monthly Medicaid reimbursement to that facility. Each advance is offset by claims processed during the month. Month-end +/- discrepancies automatically adjust the advance issued the following month.

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XIV. DIRECT GRADUATE MEDICAL EDUCATION PAYMENTS

This section of the state plan contains the provisions for making additional Medicaid payments to recognize the additional direct costs incurred by non-state government owned hospitals with approved graduate medical education programs.

A. Qualifying Hospitals:

Non-state government owned hospitals that participate in the Medicaid program are eligible for additional reimbursement related to the provision of Direct Graduate Medical Education (GME) activities. To qualify for these additional Medicaid payments, the hospital must also be eligible to receive GME payments from the Medicare program under provision of 42 C.F.R. 413.75.

B. Direct Graduate Medical Education Definitions:

- (i) Base-year per resident amount – is the Medicaid allowable inpatient direct graduate medical education cost as reported on CMS form 2552, Hospital Cost Report; worksheet B, Part I, line 22, column 22 and line 23, column 23, divided by the un-weighted FTE residents from worksheet S-3; Part I; line 12 and line 14, column 7 of the hospital cost report ending in 6/30/2008.
- (ii) Current Number of FTE Residents – means the number of full-time-equivalent interns, residents, or fellow who participate in an approved medical residency program, including programs in osteopathy, dentistry, and podiatry, as required in order to become certified by the appropriate specialty board reported on CMS form 2552, Hospital Cost Report ; worksheet S-3: Part I; line 12 and line 14, column 7.
- (iii) Medicaid Patient Load – is the ratio of Medicaid inpatient days to total hospital inpatient days. This ratio is determined by the following; Medicaid inpatient days as reported on CMS form 2552, Hospital Cost Report ; worksheet S-3; Part I; lines 2, 2.01, 12 and 14; column 5 is divided by the hospital's total inpatient days, as reported on worksheet S-3; Part I; lines 12 and 14; column 6. Medicaid inpatient days and total inpatient days included inpatient nursery days and managed care days.

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C. Methodology for Determining Direct GME Payments:

The hospitals that qualify for GME payments will have their hospital specific payment amount determined as follows:

- (i) The base-year per resident amount is multiplied by the actual regulation market basket change and Medicare payment updated used for Medicare Inpatient Prospective Payment Systems (IPPS) as published in the “Federal Register. The index updates reflect payment increases before budget neutrality;
- (ii) The results in (i) are multiplied by the current number of FTE residents;
- (iii) The results in (ii) are multiplied by the Medicaid patient load which results in the total direct GME payment for the hospitals.

D. Payments of Direct GME:

- (i) The current number of FTE residents and the Medicaid patient load will be updated annually using data from the most recent Medicare/Medicaid hospital cost report (CMS form 2552) submitted to Medicare by each qualifying hospital;
- (ii) Beginning January 2, 2010, the state will calculate the total direct GME reimbursement for qualifying hospitals using the methodology in section C. above. The state will determine the annual GME amount payable to qualifying hospitals prospectively for period that will begin each July 1. On a quarterly basis, qualifying hospital will receive a GME payment equal to twenty-five percent (25%) of the annually determined GME amount. A quarterly payment will be made in each calendar quarter during the state’s fiscal year.

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### XV. FEDERAL UPPER PAYMENT LIMIT

In order to preserve access to inpatient hospital services for needy individuals in the state of Nevada, the state's Medicaid hospital reimbursement system shall provide for supplemental payments to non-state, governmentally owned or operated hospitals and private hospitals. Supplemental payments shall be made to non-state, governmentally owned or operated hospitals effective for services provided on after January 1, 2002. Supplemental payments shall be made to private hospitals effective for services provided on or after January 2, 2010. These supplemental payments shall be determined on an annual basis and paid to qualifying hospitals on a quarterly basis. The supplemental payments to non-state, governmentally owned or operated hospitals shall not exceed, when aggregated with other payments made to non-state, governmentally owned or operated hospitals, 100% of a reasonable estimate of the amount that would be paid for such services under Medicare payment principles for non-state, governmentally owned or operated hospitals, except that payments for the period prior to May 14, 2002, such payments shall not exceed 150% of a reasonable estimate of the amount that would be paid for such services under Medicare payment principles for non-state, governmentally owned or operated hospitals. The supplemental payments to private hospitals shall not exceed, when aggregated with other payments made to private hospitals, 100% of a reasonable estimate of the amount that would be paid for such services under Medicare payment principles for private hospitals.

