State Directed Payment Program Manual

Hospitals EXCLUDING Long-Term Acute Care, Freestanding Psychiatric, and Freestanding Rehabilitation Hospitals

General Description:

The directed payment arrangement for hospitals, excluding long-term acute care, freestanding psychiatric, and freestanding rehabilitation hospitals, will utilize a uniform percentage increase directed fee schedule in accordance with 42 CFR §438.6(c)(1)(iii)(C). It will provide a uniform percentage increase for payments to qualifying hospitals within specified tiered provider classes for Medicaid managed care contracted inpatient and outpatient services provided to Medicaid enrolled individuals. Qualifying hospitals will receive interim lump-sum quarterly directed payments from managed care organizations (MCOs), as directed by Louisiana Department of Health (LDH). Within twelve (12) months after the end of the MCO contract rating period, LDH will conduct a reconciliation process based on actual utilization during the MCO contract rating period and the MCOs will make payment adjustments, as directed by LDH.

Qualifying Hospital:

The eligible provider class includes in-state hospitals licensed and enrolled in Medicaid on or before December 31, 2021 (this is the approval date not eligibility date), excluding freestanding psychiatric hospitals, freestanding rehabilitation hospitals, and long-term acute care hospitals. All qualifying Louisiana hospitals are able to participate in this directed payment arrangement, regardless of ability to provide intergovernmental transfers.

Qualifying hospitals are assigned to five separate hospital tiers which form the defined provider classes for purposes of determining the applicable specific uniform percentage increase. The provider class definition and tier assignments are based on hospital licensure category, service characteristics, and Medicaid enrollment as of December 31, 2021, which are not subject to change throughout the MCO contract rating period in order to provide class stability for purposes of program administration.

Hospital Tiers:

The tiers are based on ranges of points, which are assigned to each provider based on two overall factors: (1) a base hospital provider type category and (2) additional add-on provider characteristics targeting key Medicaid services lines where opportunities to cost shift are limited and maintaining access to care and network adequacy is critical for the Medicaid population. The four base hospital provider type categories are mutually exclusive, such that each hospital will qualify for only one category. By contrast, the four add-on hospital provider characteristic categories are not mutually exclusive, such that each hospital may qualify for several, one, or none of the additional categories. The hospital categories and associated point weighting are shown in the table below:

Hospital Categories	Description/Comments	Point Weighting
Base Hospital Provider Type Categories (Mutually Exclusive)		
Urban Public Hospital	Urban public hospitals (non-state, non-rural community disproportionate share hospitals), as defined in rule and in Louisiana's Medicaid State Plan, Attachment 4.19-A.	7.0
Rural Hospital	Rural hospitals, as defined in rule, in Louisiana's Medicaid State Plan and by Louisiana's Legislature, through the Rural Hospital Preservation Act, as a unique reimbursement class critical to the State's healthcare safety net and to the well-being of rural communities.	5.5
Teaching Hospital	Based on hospital per diem payment Peer Group 1 for "Major Teaching Hospitals" and Peer Group 2 for "Minor Teaching Hospitals" as defined in rule and in Louisiana's Medicaid State Plan.	2.0
Other Urban	All other hospitals.	1.0
Add-on Hospital Provider Characteristics Categories (Non-Mutually Exclusive)		
Neonatal Intensive Care Unit (NICU)	Hospitals with level 2 and 3 NICUs eligible for enhanced neonatal per diem rates as defined in Louisiana's Medicaid State Plan. Selected as a high Medicaid utilization service; Louisiana has the nation's largest percentage of births (62.8%) covered by Medicaid (per MACPAC's 2020 Fact Sheet).	3.0
Pediatric Intensive Care Unit (PICU)	Hospitals with level 1 and 2 PICUs eligible for enhanced pediatric per diem rates as defined in Louisiana's Medicaid State Plan. Selected as a high Medicaid utilization service; for example, Children's Hospital New Orleans reported 72.9% Medicaid utilization for FYE 2018.	2.5
Psychiatric Unit	Hospitals with psychiatric district part units as defined in Louisiana's Medicaid State Plan. Selected as a high Medicaid utilization service; for example, Louisiana's highest Medicaid volume psychiatric units (with over 2,000 Medicaid days) have an aggregate 47% Medicaid utilization for FYE 2019.	1.0
Trauma Unit	Hospitals with state-designated trauma centers as established by LDH under La. R.S. 40:2173. Selected due to the limited number of trauma centers for high intensity services with high "standby" costs.	1.0

