

NOTICE OF PROPOSED CHANGES TO THE MEDICAID STATE PLAN GOVERNING PAYMENT RATES FOR PSYCHIATRIC INPATIENT SERVICES

The State Department of Social Services (DSS) proposes to revise Attachment 4.19A of the Connecticut Medicaid State Plan effective July 1, 2011 in order to describe payment methodologies for psychiatric inpatient services for individuals under 22 or over 64 years of age. These changes will specifically address recommendations made by the federal Centers for Medicare and Medicaid Services (CMS).

Changes to Medicaid State Plan

The amendment will specify payment methodologies for private psychiatric residential treatment facilities (PRTF) for individuals under 22 years of age, public psychiatric residential treatment facilities for individuals under 22 years of age and operated by the Connecticut Department of Children and Families, private psychiatric hospitals for individuals under 22 and over 64 years of age, and public psychiatric hospitals for individuals under 22 and over 64 years of age and operated by the Department of Mental Health and Addiction Services.

Fiscal Information

It is estimated that federal reimbursement for psychiatric inpatient services for individuals under 22 or over 64 years of age will increase by \$8.25 million on an annual basis.

Additional Information

In accordance with federal requirements governing the Medicaid program, DSS will provide upon request a copy of the proposed amendment to the Medicaid State Plan. Copies of the proposed changes may be obtained at each of the DSS's regional offices and on the DSS web site: www.dss.state.ct.us. Go to "Publications" and then to "News and Updates". Requests for copies or comments may be sent to Christopher LaVigne, Office of Certificate of Need and Rate Setting, Department of Social Services, 25 Sigourney Street, Hartford, CT 06106-5033 (Phone 860-424-5719, Fax 860-424-4812, christopher.lavigne@ct.gov).

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Methods for Establishing Payment Rates for Psychiatric Inpatient Services for Individuals Under 22 or Over 64 Years of Age

- 1) Private Psychiatric Residential Treatment Facilities (PRTF) for individuals under 22 years of age:
 - a. The Department reimburses in-state private PRTFs a provider specific per-diem rate based on the most recent cost data available at the time a new rate is established. Rates may also be adjusted based on legislatively approved increase to the Department's appropriation. The service rate includes reimbursement for all psychiatric, medical and ancillary services provided in and by the PRTF. Medicaid reimbursement for medical and ancillary services provided by an entity other than the PRTF is not available. The current PRTF rates will be set on July 1, 2011 and are effective on or after that date.
 - b. The per-diem PRTF service rate is the final rate, and such rate will not be adjusted retrospectively based upon more recent cost data or inflation estimates. Cost settlements will not be performed.
 - c. The per-diem PRTF service rate includes all services related to treating the youth's psychiatric condition provided in and by a PRTF with the exception of medications prescribed during the youth's stay in the PRTF and case management and rehabilitation planning services provided by an entity other than the PRTF to support transition back to the community.
 - d. All supporting accounting, statistical data and all other records related to the provision of PRTF services paid for by the Department shall be subject to audit. If an audit discloses discrepancies in the accuracy and/or allowances of actual direct or indirect costs or statistical data as submitted for each fiscal year by PRTF, the Department's payment rate for the said period may be subject to adjustment.
- 2) Public Psychiatric Residential Treatment Facilities for individuals under 22 years of age and operated by the Connecticut Department of Children and Families (DCF):
 - a. Interim per-diem public PRTF rates inclusive of psychiatric, medical and ancillary services not limited to therapeutic services provided by PRTF staff; active treatment services including, but not limited to, individual, group and family therapy; diagnostic testing and assessment; room and board; and case management, discharge planning, rehabilitative services and treatment planning provided by a public PRTF

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shall be established for services beginning July 1, 2011. The department will adhere to the Publication 15, Provider Reimbursement Manual when compiling expenses and costs to be used to calculate the Interim per-diem PRTF rates. Interim per-diem PRTF rates shall be based upon most available costs. Interim rates are provisional in nature, pending the completion of a cost reconciliation and cost settlement for that period.

Final reimbursement is based on the certified cost reports that are submitted by the Department of Children and Families. Cost reports will include detailed cost data including direct costs, operating expenses related to direct services, indirect costs, and general and administrative costs in support of PRTF services. The PRTF costs included in the cost reports shall be based on the Per Capita Rate Calculation Reports prepared by the Office of the State Comptroller. The expenses and costs included in the Per Capita Rate Calculation Report prepared by the Office of the State Comptroller adhere to the Medicare cost guidelines used to complete Form HCFA-2552-96.

Direct costs shall include salaries and wages, other expenses related to direct services, operating expenses related to direct services, Workers' compensation costs and fringe benefits costs. Indirect costs shall include portion of central office costs; and administrative and general costs shall include portion of State Wide Cost Allocation Plan (SWCAP) costs, equipment depreciation cost not included in SWCAP, building depreciation cost not included in SWCAP, bond interest costs, DCF payroll processing costs and any adjustments deemed necessary by the Office of the State Comptroller.

PRTF cost reports shall include costs and methods of cost allocation that have been approved by CMS.

- b. The Department of Children and Families will file an annual PRTF cost report for services described in item a. delivered during the interim rate period. Cost reports will correspond to the state fiscal year of July 1 through June 30.
- c. Cost reports are due to the Department of Social Services no later than 15 months following the close of the year during which the costs included in the Cost Report were incurred.

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- d. The Department of Children and Families will certify on an annual basis through its completed PRTF Cost Report its total actual, incurred Medicaid allowable costs, including the federal share and the nonfederal share.