The upper payment limit will be determined on an annual basis. In general, this approach identifies the upper limit through the application of Medicare's prospective payment system, which is a diagnosis related group (DRG) payment system. The upper limit computes, for each hospital, the Medicare DRG payment amount for each Medicaid discharge by determining a Medicare equivalent case mix index based on Medicaid discharges. This upper limit also uses a payment per discharge calculation of the amount of Medicare pass-through and add-on reimbursement including but not limited to outlier, direct graduate medical education, organ acquisition, routine and ancillary pass-through, IME, DSH, and capital payments. The Medicare pass-through and add-on reimbursement are identified from the Medicare cost report and adjusted for Medicaid where applicable. The hospital's Medicare payment per discharge, which includes the DRG and the pass-through/add on amounts, are applied to the number of Medicaid discharges. The latest available information is used for Medicare DRG, Medicare pass-through and add-on payments, Medicare discharges, and Medicaid discharges. Inflation factors are accordingly applied to determine an individual hospital's Medicare payment for the UPL period. The sum of each hospital's estimated Medicare payment for Medicaid discharges is the aggregate upper payment limit for the hospital class.

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### SUPPLEMENTAL PAYMENT FOR NON-STATE GOVERNMENTALLY OWNED OR OPERATED HOSPITALS

The state will determine annually the payments to be made to non-state, governmentally owned or operated hospitals under this section of the plan using the following methodology:

1. Identify all non-state government owned or operated acute care hospitals.
2. For each facility identified in step #1, compute total Medicaid fee-for-service inpatient hospital payments using latest available data projected to the current period.
3. For each facility, calculate the difference between payments identified in step #2, and the hospital's Medicare UPL. This difference is the total maximum disbursement available under this section of the state plan.

These calculations will be set on a prospective basis and will not be retroactively adjusted to previous fiscal years.

The state shall determine the annual supplemental amount payable to hospitals prospectively for period that will begin each July 1. On a quarterly basis, hospitals will receive a supplemental payment equal to twenty-five percent (25%) of the annually determined supplemental amount. A quarterly payment will be made in each calendar quarter during the state's fiscal year. The state shall determine the amount of supplemental payments to each facility using the following criteria:

1. Total supplemental payments under this section of the state plan will not exceed the difference between Medicaid payments and the Medicare UPL calculated in step #3 above.
2. Facilities participating in the supplemental payment program will be identified.
3. Total supplemental payments will be apportioned to public hospitals participating in the supplemental payment program using each hospital's participation percentage. This percentage is calculated by dividing each supplemental payment hospital's Medicaid days by the total Medicaid days for all supplemental payment hospitals.
4. Medicaid days for each supplemental payment hospital shall be identified using the most recent Medicare cost report data available at the time the calculation are prepared.
5. Once these participation percentages are determined they will be final and not subject to recalculation, except when errors are found in the calculations. The state will not recalculate the percentages following receipt of more accurate data, such as a more current or audited Medicare cost report.

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SUPPLEMENTAL PAYMENT FOR INPATIENT HOSPITALS

In order to preserve access to inpatient hospital services for needy individuals in the state of Nevada, effective on or after January 1, 2014, the state's Medicaid reimbursement system shall provide for supplemental payments to inpatient hospitals. These supplemental payments shall be determined on an annual basis and paid to qualifying private and public inpatient hospitals on a quarterly basis. The payments will be based on inpatient hospital Medicaid Fee-For-Service utilization. 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.

A. Amount for Distribution

1. The amount of funds to be distributed is the total computable of which the non-federal share is \$11,245,692, for the period from January 1, 2014 to June 30, 2014. For the period July 1, 2014 to June 30, 2015 the amount will be the total computable of which the non-federal share is \$11,245,692.
2. The aggregated amount of supplemental payments to inpatient hospitals shall not exceed the Upper Payment Limit (UPL) for each one of the respective period. The supplemental payment for the period of January 1, 2014 to June 30, 2014 will be accounted for the UPL room available for January 1, 2014 to June 30, 2014. The supplemental payment for the period of July 1, 2014 to June 30, 2015 will be accounted for in the UPL room available for July 1, 2014 to June 30, 2015.

B. Eligibility

1. Nevada acute care inpatient hospitals (PT 11), that are not designated as Critical Access Hospitals (CAH) (PT 75), Psychiatric Inpatient Hospitals (PT 13), Rehabilitation, Specialty or Long Term Acute Care (LTAC) (PT 56), will be deemed to qualify.
2. Nevada acute care inpatient hospitals (PT 11) certified as Trauma I, Trauma II and Trauma III levels will additionally qualify for the distribution of the Trauma case portion of the allotment.

