MEMORANDUM

TO: Mandy Cohen, MD, MPH
Secretary

FROM: Dave Richard
Deputy Secretary for NC Medicaid

SUBJECT: State Plan Amendment
Title XIX, Social Security Act
Transmittal #2020-0006

DATE: June 3, 2020

Please find attached an amendment for North Carolina’s State Plan under Title XIX of the Social Security Act for the Medical Assistance Program. The affected pages are Attachment 4.19-A, Page 11 and Attachment 4.19-B, Section 2, Page 1c of the Medicaid State Plan.

This state plan change modifies the language describing enhanced payments to teaching hospitals for inpatient and outpatient services on these pages from “equal to 7.22 percent” to “not to exceed 7.22 percent” to allow for greater flexibility to reimburse hospitals for reasonable costs split between enhanced payments and deficit payments.

This amendment is effective April 1, 2020.

Your approval of this state plan amendment is requested. If you have any questions or concerns, please contact me or Arthur Becton at 919-527-7105.
State Plan Under Title XIX of the Social Security Act
Medical Assistance Program
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital

ENHANCED PAYMENTS TO TEACHING HOSPITALS FOR INPATIENT HOSPITAL SERVICES

(f) Hospitals that are not qualified to certify public expenditures, are licensed by the State of North Carolina, qualify for disproportionate share hospital status under Paragraph (c) of this Section, and, for the fiscal year immediately preceding the period for which payments under this Paragraph are being calculated:

i. Qualify to receive inpatient hospital rate adjustment payments described in Paragraph (g) of the section of this plan entitled “INPATIENT HOSPITAL RATE ADJUSTMENT PAYMENT TO HOSPITALS SERVING HIGH PORTIONS OF LOW INCOME PATIENTS;” and

ii. Operate at least two Medicare approved graduate medical education programs and report on cost reports filed with the Division, Medicaid costs attributable to such programs shall be entitled to additional enhanced payments for inpatient services paid annually in up to four installments.

(1) The additional enhanced payment for Medicaid inpatient services shall satisfy the portion of the inpatient “Medicaid deficit” not to exceed 7.22 percent of the hospital’s estimated uncompensated care cost of providing inpatient and outpatient services to uninsured.

(2) The “Medicaid deficit” shall be calculated by subtracting Medicaid payments from reasonable Medicaid costs as follows:

(A) Reasonable costs of inpatient hospital Medicaid services including the reasonable direct and indirect costs attributable to inpatient Medicaid services of operating Medicare approved graduate medical education programs shall be determined annually by:

i. Calculating a hospital’s Medicaid inpatient cost-to-charge ratio using the most recent available as-filed CMS 2552 cost report,

ii. Multiplying the Medicaid inpatient cost-to-charge ratio by the hospital’s Medicaid allowable inpatient charges for inpatient services provided during the same fiscal year as the filed cost report, and paid not less than six months after the end of the fiscal year,

iii. Applying the applicable CMS PPS Hospital Input Price Indices to bring the cost data forward to the mid-point of the payment period.
MEDICAL ASSISTANCE  
STATE: NORTH CAROLINA  

PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICE  

2.a.2. ENHANCED PAYMENTS TO TEACHING HOSPITALS FOR OUTPATIENT HOSPITAL SERVICES  

Hospitals that are not qualified to certify, are licensed by the State of North Carolina, qualify for disproportionate share hospital status under Paragraph (c) of the Disproportionate Share Hospital payment section of this plan, and, for the fiscal year immediately preceding the period for which payments under this Paragraph are being calculated:

i. Qualify to receive inpatient hospital rate adjustment payments described in Paragraph (g) of the section of this plan entitled “INPATIENT HOSPITAL RATE ADJUSTMENT PAYMENT TO HOSPITALS SERVING HIGH PORTIONS OF LOW INCOME PATIENTS;” and

ii. Operate at least two Medicare approved graduate medical education programs and report on cost reports filed with the Division, Medicaid costs attributable to such programs; shall be entitled to additional enhanced payments for outpatient services, paid annually in up to four installments.

(1) The additional enhanced payment for Medicaid outpatient services shall satisfy the portion of the outpatient “Medicaid deficit” not to exceed 7.22 percent of the hospital’s estimated uncompensated care cost of providing inpatient and outpatient services to uninsured patients.

(2) The outpatient “Medicaid deficit” shall be calculated as follows:

A. Reasonable costs of outpatient hospital Medicaid services shall be determined annually by calculating a hospital’s Medicaid outpatient cost-to-charge ratio using the most recent available as-filed CMS 2552 cost report data and multiplying the Medicaid outpatient cost-to-charge ratio by the hospital’s Medicaid allowable charges for outpatient services provided during the same fiscal year as the filed cost report, but paid not less than six months after the end of the fiscal year,

B. Applying the applicable CMS PPS Hospital Input Price Indices to bring the cost data forward to the mid-point of the payment period.

C. Multiplying the Medicaid outpatient costs by a percentage equal to 100 minus the percent of allowable outpatient costs specified in Section 2a on Page 1 above.

TN. No. 20-0006  
Supersedes Approval Date  
TN. No. 14-002  
Eff. Date 04/01/2020