

**MEDICAID HOSPITAL REIMBURSEMENT ADD-ON PAYMENT METHODOLOGY TO
COMPENSATE HOSPITALS THAT DELIVER HOSPITAL CARE FOR THE INDIGENT PROGRAM
SERVICE**

In order to be eligible for and to receive a payment under the Indiana Hospital Care for the Indigent Care (HCI) program, a hospital must (1) be enrolled in and be providing inpatient services to patients enrolled in the Indiana Medicaid program during the state fiscal year for which payment is being made; and (2) have an audited cost report from the most recent common state fiscal year for which audited cost reports are on file with the office for all potentially eligible hospitals on June 30 of a preceding state fiscal year, unless extenuating circumstances exist. Hospitals that are no longer accepting Medicaid and HCI patients shall not receive payment under this section. Reimbursement under this program will be in the form of Medicaid add-on payments. The Medicaid add-on payments will provide additional reimbursement to eligible hospitals for the Medicaid-covered hospital services the hospitals provide to Medicaid enrollees. The amount and availability of the add-on payments will be limited by the charge limit and the upper payment limit pursuant to 42 C.F.R. §§ 447.271 and 447.272, the amount of services rendered to Medicaid and HCI patients, and the rates for inpatient hospital services as stated in Attachment 4.19-A, Pages 1A through Page 1G of this state plan. The add-on payments will be calculated and paid using the formula set forth below.

An eligible hospital for HCI purposes is defined as an acute care hospital licensed under Indiana Code 16-21, as defined and interpreted in the disproportionate share payment section of the Indiana Medicaid state plan amendment, and as defined and interpreted under the prior Medicaid HCI add-on payment methodology. I.C. 12-15-15-8 contained the payment methodology that was used to determine and make payments under the HCI program prior to state fiscal year 1998 and therefore, will not be used to calculate the payments for each state fiscal year beginning July 1, 1997 and thereafter.

PAYMENT FORMULA

In accordance with I.C. 12-15-15-9.6, for each state fiscal year beginning July 1, 2003 and thereafter, the total Medicaid HCI add-on payments to hospitals for a state fiscal year shall not exceed an amount equal to all amounts transferred from the hospital care for the indigent fund to the Medicaid indigent care trust fund, including amounts attributable to each county's *ad valorem* HCI property tax levy, for a state fiscal year. A Medicaid add-on payment due to an eligible hospital must be based on a formula that provides additional Medicaid reimbursement for inpatient hospital services the hospital provides to Medicaid enrollees. The amount and availability of a Medicaid add-on payment for a hospital will be limited by the upper payment limits imposed under 42 CFR § § 447.271 and 447.272. Variations in the amount of Medicaid add-on payments paid to eligible hospitals will be based upon the amount of inpatient hospital services an eligible hospital provides to Medicaid enrollees, the hospital's HCI patient case-load, and the amount of funds, including a county's *ad valorem* HCI property tax levy, transferred to the state hospital care for the indigent fund by each county to which one or more of the eligible hospital's HCI claims are attributed.

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STEP 1: For each eligible hospital, the Office of Medicaid Policy and Planning (“office”) shall identify the inpatient hospital services the hospital provided to Medicaid enrollees during the state fiscal year.

STEP 2: For each eligible hospital, the office shall calculate the amount of Medicaid reimbursement paid to the hospital for covered hospital services the hospital provided to Medicaid enrollees identified in STEP 1.

STEP 3: For each eligible hospital, the office shall calculate an amount equal to the amount calculated under STEP 3F of the following formula:

STEP 3A: Identify:

(1) Each eligible hospital that provided necessary emergency medical care during the state fiscal year to an individual who qualifies under IC 12-16-3.5 et seq. and the rules promulgated thereunder, and;

(2) the county of residence of the individual or, if the individual was not a resident of Indiana or the individual’s Indiana county of residence cannot be ascertained, the county where the onset of the medical condition that necessitated the individual’s emergency medical care occurred.

STEP 3B: For each county identified in (2) of STEP 3A, identify:

(1) each eligible hospital that provided care described in (1) of STEP 3A attributed to the county during the state fiscal year; and

(2) the total amount (using the office's fee for service reimbursement rates) of all eligible hospital episodes of care described in (1) of STEP 3A attributed to the county during the state fiscal year.

STEP 3C: For each county identified in (2) of STEP 3A, identify the amount of the county’s HCI funds, including its HCI ad valorem property taxes, transferred from the hospital care for the indigent fund to the Medicaid indigent care trust fund under STEP FOUR of IC 12-16-7.5-4.5(b).

STEP 3D: For each eligible hospital identified in (1) of STEP 3A, with respect to each county identified in (2) of STEP 3A, calculate the hospital's percentage share of the county's HCI funds transferred to the Medicaid indigent care trust fund under STEP FOUR of IC 12-16-7.5-4.5(b). Each hospital's percentage share is based on the total amount (using the office’s fee for service reimbursement rates) of the hospital's care described in (1) of STEP 3A attributed to the county during the state fiscal year, calculated as a percentage of the total amount (using the office’s fee for service reimbursement rates) of all hospital care described in (1) of STEP 3A attributed to the county during the state fiscal year.

