

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
08-023

2. STATE
Wisconsin

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
07/01/2008

5. TYPE OF PLAN MATERIAL (Check One):

- NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.250

7. FEDERAL BUDGET IMPACT:
a. FFY 2009 \$ (18K)
b. FFY 2010 \$ (18K)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, Page1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):
Same

10. SUBJECT OF AMENDMENT:

Inpatient hospital rates and methodologies - never events

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Jason A. Helgerson

14. TITLE:
State Medicaid Director

15. DATE SUBMITTED:
September 30, 2008

16. RETURN TO:
Jason A. Helgerson
State Medicaid Director
1 W. Wilson St.
P.O. Box 309
Madison, WI 53701-0309

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:
6-4-08

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JUL -1 2008

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
William Lasowski

22. TITLE:
Deputy Director, CMSO

23. REMARKS:

**Wisconsin Medicaid Program
Inpatient Hospital State Plan
Method and Standards For Determining Payment Rates**

**SECTION 1000
OVERVIEW OF INPATIENT HOSPITAL REIMBURSEMENT**

This section is a brief overview of how reimbursement to hospitals is determined for inpatient services that are provided by hospitals to eligible recipients of the Wisconsin Medicaid Program (WMP). The WMP uses a reimbursement system which is based on Diagnosis Related Groupings (DRGs). The DRG system covers acute care hospitals. Excluded from the DRG system are rehabilitation hospitals, State Institutions for Mental Disease (IMDs) and psychiatric hospitals, which are reimbursed at rates per diem. Also, reimbursement for certain specialized services are exempted from the DRG system. These include acquired immunodeficiency syndrome (AIDS), ventilator-assisted patients, unusual cases and brain injury cases. Special provisions for payment of each of these DRG exempted services are included in the plan. As of July 1, 1995, organ transplants are covered by the DRG system.

Approved inpatient hospital rates are not applicable for hospital acquired conditions that are identified as non-payable by Medicare. This hospital acquired conditions policy does not apply to Medicaid supplemental or enhanced payments and Medicaid disproportionate share payments.

The WMP DRG reimbursement system uses the grouper that has been developed for and used by Medicare, with enhancements for certain perinatal, newborn and psychiatric cases. The grouper is a computer software system that classifies a patient's hospital stay into an established diagnosis related group (DRG) based on the diagnosis of and procedures provided the patient. The WMP applies the Medicare grouper and its enhancements to Wisconsin-specific claims data to establish a relative weight for each of over 550 DRGs based on statewide average hospital costs. These weights are intended to reflect the relative resource consumption of each inpatient stay. For example, the average hospitalization with a DRG weight of 1.5 would consume 50 percent more resources than the average hospitalization with a weight of 1.0, while a hospital stay assigned a DRG with a weight of .5 would require half the resources.

Each hospital is assigned a unique "hospital-specific DRG cost based payment per discharge". The provider specific, cost based DRG payment rate will be adjusted by case mix with additional payments made for eligible outlier cases.

Given a hospital's specific DRG rate and the weight for the DRG into which a stay is classified by the grouper, payment to the hospital for the stay is determined in multiplying the hospital's rate by the DRG weight.

A "cost outlier" payment is made when the cost of providing a service exceeds a pre-determined "trimpoint". Each inpatient hospital claim is tested to determine whether the claim qualifies for a cost outlier payment. A length-of-stay outlier payment is available upon a hospital's request for children under six years of age in disproportionate share hospitals and for children under age one in all hospitals.

For additional information, contact:

Hospitals, Physicians and Clinics Section
Division of Health Care Financing
1 W. Wilson Street, Room 350
P. O. Box 309
Madison, Wisconsin 53701-0309.

Telephone (608) 261-7838
FAX Telephone (608) 266-1096
Voice/TDD 1-800-362-3002

TN # 08-023
Supersedes TN# 07-006

Approval date JUN - 4 2009

Effective date: 07/01/2008

OS Notification

State/Title/Plan Number: Wisconsin 08-023

Type of Action: SPA Approval

Required Date for State Notification: June 15, 2009

Fiscal Impact:

FY 2009	\$ (18,000)
FY 2010	\$ (18,000)

Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0

Number of Potential Newly Eligible People: 0

Eligibility Simplification: No

Provider Payment Increase: No

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: No

Reduces Benefits: No

Detail: Effective for services on or after July 1, 2008, this amendment proposes to add language to the inpatient hospital rate methodology that addresses hospital acquired conditions (“never events”). The proposed added plan language clarifies that inpatient hospital reimbursement rates are not applicable for hospital acquired conditions that are identified as non-payable by Medicare.

Other Considerations:

This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.

Recovery Act Impact:

The Regional office has reviewed this state plan amendment in conjunction with the Recovery Act and, based on the available information provided by the State regarding 1) MOE; 2) local match; 3) prompt pay; 4) rainy day funds, and 5) eligible expenditures, the Regional Office believes that the State is not in violation of the Recovery Act requirements noted above.

CMS Contact:

**Todd McMillion (608) 441-5344
National Institutional Reimbursement Team**