

# In-State Hospital Psychiatric Services

## **Inpatient Psychiatric Per Diem Rate Increase**

Second Engrossed Substitute House Bill 2376, Section 213(1)(pp); Chapter 36, Laws of 2016, 1<sup>st</sup> Special Session, PV

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# In-State Hospital Psychiatric Services



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## Background

This report explains the process the Health Care Authority (HCA) used to rebase the in-state inpatient psychiatric hospitals' psychiatric per-diem rates in line with Senate Bill 5883, Section 204 (1)(o), which directed the Department of Social and Health Services, Mental Health Program, to do the following:

*“\$2,309,000 of the general fund—state appropriation for fiscal year 2018, \$3,079,000 of the general fund—state appropriation for fiscal year 2019, and \$5,061,000 of the general fund—federal appropriation are provided solely for the department to increase rates for community hospitals that provide a minimum of 200 Medicaid psychiatric inpatient days. The department must increase both Medicaid and non-Medicaid psychiatric per-diem reimbursement rates for these providers within these amounts. The amounts in this subsection include funding for additional hold harmless payments resulting from the rate increase. The department shall prioritize increases for hospitals not currently paid based on provider specific costs using a similar methodology used to set rate for existing inpatient facilities and the latest available cost report information. Rate increases for providers must be set so as not to exceed the amounts provided within this subsection. The rate increase related to non-Medicaid clients must be done to maintain the provider at the same percentage as currently required under WAC 182-550-4800.”*

In conjunction, Second Engrossed Substitute House Bill 2376 (2016) required the Health Care Authority to design and implement a process to review cost report information for new hospitals for the purpose of establishing their new psychiatric per-diem rates:

*“In collaboration with the state hospital association, the authority shall develop and implement a process to review hospital cost report information for new, in-state hospital psychiatric inpatient services that have not had provider specific costs and determine the hospital-specific per diem rate as currently defined for existing providers of psychiatric inpatient services. As a result of this action, the authority shall not incur expenditures in the current biennium. The authority shall report to the office of financial management and appropriate committees of the legislature the following information no later than October 1, 2017:*

- (i) The number of potential new psychiatric beds;*
- (ii) The number of potential new psychiatric beds that were previously designated as acute beds;*
- (iii) The total estimated costs for all new potential psychiatric beds;*
- (iv) The potential savings or expenditures derived from change in bed type usage; and*
- (v) The state fiscal years in which potential costs and savings are likely to incur.”*

We utilized fiscal year (FY) paid inpatient psychiatric claims and FY 2016 Medicare cost reports for each hospital as the basis for the rebase effort.

## Rebasing Process

The following information outlines the processes we used to determine psychiatric claims costs, calculate psychiatric rebased rates, and work with stakeholders.

### Psychiatric Claims Costs

We first estimated the FY 2016 Medicaid psychiatric claims costs, which served as a basis for calculating the rebased rates. To accomplish this task, we:

- Collected from ProviderOne (the state's Medicaid claims and billing system) the FY 2016 inpatient psychiatric paid claims data.
  - To analyze these data, we looked at psychiatric claims billed under Diagnostic-Related Group (DRG) codes 740 and 750-760. These DRG codes identify psychiatric-related provider encounters.
- Calculated claims costs, using both FY 2016 inpatient psychiatric claims data and Medicare cost report data.
- Summarized estimated costs and current psychiatric rate payments, by hospital.

*Note: The ProviderOne FY 2016 inpatient psychiatric paid claims data excluded claims paid using an Administrative Day Rate (ADR) and Revenue Codes 0169, 0191, and 0199. These data also excluded non-hospital provider claims.*

### Rebased Psychiatric Rates

We calculated final rebased psychiatric payment rates, effective October 1, 2017, based on estimated cost calculations and funding appropriated by the Legislature and feedback from the state hospital association and providers.

The calculation methodology we used was the same methodology currently used to calculate psychiatric per diem rates, as described in the Rebasing WAC [182-550-3800](#) and the Hospital payment methods – State Administered programs WAC [182-550-4800\(4\)\(e\)](#).

To determine rebased psychiatric per diem rates, we considered the following:

- (1) Does the community hospital receive a provider specific rate or a statewide average rate; and
- (2) Does the community hospital provide at least 200 Medicaid psychiatric inpatient bed days.

- As directed in Senate Bill 5883, Section 204 (1)(o), for hospitals with 200 or more Medicaid psychiatric inpatient bed days, we increased both the Medicaid and non-Medicaid per diem rates by distributing \$2.309 million between all hospitals for the remaining nine months of FY 2018. For FY 2019, we distributed \$3.079 million in the same manner.
- To distribute the funds for each fiscal year, hospitals were given the greater of 84.06% of their cost-based rate or their current Medicaid psychiatric per diem rate. This ensured that no hospital is worse off, after rebasing, than they are today.
- This approach results in higher rate increase percentages for hospitals with current rates based on the statewide average psychiatric per diem rate, to be consistent with legislative intent.
- HCA did not apply a higher percent of cost to providers with current rates based on the statewide average than for providers with current provider-specific rates, as we did not see that as being equitable.

## Stakeholder Communication

This rebasing effort required several discussions with stakeholders including HCA’s contracted consultant group, Navigant Consulting; the Washington State Hospital Association; Washington State Hospitals; and legislative staff.

With approval from the Center for Medicare and Medicaid Services—and as necessary—HCA will apply the rebased rates retroactively.

