AMOUNT, DURATION AND SCOPE OF SERVICES PROVIDED **Revised: October 1, 2014**

CATEGORICALLY NEEDY

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1. Inpatient Hospital Services

All inpatient admissions to an acute care/general hospital or rehabilitative hospital will be allowed up to four (4) days of service per admission when determined inpatient care is medically necessary. On the fifth day of hospitalization, if the physician determines the patient should not be discharged on the fifth day of hospitalization, the hospital may contact the Quality Improvement Organization **(QIO)** and request an extension of inpatient days. The Quality Improvement Organization will then determine medically necessary days. Calls for extension of days may be made at any point from the fourth day of stay through discharge. However the provider must accept the financial liability should the stay not meet the necessary medical criteria for inpatient services. Medically necessary inpatient days are available to individuals under age 1 without regard to the four day limit and extension procedures required under the plan. Additionally, effective for dates of service on or after November 1, 2001, a benefit limit of 24 days per State Fiscal Year (July 1 through June 30) is imposed for recipients age 21 and older. No extensions will be authorized. The benefit limit does not apply to recipients under age 21 in the Child Health Services (EPSDT) Program or beneficiaries, regardless of age, who meet the following criteria:

I. Diagnosis (one of the following)

a. the presence of two or more diagnoses on Axis I and/or II is indicative of a serious emotional disorder
b. the presence of a diagnosis on Axis I or II and a diagnosis on Axis III

II. Poor prognostic factors are as evidenced by

a. early age at time of onset
b. positive family history for major mental illness
c. prior treatment has been ineffective; treatment failure, poor response to treatment
d. co-occurring presentation (medical illness, developmental disability, substance abuse/disorder & mental illness)
e. non-compliance with treatment
f. compromised social support system
g. other evidence-based poor prognostic factors (varies by condition or disorder)

III. Patient was referred by another behavioral health professional for an expert opinion

Effective for dates of service on or after October 1, 2014, days over 24 days per State Fiscal Year will be reimbursed for age 21 and older.

Inpatient hospital services required for pancreas/kidney transplants, liver/bowel transplants and skin transplants for burns are covered for eligible Medicaid recipients in the Child Health Services (EPSDT) Program. Refer to Attachment 3.1-E, Pages 2, 4 and 6

1. Inpatient Hospital Services

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Inpatient hospital services required for pancreas/kidney transplants, liver/bowel transplants and skin transplants for burns are covered for eligible Medicaid recipients in the Child Health Services (EPSDT) Program. Refer to Attachment 3.1-E, Pages 2, 4, and 6.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT HOSPITAL SERVICES **Revised: October 1, 2014**

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1. Inpatient Hospital Services

The State has in place a public process, which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

In accordance with Section 1902(s) of the Social Security Act, we do not impose dollar limits on any inpatient hospital services for children under age one (or children that are hospitalized on their first birthday). This includes the $850.00 per diem cost limit, the TEFRA rate of increase limit, the customary charge upper limit or the $150,000 bone marrow transplant limit. This applies to all inpatient hospitals.

Effective for claims with dates of service on or after January 1, 2007, all acute care hospitals with the exception of Pediatric Hospitals, Border City University-Affiliated Pediatric Teaching Hospitals, Arkansas State Operated Teaching Hospitals, Rehabilitative Hospitals, Inpatient Psychiatric Hospitals, Out-Of-State Hospitals and Critical Access Hospitals will be reimbursed based on reasonable cost with interim per diem rates and year-end cost settlements, with a cost limit of $850 per day.

Effective for dates of services October 1, 2014 and after for recipients age 21 and older, all acute care, Pediatric, Border-City University-affiliated Pediatric Teaching Hospitals, Arkansas State Operated Teaching Hospitals will be reimbursed a $400 prospective per diem rate with no cost settlement for hospital days beyond 24 during the State Fiscal Year. The $400 prospective per diem rate does not apply to beneficiaries age 21 and older who receive inpatient services in accordance with special diagnosis criteria identified in Attachment 3.1-A Page 1a, Section1.

Arkansas Medicaid will use the lesser of cost or charges or the $850 per diem cost limit multiplied by total hospital Medicaid days **24 and under** to establish cost settlements. Except for malpractice insurance, graduate medical education costs and the base period for determining the TEFRA target limits, the interim per diem rates and the cost settlements are calculated in a manner consistent with the method used by the Medicare Program. The definition of allowable costs to be used is as follows:

(a) The State will use the Medicare allowable costs as stated in the HIM-15/PRM-15.

The State will use the criteria referenced in 42 CFR, Section 413.8**9**(e) - Criteria for allowable bad debt, to determine allowable bad debt.