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C. Methodology

1. Data Source

- a. Days count, by date of service, obtained from the Nevada Medicaid Management Information System (MMIS) for the Med/Surg/ICU, Maternity, NICU and Psych/Detox revenue codes.
- b. Data used is from the calendar year two (2) years prior.
  - i. For example, the calculation for payment in State Fiscal Year 2014 would be computed in calendar year 2013 using data from calendar year 2011.
- c. Case Mix Index (CMI) is calculated using the same claims data described above, in (a) and (b) by Contractor University of Nevada Las Vegas, Center for Health Information Analysis (CHIA).
- d. Trauma cases are determined using the same claims data described above, in (a) and (b) by counting the number of patient discharges which have a trauma revenue code.

2. Calculation – The calculation will be computed annually, based on the total allocation amount specified above in A.1 with quarterly payments to be made during calendar year quarters as described in D.1 using the following methodology:

- a. Identify all eligible hospitals as described above in (A).
- b. Determine which hospitals are trauma certified (levels 1, 2 and 3).
- c. Determine the total allocation.
- d. Determine the total count of trauma cases for any trauma certified hospital.
- e. Calculate three percent (3%) of the total allocation to determine the trauma portion of the allocation.
- f. Level I and Level II trauma cases will be given a weight of 100% of the amount to be paid for each trauma case; Level III trauma cases will be given a weight of 50%.
- g. Divide the number of Level I plus Level II plus half the number of Level III trauma cases into the product of 2 (e) above to determine the amount to be paid for each 100% weighted trauma case.

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- h. To calculate the 50% weighted trauma case amount, divide the 100% weighted trauma case by 2.
- i. Multiply the number of trauma cases of hospitals certified as trauma Level I and Level II by the 100% weighted amount determined in (g), to calculate the payment for each hospital in this category.
- j. Multiply the number of trauma cases of hospitals certified as trauma Level III by the amount determined in (h), to calculate the payment for each hospital in this category.
- k. Subtract the trauma portion of the allocation from the total allocation to determine the amount remaining for distribution to eligible hospitals as identified in step 2 (a).
- l. Multiply the number of each hospital's Medicaid Fee-For-Service days, by their Medicaid CMI to determine the number of adjusted days per hospital.
- m. Divide the remaining allocation (the amount in step (c) reduced by the amount in step (e)) by the total adjusted days to determine the per day rate.
- n. Multiply the per day rate times the individual hospital adjusted days to determine each hospital payment.
- o. Add hospital day rate payment amount to the trauma payment, if any, to determine the total payment to each hospital.

### D. Payment

1. Payment issued to hospitals participating in the supplemental payment will be deducted and tracked to ensure that total Medicaid payments do not exceed the aggregate amount of (UPL) calculated for the corresponding period (see A.2 above).
2. One fourth (25%) of the total annual allocation (not to exceed the aggregate amount of UPL for the corresponding period) will be paid out quarterly to each eligible hospital, in supplemental payments, due two quarters from the quarter to be paid (e.g. payment for July-September of 2014 will be paid out in the calendar quarter of January-March of 2015). For the payments for January 1, 2014-June 30, 2014, four equal payments will be paid in each of the four calendar quarters of 2014.
3. Each hospital will be issued the supplemental payment by EFT as a financial transaction through the MMIS.

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### B. SUPPLEMENTAL PAYMENT FOR PRIVATE HOSPITALS

In order to preserve access to inpatient hospital services for needy individuals in the state of Nevada, effective for services provided on or after January 2, 2010, the state's Medicaid hospital reimbursement system shall provide for supplemental payments to private hospitals affiliated with a state or unit of local government in Nevada through a Low Income and Needy Care Collaboration Agreement (Affiliated Private Hospitals). A Low Income and Needy Care Collaboration Agreement is defined as an agreement between a hospital and a state or unit of local government to collaborate for purposes of providing healthcare services to low income and needy patients. These supplemental payments shall be determined on an annual basis and paid to qualifying hospitals on a quarterly basis.

The supplemental payments are payments for Medicaid fee-for-service inpatient hospital service. The supplemental payments shall not exceed, when aggregated with other payments made to private hospitals, 100% of a reasonable estimate of the amount that would be paid for such services under Medicare payment principles for private hospitals.

The state will determine the payments to be made under this section of the plan using the following methodology:

1. Identify all Nevada private hospitals. Non-state government owned or operated acute care hospitals and state owned hospitals do not qualify under this methodology.
2. For those facilities identified in step #1, compute the Medicare UPL according to the methodology set out on Page 32 above.
3. The amount computed in step #2, less the Medicaid fee-for-service inpatient hospital payments to those facilities identified in step #1, is the total maximum disbursement available under this section of the state plan in each fiscal year. If the payments under this section of the plan exceed this total maximum disbursement, the state will calculate the percentage by which the Medicare UPL is exceeded and reduce payments to all hospitals under this section of the state plan by the same percentage.