Additionally, HCA will add and/or update information in the State Plan Amendment (SPA) and/or amend the Washington Administrative Code (WAC) to require an annual review for updated cost information and to determine whether new and existing providers meet the 200+ bed criteria. HCA would then use the same cost percentage (84.06%) for further rebasing of the psychiatric per diem rates. We would time the annual review to ensure it is completed in time for behavioral health organization rate setting. To accomplish this, HCA will coordinate with the Behavioral Health Administration, a division of the Washington State Department of Social and Health Services.

Maintenance-level budget decision packages will address any future need to increase expenditures due to new psychiatric hospitals or in the number of hospitals with 200 or more psychiatric inpatient bed days.



# Conclusion

There were twenty-two in-state hospitals considered in the rebasing efforts. Of those, nineteen have projected per diem rate increases for the remaining nine months of FY 2018 and for the entire SFY 2019.

HCA anticipates the following hospitals will be included in future rebasing as they bring new psychiatric beds online. These hospitals are **not** included in current rebasing efforts because they do not yet have a full year of cost report data showing provider-specific costs; HCA must have these data to establish a provider-specific or statewide average

**Chart 1: Hospitals not included in current rebasing**

<b>Medicare Provider Number</b>	<b>Provider Name</b>
501330	Sunnyside Community Hospital
500015	Auburn Regional Medical Center
500027	Swedish Health Services - Ballard Campus
500129	Tacoma General Hospital

HCA will conduct annual reviews for updated cost information to determine whether new and existing providers meet the 200+ bed criteria. HCA will apply the same cost percentage (84.06%) for further rebasing of the psychiatric per diem rates.





## Appendix A: General Fund Dollars for Hospitals

The below table shows increased state general fund dollars for the nine-month period remaining in FY 2018 and for FY 2019 for hospitals with 200 or more Medicaid psychiatric inpatient days.

Hospital Types	SFY 2018 (9 mo.) State Share Rate Increase	SFY 2019 State Share Rate Increase
200+ Days Hospitals With Current Statewide Average Rates	\$881,783	\$1,175,711
200+ Days Hospitals With Current Provider Specific Rates	\$1,427,217	\$1,902,956
<b>200+ Days Hospitals Subtotal</b>	<b>\$2,309,000</b>	<b>\$3,078,667</b>
Other In-State Hospitals	\$ -	\$ -
Bordering City And Critical Border Hospitals	\$ -	\$ -
<b>Total Including Other In-State, Bordering City And Critical Border Hospitals</b>	<b>\$2,309,000</b>	<b>\$3,078,667</b>



# Appendix B: Hospital-Specific General Fund Dollars

The below table shows increased state general fund dollars for the nine month period remaining in FY 2018 and for FY 2019 for hospitals with 200 or more Medicaid psychiatric inpatient days.

Medicare Provider Number	Provider Name	SFY 2018 (9 mo.) State Share Rate Increase	SFY 2019 State Share Rate Increase
<b><i>200+ Days Hospitals With Current Statewide Average Rates</i></b>			
504002	BHC Fairfax Hospital - Kirkland	\$ -	\$ -
504009	Navos - West Seattle Campus	\$ -	\$ -
504011	Cascade Behavioral Health Hospital	\$ -	\$ -
500054	Providence Sacred Heart Medical Center & Children's Hospital	\$ 407,688.97	\$ 543,585.30
504008	Lourdes Counseling Center	\$ 200,766.12	\$ 267,688.16
500008	University of Washington Medical Center	N/A for CPE	N/A for CPE
500015	Multicare Auburn Medical Center	\$ 80,043.94	\$ 106,725.26
500027	Swedish First Hill Campus	\$ 101,597.61	\$ 135,463.49
500016	Central Washington Hospital	\$ 91,686.60	\$ 122,248.80
<b>200+ Days Statewide Average Rates- Subtotal</b>		<b>\$ 881,783.25</b>	<b>\$ 1,175,711.00</b>
<b><i>200+ Days Hospitals With Current Provider Specific Rates</i></b>			
500064	Harborview Medical Center	\$ -	\$ -
503300	Seattle Children's Hospital	\$ 656,193.99	\$ 874,925.31
500041	PeaceHealth St. John Medical Center	\$ 205,755.05	\$ 274,340.07
500030	PeaceHealth St. Joseph Medical Center	\$ 40,144.31	\$ 53,525.75
500024	Providence St. Peter Hospital	\$ -	\$ -
500026	Swedish Edmonds Campus	\$ 194,048.70	\$ 258,731.60
500108	St. Joseph Medical Center	\$ 132,976.50	\$ 177,301.99
500050	PeaceHealth Southwest Medical Center	\$ 30,123.33	\$ 40,164.44
500036	Yakima Valley Memorial Hospital	\$ 32,565.50	\$ 43,420.67
500003	Skagit Valley Hospital	N/A for CPE	N/A for CPE
500051	Overlake Hospital Medical Center	\$ 33,742.88	\$ 44,990.51
500025	Swedish Cherry Hill Campus	\$ 68,302.31	\$ 91,069.75
500001	Northwest Hospital & Medical Center	\$ 33,364.19	\$ 44,485.58
<b>200+ Days Provider Specific Rates - Subtotal</b>		<b>\$ 1,427,216.75</b>	<b>\$ 1,902,955.67</b>
<b>200+ Days All Hospitals - Total</b>		<b>\$ 2,309,000.00</b>	<b>\$ 3,078,666.67</b>

