



**North Carolina Department of Health and Human Services  
Division of Medical Assistance**

Pat McCrory  
Governor

Richard O. Brajer  
Secretary

Dave Richard  
Deputy Secretary for Medical Assistance

**MEMORANDUM**

TO: Rick O. Brajer  
Secretary

FROM: Dave Richard *DR / [Signature]*  
Deputy Secretary for Medical Assistance

SUBJECT: State Plan Amendment  
Title XIX, Social Security Act  
Transmittal #2016-011

DATE: December 9, 2016

Please find the attached amendment for North Carolina's State Plan under Title XIX of the Social Security Act for the Medical Assistance Program. The affected pages are Attachment 4.19-A, Page 4, Attachment 4.19-A, Page 23 and Attachment 4.19-A, Supplement 1, Page 3.

This state plan amendment implements Session Law 2015 – 241, Section 12H.18, which requires the base rate for Inpatient Hospital services remain the same as those in effect June 30, 2015.

This amendment is effective December 1, 2016.

Your approval of this state plan amendment is requested. If you have any questions or concerns, please contact Teresa Smith or me at 919-855-4116.

DR:ts

[www.ncdhhs.gov](http://www.ncdhhs.gov)

Tel 919-855-4100 • Fax 919-733-6608

Location: 1985 Umstead Drive • Kirby Building • Raleigh, NC 27603

Mailing Address: 2501 Mail Service Center • Raleigh, NC 27699-2501

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State Plan Under Title XIX of the Social Security Act  
Medical Assistance Program  
State: NORTH CAROLINA

Payments for Medical and Remedial Care and Services: Inpatient Hospital

(d) The Division of Medical Assistance shall establish a unit value for each hospital which represents the DRG payment rate for a DRG with a relative weight of one. This rate is established as follows:

- (1) Using the methodology described in Paragraph (c) of this plan, the Division shall estimate the cost less direct and indirect medical education expense on claims for discharges occurring during calendar year 1993, using cost reports for hospital fiscal years ending during that period or the most recent cost report available. All cost estimates are adjusted to a common 1994 fiscal year and inflated to the 1995 rate year.

The average cost per discharge for each provider is calculated. (See Exhibit page 25 of the plan). The state reserves the right to rebase based upon a year selected by the state.

- (2) Using the DRG weights to be effective on January 1, 1995, a CMI is calculated for each hospital for the same population of claims used to develop the cost per discharge amount in Subparagraph (d)(1) of this plan. Each hospital's average cost per discharge is divided by its CMI to get the cost per discharge for a service with a DRG weight of one.
- (3) The amount calculated in Subparagraph (d)(2) of this plan is reduced by 7.2% to account for outlier payments.
- (4) Effective January 1, 2015, the individualized base DRG rates for hospital inpatient services are equal to the statewide median rate of \$2,704.50. All primary affiliated teaching hospitals for the University of North Carolina Medical Schools' base rates shall not be included in the calculation of the statewide median rate and shall have their base rate equal to their respective base rate in effect on January 1, 2015. New hospitals inpatient rates will be established based on the statewide median rate. Existing hospitals that enter into a Change of Ownerships (CHOW) shall have the hospital's rates established based on the previous hospital's rates. Critical Access Hospitals' (CAH) rates will be established based on the same hospital's Acute Care Hospital rates. The actual reimbursement amount for a DRG billing is the product of the hospital specific rate times the relative weight and unit value for that DRG exclusive of add-ons (i.e. DSH and outliers).
- (5) Allowable and reasonable costs will be reimbursed in accordance with the provisions of the Medicare Provider Reimbursement Manual referred to as CMS Publication 15-1.

State Plan Under Title XIX of the Social Security Act

Medical Assistance Program

State: North Carolina

Payments for Medical and Remedial Care and Services: Inpatient Hospital

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#### **OUT-OF-STATE-HOSPITALS**

- (a) Except as noted in Paragraph (c) below, the Division of Medical Assistance shall reimburse out-of-state hospitals using the DRG methodology. Effective January 1, 2015, the DRG hospital unit value for all out-of-state hospitals shall be equal to the unit value of the North Carolina hospitals' statewide median rate of \$2,704.50 as of June 30, 2014. Out-of-state providers are eligible to receive cost and day outlier payments, but not direct medical education payment adjustments.
- (b) Hospitals that are certified for indirect medical education by Medicare may apply for an indirect medical education adjustment to its North Carolina rate.
- (c) Hospitals certified as disproportionate share hospitals by the Medicaid agency in their home state may apply for a disproportionate share adjustment to their North Carolina Medicaid rate. The North Carolina disproportionate share hospital rate adjustment shall be the hospital's home state DSH adjustment, not to exceed 2.5 percent of the DRG or per diem payment. The Division will apply the disproportionate share hospital rate adjustment to Medicaid inpatient claims submitted by qualified out-of-state hospitals.
- (d) The Division of Medical Assistance may enter into contractual relationships with certain hospitals providing highly specialized inpatient services, i.e. transplants in which case reimbursement for inpatient services shall be based upon a negotiated rate.
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TN. No. 16-011

Supersedes

TN. No. 14-046

Approval Date: \_\_\_\_\_

Eff. Date: 12/01/2016

State Plan Under Title XIX of the Social Security Act  
Medical Assistance Program

State: NORTH CAROLINA

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TN. No. 16-011  
Supersedes  
TN. No. 14-016

Approval Date: \_\_\_\_\_

Eff. Date: 12/01/2016