Medicaid allowable costs included in the cost reports shall be compared to the interim payments for PRTF services delivered during the reporting period, as documented in the MMIS. Public PRTF interim rate claims will be adjusted to reflect, in aggregate, the total Medicaid allowable costs based upon the certified cost report described in item b and item c of this section.

Medicaid allowable costs will be calculated by applying Medicaid penetration rate to the PRTF Cost described in item a. The Medicaid penetration rate is the total of annual PRTF Medicaid days of care divided by the total of annual PRTF days of care.

- e. A Medicaid PRTF service “Unit” is defined when a client is present at midnight for the census count.
- f. The Medicaid per-diem PRTF rate is calculated by dividing the PRTF Medicaid allowable costs described in item d. by the total of Medicaid PRTF units provided during the rate period.
- g. The interim PRTF per diem rate will be replaced using actual costs reported on the CMS-approved cost reports. The resulting cost reconciliation and cost settlement will occur within 24 months from the end of the rate year. If it has been determined that an overpayment has been made, the Department of Social Services shall return the federal share of the overpayment. If the replacement rate exceeds the interim rate, the Department of Social Services shall submit claims to CMS for the underpayment.
- 3) Private Psychiatric Hospitals for individuals under 22 and over 64 years of age:
- a. Effective July 1, 2011, the per diem rate for acute psychiatric care provided in a private psychiatric hospital shall be \$814.65.
- b. The per diem rate is inclusive of all hospital service fees and hospital-based professional services. Payment shall continue as long as placement in this level of care is appropriate.

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- c. The payments and patient days shall be excluded from Medicaid TEFRA cost per discharge settlement.
- 4) Public Psychiatric Hospitals for individuals under 22 and over 64 years of age and operated by the Department of Mental Health and Addiction Services (DMHAS):
- a. Interim per-diem public psychiatric hospital rates inclusive of psychiatric, medical and ancillary services not limited to therapeutic services; active treatment services including, but not limited to, individual, group and family therapy; diagnostic testing and assessment; room and board; and case management, discharge planning, rehabilitative services and treatment planning; provided by a public psychiatric hospital shall be established for services beginning July 1, 2011. The department will adhere to the Publication 15, Provider Reimbursement Manual when compiling expenses and costs to be used to calculate the Interim per-diem public psychiatric hospital rates. Interim per-diem public psychiatric hospital rates shall be based upon most available costs. Interim rates are provisional in nature, pending the completion of a cost reconciliation and cost settlement for that period.

Final reimbursement is based on the certified cost reports that are submitted by the Department of Mental Health and Addiction Services. Cost reports will include detailed cost data including direct costs, operating expenses related to direct services, indirect costs, and general and administrative costs in support of public psychiatric hospital services. The public psychiatric hospital costs included in the cost reports shall be based upon the public psychiatric hospital Per Capita Rate Calculation Report prepared by the Office of the State Comptroller. The expenses and costs included in the Per Capita Rate Calculation Report prepared by the Office of the State Comptroller adhere to the Medicare cost guidelines used to complete Form HCFA-2552-96.

Direct costs shall include salaries and wages, other expenses related to direct services, operating expenses related to direct services, Workers' compensation costs and fringe benefits costs. Indirect costs shall include portion of central office costs; and administrative and general costs shall include portion of SWCA costs, equipment depreciation cost not included in SWCAP, building depreciation cost not included in SWCAP, bond interest costs, DMHAS payroll processing costs and any adjustments deemed necessary by the Office of the State Comptroller.

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Public psychiatric hospital cost reports shall include costs and methods of cost allocation that have been approved by CMS.

- b. For each public psychiatric hospital, The Department of Mental Health and Addiction Services will file annual cost reports for services described in item a. delivered during the interim rate period. Cost reports will correspond to the state fiscal year of July 1 through June 30.
- c. Cost reports are due to the Department of Social Services no later than 15 months following the close of the year during which the costs included in the Cost Report were incurred.
- d. The Department of Mental Health and Addiction Service will certify on an annual basis through its completed public psychiatric hospital Cost Report its total actual, incurred Medicaid allowable costs, including the federal share and the nonfederal share.

Medicaid allowable costs included in the cost reports shall be compared to the interim payments for public psychiatric hospital services delivered during the reporting period, as documented in the MMIS. Public psychiatric hospital interim rate claims will be adjusted to reflect, in aggregate, the total Medicaid allowable costs based upon the certified cost report described in item b and item c of this section.

Medicaid allowable costs will be calculated by applying Medicaid penetration rate to the public psychiatric hospital Cost described in item a. The Medicaid penetration rate is the total of annual public psychiatric hospital Medicaid days of care divided by the total of annual public psychiatric hospital days of care.

- e. A Medicaid public psychiatric hospital service “Unit” is defined when a client is present at midnight for the census count.
- f. The Medicaid per-diem public psychiatric hospital rate is calculated by dividing the public psychiatric hospital Medicaid allowable costs described in item d. by the total of Medicaid public psychiatric hospital units provided during the rate period.

The interim public psychiatric hospital per diem rate will be replaced using actual costs reported on the CMS-approved cost reports. The resulting cost reconciliation and cost settlement will occur within 24 months from the end of the rate year.

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- g. If it has been determined that an overpayment has been made, the Department of Social Services shall return the federal share of the overpayment. If the replacement rate exceeds the interim rate, the Department of Social Services shall submit claims to CMS for the underpayment.

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