Based on the sum of these point weightings, each qualifying hospital is assigned into one of five hospital tiers based on point ranges set forth in the table below. LDH will determine the hospital tier prior to the start of the MCO contract rating period, and the assignments will not be modified during the MCO contract rating period, regardless of changes at the hospital level.

Hospital Tier	Point Range
Tier 1	1.0 – 5.0
Tier 2	5.5 - 6.5
Tier 3	7.0 - 7.5
Tier 4	8.0 - 8.5
Tier 5	9.5 and above

Uniform Percentage Increase

The percentage increase varies across tiers, separately for inpatient and outpatient, as set forth in the table below. In order to prioritize certain provider types and key Medicaid service lines, the highest tiers receive the highest percentage increase.

Provider Class	Uniform Percentage Increase
Tier 1 Inpatient	95.9%
Tier 1 Outpatient	131.0%
Tier 2 Inpatient	65.8%
Tier 2 Outpatient	87.3%
Tier 3 Inpatient	72.8%
Tier 3 Outpatient	135.1%
Tier 4 Inpatient	146.8%
Tier 4 Outpatient	158.9%
Tier 5 Inpatient	197.4%
Tier 5 Outpatient	238.0%

Hospital Rate Increases

For each SFY, directed payments will be made to qualifying hospitals in accordance with the following:

- **Interim directed payment using projected experience:** Each qualifying hospital will receive quarterly interim lump-sum payments equal to the 'Interim Payment Increase Percentages' for the applicable provider class multiplied by the hospital's 'Projected Managed Care Payments', divided by four. The projected Managed Care Payments are based on Medicaid managed care data according to the periods specified in the approved CMS preprint. Interim directed payments may be discontinued to any hospital whose projected recoupment due to shifts in utilization is greater than 50% of their estimated interim directed payments or to any hospital who discontinues operations during or prior to the directed payment contract period.

  LDH shall provide a quarterly interim direct payment report to the MCOs for each quarter, which identifies the qualified hospitals and the applicable interim directed payment for that quarter. The MCOs shall pay the interim directed payments to the appropriate qualified hospitals, as specified in that report, within ten (10) Business Days of receipt of the report from LDH, unless otherwise directed in writing by the LDH Undersecretary, or her designee. The MCOs shall not deviate from the payments set forth in the quarterly interim direct payment report, unless otherwise directed in writing by the LDH Undersecretary, or her designee.

  If an MCO has determined that it will be unable to pay an interim directed payment to any of the appropriate qualifying hospitals by the deadline, the MCO shall provide all of the following individuals with a listing of all unpaid providers on or before the deadline:

  1. Medicaid Executive Director – Kimberly Sullivan (kimberly.sullivan@la.gov)
  2. Medicaid Deputy Director – Rachel Newman (Rachel.Newman2@LA.GOV)
  3. Hospital and Facility Finance Director – Tizi Robinson (tizi.robinson@la.gov)

Following the provision of this list and starting on the next Business Day after the deadline, the MCO shall provide the following individuals with a listing of providers who have been paid on that date by 5 p.m. Central Time on each Business Day until all qualifying hospitals have been paid:

1. Medicaid Executive Director – Kimberly Sullivan (kimberly.sullivan@la.gov)
2. Medicaid Deputy Director – Rachel Newman (Rachel.Newman2@LA.GOV)
3. Hospital and Facility Finance Director – Tizi Robinson (tizi.robinson@la.gov)