STEP 3E: For each hospital identified in (1) of STEP 3A, with respect to each county identified in (2) of STEP 3A, multiply the hospital's percentage share calculated under STEP 3D by the amount of the county's HCI funds transferred from the hospital care for the indigent fund to the Medicaid indigent care trust fund under STEP FOUR of IC 12-16-7.5-4.5(b).

STEP 3F: Determine the sum of all amounts calculated under STEP 3 E for each eligible hospital identified in (1) of STEP 3A with respect to each county identified in (2) of STEP 3A.

STEP 4: Subject to STEP 5 and STEP 6, the office shall pay to each eligible hospital a Medicaid add-on payment equal to the amount calculated for the hospital under STEP 3F and, in doing so, shall allocate the amount of the payment to each of the Medicaid covered inpatient hospital services identified for the hospital under STEP 1.

STEP 5: The office's allocation of a payment described in STEP 4 for a hospital's Medicaid covered inpatient service shall be limited to an amount not to exceed either (1) the amount that, when combined with the amount of reimbursement previously paid for the service as calculated under STEP 2, does not exceed the upper payment limit for inpatient hospital services under 42 C.F.R. § 447.271 and 42 C.F.R. § 447.272; or (2) the amount attributable to the hospital's inpatient hospital services that are rendered to each individual described in STEP 3A(1).

STEP 6: For any eligible hospital: (1) which receives a payment under STEP 4 that is less than the total amount (using the office's fee for service reimbursement rates) of the hospital's care in (1) of STEP 3A above during the state fiscal year; and (2) which could receive additional reimbursement for the services identified for the hospital under STEP 1 above without exceeding any applicable upper payment limits under 42 CFR § § 447.271 or 447. 272, the office shall calculate an amount equal to the amount calculated for the hospital under STEP 6H below:

STEP 6A: Identify each county whose transfer of HCI funds to the Medicaid indigent care trust fund under STEP FOUR of IC 12-16-7.5-4.5(b) for the state fiscal year was less than the total amount (using the office's fee for service reimbursement rates) of all hospital care identified in (1) in STEP 3A above attributed to the county during the state fiscal year.

STEP 6B: For each county identified in STEP 6A, calculate the difference between the amount of HCI funds of the county transferred to the Medicaid indigent care trust fund under STEP FOUR of IC 12-16-7.5-4.5(b) and the total amount (using the office's fee for service reimbursement rates) of all hospital care identified in (1) of STEP 3A above attributed to the county during the state fiscal year.

STEP 6C: Calculate the sum of the amounts calculated for those counties under STEP 6(B).

STEP 6D: Identify each hospital: (1) which receives a payment under STEP 4 above that is less than the total amount (using the office's fee for service reimbursement rates) of the hospital's care in (1) of STEP 3A above during the state fiscal year; and (2) which could receive additional reimbursement for the services identified for the hospital under STEP 1 above without exceeding any applicable upper payment limit under 42 CFR § 447.271 or 447.272.

STEP 6E: Calculate for each hospital identified in STEP 6D the difference between the hospital's payment under STEP 4 above and the total amount (using the office's fee for service reimbursement rates) of the hospital's care in (1) of STEP 3A above during the state fiscal year.

STEP 6F: Calculate the sum of the amounts calculated for each of the hospitals under STEP 6E.

STEP 6G: For each hospital identified in STEP 6D, calculate the hospital's percentage share of the amount calculated under STEP 6F. Each hospital's percentage share is based on the amount calculated for the hospital under STEP 6E calculated as a percentage of the sum calculated under STEP 6F.

STEP 6H: For each hospital identified in STEP 6D, multiply the hospital's percentage share calculated under STEP 6G by the sum calculated under STEP 6C.

STEP 7: Subject to STEP 8, the office shall pay to each eligible hospital identified in STEP 6 a Medicaid add-on payment equal to the amount calculated for the hospital under STEP 6H and, in doing so, shall allocate the amount of the payment to each of the hospital services identified for the hospital under STEP 1.

STEP 8: The office's allocation of a payment described in STEP 7 for a hospital's Medicaid covered inpatient service shall be limited to an amount that, when combined with the amount that is the sum of reimbursements previously paid for the service as calculated under STEP 2 and STEP 4, does not exceed either (1) the amount of the upper payment limit for inpatient hospital services under 42 C.F.R. § 447.271 and 42 C.F.R. § 447.272; or (2) the amount attributable to the hospital's inpatient hospital services that are rendered to each individual described in STEP 3A(1).

Total non-federal share of payments to hospitals under this program for each state fiscal year may not exceed the amount equal to the product calculated when the amount transferred to the Medicaid indigent care trust fund by counties is multiplied by the state Medicaid medical assistance percentage for the state fiscal year for which the payments are made.

In the event there are insufficient state matching funds to pay each hospital the amounts calculated, the amount paid to each hospital will be reduced proportionate to the amount of the deficiency of funds. Payments shall be made prior to December 15 that next succeeds the end of the state fiscal year.

EFFECTIVE DATE Subject to approval by CMS, these payments are to be effective on July 1, 2003.

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