

**Public Notice**  
**Health Services**  
***Medicaid Reimbursement for Inpatient Hospital Services:***  
***Acute Care, Children's, Critical Access, Psychiatric, and Rehabilitation Hospitals***  
***State of Wisconsin Medicaid Payment Plan for Rate Year 2018***

The State of Wisconsin reimburses hospitals for inpatient services provided to Medical Assistance recipients under the authority of Title XIX of the Social Security Act and Chapter 49 of the Wisconsin Statutes. This program, administered by the State's Department of Health Services (the Department), is called Medical Assistance or Medicaid. In addition, Wisconsin has expanded this program to create the BadgerCare Plus program under the authority of Title XIX and Title XXI of the Social Security Act and Chapter 49 of the Wisconsin Statutes. Collectively, these programs are herein referred to as the Wisconsin Medicaid Program (WMP). Federal statutes and regulations require that a State Plan be developed that provides the methods and standards for reimbursement of covered services. Such a plan is currently in effect.

The WMP uses a reimbursement system for inpatient hospital services which is based on Diagnosis Related Groupings (DRGs) for acute care, children's, and critical access hospitals. The DRG system is a discrete, cost-specific reimbursement methodology that allows the Department to reimburse providers based on case mix. The rate-setting methodology for acute care and children's hospitals employs a provider-specific, DRG base rate. This rate includes an adjustment for differences in wage levels, and facilities with graduate medical education programs. In addition, a cost outlier payment is made when the cost of providing services exceeds a predetermined tripoint. The rate-setting methodology for critical access hospitals employs a provider-specific, cost-based DRG base rate. The rate-setting methodology for psychiatric, long term acute care, and rehabilitation hospitals employs a provider-specific, cost-based per diem rate. Effective January 1, 2018, the Department is updating the inpatient hospital rates for rate year 2018 (January 1, 2018 – December 31, 2018).

The WMP provides hospitals located within the state of Wisconsin a supplemental disproportionate share hospital (DSH) payment for serving a disproportionate share of low-income patients.

To promote quality outcomes for its members, the WMP currently operates the Assessment P4P program, funded by a \$5 million (All Funds) allocation from the WMP's Hospital Assessment program. Effective January 1, 2018, DHS will create a Withhold Pay-for-Performance (P4P) program funded by a 5% withhold on fee-for-service inpatient claims. The sole measure for the Withhold P4P program will be an effort to reduce potentially preventable readmissions. All withheld funds will be paid out to hospitals following completion of a measurement year.

The following changes will be contained in the January 1, 2018 inpatient hospital state plan amendment:

- Update Inpatient hospital rates and weights for rate year 2018.  
Transition long term acute care hospitals from being paid via (DRG) to instead be paid via per-diem based payment.
- Update language regarding the total supplemental disproportionate share hospital (DSH) payment program, including increasing the funding pool from \$15m in state general purpose revenue plus matching federal funds, to \$27.5m in state fund general purpose revenue plus matching federal funds and creating a redistribution methodology for DSH funds recouped from providers due to findings of non-qualification.

- Create a 5 percent withhold on inpatient fee-for-service hospital claims to fund a Withhold P4P program, applied to qualifying providers. All withheld funds will be repaid to hospitals based on their performance.
- Establish new performance measure for Withhold P4P program relating to hospital readmissions.
- Create a Rural Critical Care Access supplement that provides \$250,000 in state general purpose revenue plus matching federal funds to qualifying providers.

This notification is intended to provide notice of the type of changes that are included in the amendment. Interested parties should obtain a copy of the actual proposed plan amendment to comprehensively review the scope of all changes.

### **Proposed Change**

It is estimated that these changes will increase state fund spending by \$27,750,000 plus federal matching funds, relative to the increase DSH payment funding and creation of the Rural Critical Care Access supplement. Other changes are not expected to have a material impact on projected annual aggregate Medicaid expenditures in state fiscal year 2018. The Department maintains the same hospital budget approved by the Legislature.

The Department's proposal involves no change in the definition of those eligible to receive benefits under Medicaid, and the benefits available to eligible recipients remains the same. The effective date for these proposed changes will be January 1, 2018.

### **Copies of the Proposed Change**

A copy of the proposed change may be obtained free of charge at your local county agency or by calling or writing as follows:

#### **Regular Mail**

Division of Medicaid Services  
P.O. Box 309  
Madison, WI 53701-0309

#### **State Contact**

Ben Nerad, Hospital Policy and Rate Setting Section Chief  
Bureau of Fiscal Management  
(608) 261-8397 (phone)  
(608) 266-1096 (fax)  
[Benjamin.Nerad@wisconsin.gov](mailto:Benjamin.Nerad@wisconsin.gov)

A copy of the proposed change is available for review at the main office of any county department of social services or human services.

### **Written Comments**

Written comments are welcome. Written comments on the proposed change may be sent by fax, email, or regular mail per the above information. All written comments received will be reviewed, considered, and made available for public review between the hours of 7:45 a.m. and 4:30 p.m. daily in Room 350 of the State Office Building, 1 West Wilson Street, Madison, Wisconsin. Revisions may be made to the proposed change based on comments received.