

STATEMENT OF EMERGENCY

907 KAR 3:180E

(1) This emergency administrative regulation is being promulgated to increase reimbursement for in-state inpatient hospital care in accordance with 2005 Ky Acts ch. 173 and must be enacted on an emergency basis in order to comply with 2005 Ky Acts ch. 173.

(2) This emergency administrative regulation shall not be replaced by an ordinary administrative regulation filed with the Regulations Compiler given that the provisions established within the administration regulation expire at the close of business on June 30, 2006.

Ernie Fletcher
Governor

Mark D. Birdwhistell, Secretary
Cabinet for Health and Family Services

1 CABINET FOR HEALTH AND FAMILY SERVICES

2 Department for Medicaid Services

3 Division of Hospitals and Provider Operations

4 (New Emergency Administrative Regulation)

5 907 KAR 3:180E. In-state Inpatient Hospital Special Reimbursement Increase.

6 RELATES TO: KRS 205.639, 205.640, 42 CFR 440.10, 440.140, 447.250-447.280,

7 42 USC 1395ww(d)(4)(C)(i),x(mm), 1396a, 1396b, 1396d

8 STATUTORY AUTHORITY: KRS 194A.030(2), 194A.050(1), 205.520(3), 205.560(2),

9 205.641(2), 42 C.F.R. 447.252, 447.253, 42 U.S.C. 1396a, 2005 Ky Acts ch. 173

10 NECESSITY, FUNCTION, AND CONFORMITY: The Cabinet for Health and Family
11 Services, Department for Medicaid Services has responsibility to administer the
12 Medicaid Program. KRS 205.520(3) authorizes the cabinet, by administrative regulation,
13 to comply with a requirement that may be imposed, or opportunity presented by federal
14 law for the provision of medical assistance to Kentucky's indigent citizenry. This
15 administrative regulation, in accordance with 2005 Ky Acts ch. 173, establishes the
16 method for determining special reimbursement increases for in-state inpatient acute
17 care hospitals up to close of business June 30, 2006.

18 Section 1. Definitions.

19 (1) "Acute care hospital" is defined by KRS 205.639(1).

20 (2) "Department" means the Department for Medicaid Services or its designated

1 agent.

2 (3) "Diagnostic related group" or "DRG" means a clinically-similar grouping of
3 services that can be expected to consume similar amounts of hospital resources.

4 (4) "Relative weight" means the factor assigned to each Medicare or Medicaid DRG
5 classification that represents the average resources required for a Medicare or Medicaid
6 DRG classification relative to the average resources required for all relevant discharges
7 in the nation or state.

8 Section 2. In-state Inpatient Acute Care Hospital Reimbursement Increase.

9 (1) The department shall reimburse a lump sum payment to an in-state inpatient
10 acute care hospital based on the hospital's Medicaid member DRG volume already
11 adjudicated for claims with admission dates of July 1, 2005 through January 31, 2006;
12 and

13 (2)(a) The department shall increase each DRG relative weight by seventeen (17)
14 percent until close of business June 30, 2006 subject to the availability of funds
15 pursuant to 2005 Ky Acts ch. 173.

16 (b) Hospital provider tax revenues pursuant to 2005 Ky Acts ch. 173 shall be utilized
17 to fund the DRG relative weight increase. If those funds are nearly or completely
18 depleted prior to close of business June 30, 2006, the DRG relative weight increase
19 shall expire at that time.

907 KAR 3:180E

REVIEWED:

Date

Shannon Turner, J.D., Commissioner
Department for Medicaid Services

Date

Mike Burnside, Deputy Secretary
Cabinet for Health and Family Services

APPROVED:

Date

Mark D. Birdwhistell, Secretary
Cabinet for Health and Family Services

REGULATORY IMPACT ANALYSIS
AND TIERING STATEMENT

Administrative Regulation #: 907 KAR 3:180E
Cabinet for Health and Family Services
Department for Medicaid Services
Agency Contact Person: Stuart Owen (502-564-6204)

- (1) Provide a brief summary of:
 - (a) What this administrative regulation does: This administrative regulation establishes the method for determining a lump sum payment and an increase in diagnostic related group (DRG) relative weights in accordance with 2005 Ky Acts ch. 173.
 - (b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the methodology for an inpatient hospital lump sum payment and an increase in DRG relative weights in accordance with 2005 Ky Acts ch. 173.
 - (c) How this administrative regulation conforms to the content of the authorizing statutes: This administrative regulation conforms to the content of the authorizing statutes by establishing the methodology for an inpatient hospital lump sum payment and an increase in DRG relative weights in accordance with 2005 Ky Acts ch. 173.
 - (d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by establishing the methodology for an inpatient hospital lump sum payment and an increase in DRG relative weights in accordance with 2005 Ky Acts ch. 173.

- (2) If this is an amendment to an existing administrative regulation, provide a brief summary of:
 - (a) How the amendment will change this existing administrative regulation: This is a new administrative regulation.
 - (b) The necessity of the amendment to this administrative regulation: This is a new administrative regulation.
 - (c) How the amendment conforms to the content of the authorizing statutes: This is a new administrative regulation.
 - (d) How the amendment will assist in the effective administration of the statutes: This is a new administrative regulation.

- (3) List the type and number of individuals, businesses, organizations, or state and local government affected by this administrative regulation: Approximately sixty-five (65) acute care hospitals will be affected by this administrative regulation.

- (4) Provide an assessment of how the above group or groups will be impacted by either the implementation of this administrative regulation, if new, or by the change if it is an amendment: This administrative regulation increases in-state inpatient

acute care hospital reimbursement via a lump sum payment and an increase to DRG relative weights.

- (5) Provide an estimate of how much it will cost to implement this administrative regulation:
 - (a) Initially: The Department for Medicaid Services (DMS) anticipates the administrative regulation will cost approximately \$67.6 million (\$15.6 million state funds; \$52.0 million federal funds) for State Fiscal Year 2006.
 - (b) On a continuing basis: The administrative regulation's provisions expire June 30, 2006; thus only affect the SFY 2006 budget.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Federal funds authorized under the Social Security Act, Title XIX as well as Medical Assistance Revolving Trust Funds in accordance with 2005 Ky Acts ch. 173 will be used to fund this administrative regulation.
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: Federal funds authorized under the Social Security Act, Title XIX as well as Medical Assistance Revolving Trust Funds in accordance with 2005 Ky Acts ch.173 will be used to fund this administrative regulation.
- (8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish or directly or indirectly increase any fees.
- (9) Tiering: Is tiering applied? (Explain why tiering was or was not used)

Tiering was not appropriate in this administrative regulation because the administrative regulation applies equally to all those individuals or entities regulated by it. The regulation implements a lump sum inpatient hospital payment and a DRG relative weight increase for in-state inpatient acute care hospitals in accordance with 2005 Ky Acts ch. 173. Out-of-state inpatient acute care hospitals are not included in 2005 Ky Acts ch. 173 mandate.