The Medicaid director shall then determine the amount of supplemental payments to each facility using the following criteria.

1. Total supplemental payments under this section of the state plan will not exceed the difference between Medicaid payments and the Medicare UPL calculated in Step #3 above.
2. Facilities participating in the supplemental payment program will be identified. All Affiliated Private Hospitals are eligible to participate in the supplemental payment program.

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3. Each Affiliated Private Hospital will receive quarterly supplemental payments. The annual supplemental payments in any fiscal year will be the lesser of:
  - a) The difference between the hospital's Medicaid inpatient billed charges and Medicaid payments the hospital receives for services processed for fee-for-service Medicaid recipients during the fiscal year.
  - b) For hospitals participating in the Nevada Medicaid DSH program, the difference between the hospital's total uncompensated costs (as defined in Section VIII) and the hospital's Medicaid DSH payments during the fiscal year.

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XVI. INPATIENT HOSPITAL SERVICES REIMBURSEMENT TO INDIAN HEALTH SERVICE AND TRIBAL 638 HEALTH FACILITIES

Effective January 1, 2000 Nevada Medicaid will reimburse Indian Health Services facilities and Tribal 638 facilities for inpatient hospital services a daily rate in accordance with the most recent published Federal Register notice. This rate does not include physician services.

Physician services are reimbursed in accordance with attachment 4.19-B, item 5 of the Nevada State Plan.

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**Citation**

42 CFR 447, 434, 438, and 1902(a)(4), 1902(a)(6), and 1903

**Payment Adjustment for Provider Preventable Conditions**

The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for provider-preventable conditions.

**Health Care-Acquired Conditions**

The State identifies the following Health Care-Acquired Conditions for non-payment under Section 4.19 (A).

  X   Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or hip replacement surgery in pediatric and obstetric patients.

**Other Provider-Preventable Conditions**

The State identifies the following Other Provider-Preventable Conditions for non-payment under Section(s) 4.19-A

  X   Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

       Additional Other Provider-Preventable Conditions identified below (*please indicate the section(s) of the plan and specific service type and provider type to which the provisions will be applied. For example – 4.19(d) nursing facility services, 4.19(b) physician services*) of the plan:

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### **Methodology for Identifying Provider-Preventable Conditions**

Beginning July 1, 2012, Nevada, which pays claims on a per-diem basis, will use two methods to identify PPCs: screening Prior Authorization requests and a retrospective review of claims.

#### PRIOR AUTHORIZATION (PA)

Prior Authorizations (PAs) will be screened for PPC codes and reviewed by the fiscal agent's medical review staff, which will make determinations for denials of payment for continued stay requests and/or level of care increases if the request appears to be related to a PPC. Payment denial does not consider medical necessity. Providers can appeal a PPC denial utilizing the existing appeals process.

#### RETROSPECTIVE REVIEW

##### Prior Authorization

A provider who caused a PPC may be discovered in the process of reviewing a PA request from a second provider from whom the patient seeks treatment. If it is determined in the PA screening that a provider other than the provider requesting the PA may be responsible for causing a PPC, a retrospective review of claims of the provider possibly causing the PPC will be done. Payments associated with treating the PPC will be recovered, from the original provider, if those increases in payments can be reasonably isolated to the PPC event.

##### Claims Review

Under NRS 449.485 and R151-8 the Nevada Division of Health Care Financing and Policy and University of Nevada Las Vegas (UNLV) Center for Health Information and Analysis (CHIA) collects and maintains billing record fields for Nevada hospitals and ambulatory surgical centers. This data set captures the Present on Admission (POA) indicator for the UB-04 claims for principal and each secondary (other) diagnosis field. Claims data with dates of service on or after July 1, 2012 will be reviewed and those fitting the criteria for PPCs will be identified. Providers will be supplied information identifying claims with the potential PPCs and will be given 30 days to review and respond to any discrepancies. Provider-confirmed PPCs will be subject to payment adjustment.

### **Payment Adjustment**

For per diem payments, the number of covered days shall be reduced by the number of days associated with any PPC not present on admission. Nevada will use nationally accepted standards to determine the number of days attributable to the diagnosis absent the PPC and the incremental number of days attributable to the PPC. Reimbursement may also be reduced for level of care changes attributable to a PPC.

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