



***Report to the Legislature***

***Professional Services  
Supplemental Payment Program***

***ESHB 1244, Section 209(21)***

***December 2009***

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Health and Recovery Services Administration  
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## Overview & Summary

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This report outlines the process necessary to implement a professional services supplemental payment program. The report arises from instructions from the 2009 legislature.

*ESHB 1244 Section 209 (21):The department shall seek a medicaid state plan amendment to create a professional services supplemental payment program for University of Washington medicine professional providers no later than July 1, 2009. The department shall apply federal rules for identifying the shortfall between current fee-for-service medicaid payments to participating providers and the applicable federal upper payment limit. Participating providers shall be solely responsible for providing the local funds required to obtain federal matching funds. Any incremental costs incurred by the department in the development, implementation, and maintenance of this program will be the responsibility of the participating providers. Participating providers will retain the full amount of supplemental payments provided under this program, net of any potential costs for any related audits or litigation brought against the state. The department shall report to the governor and the legislative fiscal committees on the prospects for expansion of the program to other qualifying providers as soon as feasibility is determined but no later than December 31, 2009. The report will outline estimated impacts on the participating providers, the procedures necessary to comply with federal guidelines, and the administrative resource requirements necessary to implement the program. The department will create a process for expansion of the program to other qualifying providers as soon as it is determined feasible by both the department and providers but no later than June 30, 2010.*

The payments made under the supplemental payment program will be based upon the gap between the average commercial payment rate (ACR) and the Medicaid rate. Payments will be made via intergovernmental transfers (IGT).

Public notice was filed on May 20, 2009 and a State Plan Amendment (SPA) was filed on July 29, 2009 to create a professional services supplemental payment program. If approved, this SPA would allow payments under this program to begin effective July 1, 2009. The Department is responding to CMS questions and hope to have this SPA approved by May 2010.

Navigant Consulting, Inc. was hired by University of Washington (UW) to perform the initial payment gap analysis and will continue to provide this service to other interested hospitals. Interest in the program was solicited from other eligible providers through the Washington State Hospital Association (WSHA). Valley Medical Center – Renton and Olympic Medical Center

have indicated interest in the program and have submitted data to Navigant to determine feasibility.

Participating providers must satisfy CMS that they meet the requirements of being a government entity and the funds they are using for this program are eligible for use as an intergovernmental transfer. Each facility must provide commercial payer information for use in calculating the average commercial rate. Navigant then completes the calculation of that average commercial rate which must be updated annually.

The Department anticipates that it will take two full time employees (FTEs) to staff this program along with consultant fees which will be funded from participating providers. The Department will be required to perform/update the average commercial rate for each participating provider on an annual basis while payments to participating providers will be made quarterly.

Anticipating approval by CMS, the Department has submitted a supplemental request. Additionally, the Department will develop a process for expansion of the program to include other governmental providers that elect to participate by June 30, 2010.

## *Glossary of Terms*

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**American Recovery and Reinvestment Act of 2009 (ARRA)** – Economic stimulus package enacted by the 111<sup>th</sup> United States Congress. One provision of the ARRA allows for increased FMAP for certain Medicaid payments.

**Average Commercial Rate (ACR):** The ACR is determined as follows:

- a. **Compute Average Commercial Fee Schedule:** For the most recently completed state fiscal year, compute the average commercial allowed amount per procedure code, including patient share amounts, for all commercial third party payers with negotiated fee schedules.
- b. **Calculate the Average Commercial Payment Ceiling:** For each quarter of the current state fiscal year, multiply the Average Commercial Fee Schedule as determined in a. above by the number of times each procedure code was paid to qualified licensed professionals on behalf of Medicaid beneficiaries as reported from the Medicaid Management Information System (MMIS). The sum of the product for all procedure codes subject to enhanced payment represents the Average Commercial Payment Ceiling.

**Centers for Medicare and Medicaid Services (CMS)** - Previously known as the Health Care Financing Administration (HCFA). CMS is a federal agency within the United States Department of Health and Human Services (DHHS) that administers the Medicare program and works in partnership with state governments to administer Medicaid, the State Children's Health Insurance Program (SCHIP), and health insurance portability standards.

**Federal Medical Assistance Participation (FMAP)** – The percentage of federal matching funds allocated annually to eligible social and medical programs. For example, in FFY 2007 the FMAP was 50%. So, for every dollar Washington spent on eligible programs, the federal government contributed a dollar.

**Intergovernmental Transfer (IGT)** – Public funds transferred from other public agencies.

**Navigant Consulting, Inc.** – Contractor providing calculation and analysis of the average commercial payment rate and the upper payment limit gap.

**State plan** - The plan filed by DSHS with the Centers for Medicare and Medicaid Service (CMS), Department of Health and Human Services (DHHS), outlining how the State will administer Medicaid and State Children's Health Insurance Program (SCHIP) services, including the hospital program.