(b) Physicians/Administrative/Teachers will be included in costs as recognized by Medicare reimbursement principles.

1. Inpatient Hospital Services **(continued)**

At cost settlement, Arkansas Medicaid will limit reimbursement to the lowest of the following:

(a) Allowable costs after application of the TEFRA rate of increase limit. The TEFRA rate of increase limit is the hospital's TEFRA target rate multiplied by its total number of Medicaid discharges.

Effective for cost reporting periods ending on or after June 30, 2000, the TEFRA rate of increase limit will no longer be applied to Arkansas State Operated Teaching Hospitals.

(b) The hospital's customary charges to the general public for the services. (This will be applied on an annual basis at cost settlement.)

(c) A maximum limit per Medicaid days. The maximum limit is the total number of Medicaid inpatient days during the cost reporting period multiplied by the $850.00 per diem cost limit.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT HOSPITAL SERVICES **Revised: October 1, 2014**

1. Inpatient Hospital Services (Continued)

Rehabilitative Hospitals

Effective for dates of service on or after August 1, 1991, rehabilitative hospitals are reimbursed hospital-specific prospective per diem rates, subject to an upper limit, with no cost settlement. Rates will be effective July 1 of each year. The rate year is the State fiscal year, July 1 through June 30.

Effective October 1, 2014 for recipients age 21 and older, all in-state and out-of-state rehabilitative hospitals will be reimbursed a $400 prospective per diem rate for hospital days beyond 24 during the State Fiscal Year.

The prospective per diem rates are established using total reimbursable costs under Medicare principles of reasonable cost reimbursement, except that the gross receipts tax is not an allowable cost. The initial per diem rate is calculated from the hospital's most recent unaudited cost report submitted to Medicare prior to July 1, 1991, trended forward for inflation. Arkansas Medicaid will calculate a new per diem rate annually, based on the provider's most recent unaudited cost report, and adjust the per diem rate for inflation.

The inflation factor used will be the Consumer Price Index for all urban consumers (CPI-U), U.S. city average for all items. We will use the change in the CPI-U during the calendar year before the start of the rate year. For example, we will use the 12-month change in the CPI-U as of December 31, 1991, to set the rates that will be effective July 1, 1992. The inflation adjustment will be made at the beginning of each rate year.

The upper limit is set annually at the 70th percentile of all rehabilitative hospitals' inflation-adjusted Medicaid per diem rate. Arkansas Medicaid will negotiate with the Arkansas Hospital Association annually (State fiscal year July 1 through June 30) regarding adjustment of the 70th percentile upper limit.

TOC not required

250.230 Daily Upper Limit 1-1-16

A daily upper limit to inpatient hospital reimbursement is established in the Title XIX State Plan.

A. A daily upper limit amount of $675.00 is effective for dates of service April 1, 1996 through June 30, 2006. The $675.00 daily upper limit for this period represents the 90th percentile of the cost-based per diems (per the cost settlements of their fiscal year-end 1994 cost reports) of all hospitals subject to the Arkansas Medicaid daily upper limit at the time of the computation.

B. For dates of service July 1, 2006 and after, DMS will review the hospital cost report data at least biennially and adjust the daily upper limit reimbursement amount if necessary.

C. A daily upper limit amount of $850.00 is effective for dates of service on and after January 1, 2007; effective October 1, 2014 inpatient days beyond 24 will be reimbursed at $400.00 per day. This is a prospective per diem rate and will not be included in the cost settlement.

D. The daily upper limit does not apply to the following.

1. Pediatric hospitals
2. Arkansas State Operated Teaching Hospitals, effective for cost reporting periods ending on or after June 30, 2000
3. Border City, University-affiliated, Pediatric Teaching hospitals
4. Inpatient services for children under the age of 1
5. Inpatient services for children, from their first birthday until their discharge date, who were admitted on or before their first birthday and were discharged after their first birthday

E. The daily upper limit is determined as follows.

1. The aggregate daily upper limit amount for a hospital is calculated by multiplying the hospital's cost-reporting period's covered days (excluding days subject to the $400 per diem prospective reimbursement amount) by the $850 upper cost per diem limit.
2. The aggregate daily upper limit amount is compared to the amount carried forward from the comparison of TEFRA-limited costs or charges.
3. The lesser of those two amounts becomes the new aggregate daily upper limit amount, subject to any additional payments or adjustments that may apply, such as direct graduate medical education (GME) costs or disproportionate share hospital (DSH) payments.
4. Effective for dates of service on or after July 1, 2006, Medicaid will review hospital cost report data at least biennially, in accordance with the methodology described above in subparts 1, 2, and 3 and adjust the daily upper limit amount if necessary.