



CABINET FOR HEALTH AND FAMILY SERVICES  
DEPARTMENT FOR MEDICAID SERVICES

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Secretary

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Commissioner

December 11, 2007

**TO: General Hospital (01) In-State Only Provider Letter A-228  
Mental Hospital (02) Provider Letter A-90**

**RE: Changes to Hospital Inpatient Regulation 907 KAR 1:013**

Dear *KyHealth Choices* Provider:

In an effort to maximize reimbursement to hospitals, the Department in conjunction with the Kentucky Hospital Association (KHA), has divided the hospital inpatient regulation, 907 KAR 1:013, into three separate and distinct regulations and has made several changes to each regulation for your benefit. The three new regulations are divided and the changes made are as follows:

- 907 KAR 1:013 Diagnostic Related Group (DRG) Inpatient Hospital Reimbursement
  - This regulation eliminates the disproportionate share hospital (DSH) distribution language from the Medicaid shortfall definition;
  - Clarifies that a high volume per diem payment shall be based on covered days or Medicaid utilization range rather than "estimated" days;
  - Inserts a new high volume adjustment eligibility criteria table; and
  - Excludes high intensity level II neonatal center claims from level II neonatal center claims used to calculate relative weights.
- 907 KAR 1:815 Non-Diagnostic Related Group Inpatient Hospital Reimbursement
  - This regulation eliminates reimbursement for inpatient care provided to an eligible Medicaid recipient in an in-state psychiatric hospital previously designated as a primary referral and service resource for a child in the custody of the Cabinet for Health and Family Services at the median per diem rate paid for all freestanding psychiatric hospitals;
  - The median rate was inflated and such care is provided by a facility which belongs to an acute care hospital (reimbursed via diagnostic related group (DRG) reimbursement;

(Please see reverse side)



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- Reimburses for rehabilitation or psychiatric care in an in-state acute hospital without a Medicare distinct part unit on a facility specific per diem basis equivalent to its aggregate projected payments for DRG services divided by its aggregate projected Medicaid paid days; and
- Reimburses out-of-state freestanding psychiatric hospitals at the median rate, excluding graduate medical education cost or provider tax cost, of in-state freestanding psychiatric hospitals rather than the median rate of in-state acute care hospitals with licensed psychiatric beds.
- 907 KAR 1:820 Disproportionate Share Hospital Distributions
  - This regulation factors outpatient indigent care costs in disproportionate share hospital (DSH) distribution methodology; and
  - Specifies indigent care cost pools, based on hospital provider type in accordance with KRS 205.640, used to determine DSH distributions on a pro rata basis.

The new regulations are available on the Department for Medicaid Services web site under Current Emergency Administrative Regulations at <http://chfs.ky.gov/dms/Regs.htm>. The new DRG Relative Weights are available at <http://chfs.ky.gov/dms/drg.htm>. The new Disproportionate Share Hospital Manual is available at <http://chfs.ky.gov/dms/incorporated.htm>.

If you have any questions, please feel free to call the Division for Hospitals and Provider Operations at (502) 564-6511, Monday through Friday, 8:00 a.m. until 4:30 p.m. eastern-time.

Sincerely,



Carrie Banahan  
Deputy Commissioner

Xc: General Hospital (01) in-State Only Provider Letter A-228  
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