- **Reconciliation based on actual utilization:** Approximately 12 months after end of the MCO contract rating period, the quarterly interim lump-sum payments will be reconciled with actual utilization for that MCO contract rating period. LDH will scale the 'Interim Payment Increase Percentages' by the same factor across the provider classes based on actual managed care payments during the period specified in the approved CMS preprint which will result in the total target statewide payment pools for inpatient and outpatient services. LDH will then calculate final directed payment amount for the MCO contract rating period for each qualifying hospital by multiplying the scaled Payment Increase Percentages against each hospital's actual managed care payments. Any differences in final directed payment amount versus the interim directed payments will be settled by the MCOs and each hospital through recoupment of payments (the final directed payment amount for the MCO contract rating period, which is based on actual utilization, is less than the sum of the four quarterly interim directed payments, which were based on projected utilization) or an additional payment (the final directed payment amount for the MCO contract rating period, which is based on actual utilization, is more than the sum of the four quarterly interim directed payments, which were based on projected utilization). The reconciliation action by the MCOs may take place during a subsequent MCO contract rating period's quarterly interim lump-sum payments.
    - If the final directed payment amount for the MCO contract rating period, which is based on actual utilization, is less than the sum of the four quarterly interim directed payments for that MCO contract rating period, which were based on projected utilization, a reduction will be applied to a sufficient amount of quarterly interim directed payments until the full amount of the overpayment is recaptured.
    - If the final directed payment amount for the MCO contract rating period, which is based on actual utilization, is more than the sum of the four quarterly interim directed payments for that MCO contract rating period, which were based on projected utilization, an increase will be applied to a quarterly interim directed payment in an amount sufficient satisfy the underpayment.

Long-Term Acute Care, Freestanding Psychiatric, and Freestanding Rehabilitation Hospitals

General Description:

The directed payment arrangement for long-term acute care (LTAC), freestanding psychiatric, and freestanding rehabilitation hospitals will utilize a uniform percentage increase directed fee schedule in accordance with 42 CFR §438.6(c)(1)(iii)(C). It will provide a percentage increase for payments to qualifying hospitals within specified provider classes for Medicaid managed care contracted inpatient and outpatient services provided to Medicaid enrolled individuals. Qualifying hospitals will receive interim lump-sum quarterly directed payments from MCOs, as directed by LDH. Within twelve (12) months after the end of the MCO contract rating period, LDH will conduct a reconciliation process based on actual utilization during the MCO contract rating period and the MCOs will make payment adjustments, as directed by LDH.

Qualifying Hospital:

The eligible provider class includes in-state LTAC, psychiatric, and rehabilitation hospital facility types licensed and enrolled in Medicaid on or before December 31, 2021. Notwithstanding the foregoing, all public state-operated hospitals and freestanding psychiatric hospitals participating in DSH, as defined in the Louisiana's State plan, Attachment 4.19-A, Item 1, Page 10 (e) and (k)(9), respectively, are not included in the psychiatric provider class and are excluded from participating in the state directed payment program.

All qualifying Louisiana hospitals are able to participate in this directed payment arrangement, regardless of ability to provide intergovernmental transfers. The provider class definition is based on hospital licensure facility type and Medicaid enrollment as of December 31, 2021, which are not subject to change throughout the MCO contract rating period in order to provide class stability for purposes of program administration.

Uniform Percentage Increase

The percentage increase varies across facility types, separately for inpatient and outpatient, as set forth in the table below. These payments are narrowly targeted to maintain access to care and network adequacy for these critical acute care subspecialties. .

Provider Class	Uniform Percentage Increase
LTAC Inpatient	22.8%
LTAC Outpatient	181.5%
Psychiatric Inpatient	21.9%
Psychiatric Outpatient	2.8%
Rehabilitation Inpatient	28.4%
Rehabilitation Outpatient	191.7%

Hospital Rate Increases

For each SFY, directed payments will be made to qualifying hospitals in accordance with the following:

- **Interim directed payment using projected experience:** Each qualifying hospital will receive quarterly interim lump-sum payments equal to the 'Interim Payment Increase Percentages' for the applicable provider class multiplied by the hospital's 'Projected Managed Care Payments', divided by four. The projected Managed Care Payments are based on Medicaid managed care data according to the periods specified in the approved CMS preprint. Interim directed payments may be discontinued to any hospital whose projected recoupment due to shifts in utilization is greater than 50% of their estimated interim directed payments or to any hospital who discontinues operations during or prior to the directed payment contract period.

  LDH shall provide a quarterly interim direct payment report to the MCOs for each quarter, which identifies the qualified hospitals and the applicable interim directed payment for that quarter. The MCOs shall pay the interim directed payments to the appropriate qualifying hospitals, as specified in that report, within ten (10) Business Days of receipt of the report from LDH, unless otherwise directed in writing by the LDH Undersecretary, or her designee. The MCOs shall not deviate from the payments set forth in the quarterly interim direct payment report, unless otherwise directed in writing by the LDH Undersecretary, or her designee.

  If an MCO has determined that it will be unable to pay an interim directed payment to any of the appropriate qualifying hospitals by the deadline, the MCO shall provide all of the following individuals with a listing of all unpaid providers on or before the deadline:

  1. Medicaid Executive Director – Kimberly Sullivan (kimberly.sullivan@la.gov)
  2. Medicaid Deputy Director – Rachel Newman (Rachel.Newman2@LA.GOV)
  3. Hospital and Facility Finance Director – Tizi Robinson (tizi.robinson@la.gov)

  Following the provision of this list and starting on the next Business Day after the deadline, the MCO shall provide the following individuals with a listing of providers who have been paid on that date by 5 p.m. Central Time on each Business Day until all qualifying hospitals have been paid:

  1. Medicaid Executive Director – Kimberly Sullivan (kimberly.sullivan@la.gov)
  2. Medicaid Deputy Director – Rachel Newman (Rachel.Newman2@LA.GOV)
  3. Hospital and Facility Finance Director – Tizi Robinson (tizi.robinson@la.gov)

- **Reconcile payments based on actual utilization:** Approximately 12 months after end of the MCO contract rating period, the quarterly interim lump-sum payments will be reconciled with actual utilization for that MCO contract rating period. LDH will scale the 'Interim Payment Increase Percentages' by the same factor across the provider classes based on actual managed care payments during the period specified in the approved CMS preprint to result in the total target statewide payment pools for inpatient and outpatient services. LDH will then calculate final directed payment amount for the MCO contract rating period for each qualifying hospital by multiplying the scaled Payment Increase Percentages against each hospital's actual managed care payments. Any differences in final directed payment amount versus interim directed payments will be settled by the MCOs and each hospital through recoupment of payments (if the final directed payment amount for the MCO contract rating period, which is based on actual utilization,

is less than the sum of the four quarterly interim directed payments, which were based on projected utilization) or an additional payment (the final directed payment amount for the MCO contract rating period, which is based on actual utilization, is more than the sum of the four quarterly interim directed payments, which were based on projected utilization). The reconciliation action by the MCOs will take place during a subsequent MCO contract rating period's quarterly interim lump-sum payments.

- If the final directed payment amount for the MCO contract rating period, which is based on actual utilization, is less than the sum of the four quarterly interim directed payments for that MCO contract rating period, which were based on projected utilization, a reduction will be applied to a sufficient amount of quarterly interim directed payments until the full amount of the overpayment is recaptured.
- If the final directed payment amount for the MCO contract rating period, which is based on actual utilization, is more than the sum of the four quarterly interim directed payments for that MCO contract rating period, which were based on projected utilization, an increase will be applied to a quarterly interim directed payment in an amount sufficient satisfy the underpayment.