

10-010.03B4 Calculation of Peer Group Base Payment Amount: Peer group base payment amounts are calculated as a percentage of the weighted median of case mix adjusted hospital-specific base year operating costs per discharge, inflated to the midpoint of the rate year using the MBI. The peer group case-weighted median is determined and is multiplied by a percentage:

1. For metro acute care hospitals, the percentage is 85%;
2. For other urban acute care hospitals, the percentage is 100%;
3. For rural acute care hospitals, the percentage is 100%.

10-010.03B4a Consideration for Hospitals that Primarily Service Children: Effective January 1, 1997, a hospital qualifies for this group when it is located in Nebraska and is certified as meeting the criteria, as a children's hospital, for exclusion from the Medicare Prospective Payment System (PPS). The Department will make operating cost payments calculated at 120% of the peer group base payment amount for peer group 1 (Metro Acute Hospitals).

10-010.03B5 Calculation of Cost Outlier Payment Amounts: Additional payment is made for approved discharges meeting or exceeding Medicaid criteria for cost outliers for each DRG. Cost outliers may be subject to medical review.

Discharges qualify as cost outliers when the costs of the service exceed the outlier threshold. The outlier threshold is the sum of the operating cost payment amount, the indirect medical education amount, and the capital-related cost payment amount, plus \$50,000. Cost of the discharge is calculated by multiplying the hospital-specific cost-to-charge ratio determined from the base year cost report times the allowed charges. Additional payment for cost outliers is 60% of the difference between the hospital's cost for the discharge and the outlier threshold for all discharges except for burn discharges, which will be paid at 67.5%.

#### 10-010.03B6 Medical Education Costs

10-010.03B6a Calculation of Direct Medical Education Cost Payments: Hospital-specific direct medical education costs reflect the Nebraska Medical Assistance Program's average cost per discharge for approved intern and resident programs. Amounts are subject to the maximum per intern and resident amount allowed by Medicare in the base year and adjusted annually for inflation using the market basket index. Effective September 1, 2007 direct medical education cost payments will be decreased by 1.70% and will remain in effect until June 30, 2008. Effective July 1, 2008 direct medical education payments will be inflated 1.90%. To determine the direct medical education payment amount for each discharge, adjusted amounts are allocated to the Medicaid program based on the percentage of Medicaid patient days to total patient days in the base-year, and are divided by the number of base year Medicaid discharges and multiplied by 75%.

10-010.03B10a Reconciliation to Facility Upper Payment Limit: Facilities will be subject to a preliminary and a final reconciliation of Medicaid payments to allowable Medicaid costs. A preliminary reconciliation will be made within six months following receipt by the Department of the facility's cost report. A final reconciliation will be made within 6 months following receipt by the Department of the facility's final settled cost report.

Facilities will be notified when either the preliminary or final reconciliation indicates that the facility received Medicaid payments in excess of 110% of Medicaid costs. The Department will identify the cost reporting time period for Medicaid payments, Medicaid costs, and the amount of overpayment that is due the Department. Facilities will have 90 days to make refunds to the Department, when notified that an overpayment has occurred.

10-010.03B11 Adjustment of Rates: Effective for the rate period beginning July 1, 2003~~7~~ through August 31, 2007, the peer group base payment amount and the direct medical education payment amount will be inflated using the MBI. Effective September 1, 2003~~7~~, the peer group base payment amount and the direct medical education payment amount ~~in effect for the rate period ending June 30, 2003 shall~~ will be reduced by ~~3.15~~ 1.7% and remain in effect until June 30, 2004~~8~~. The peer group base payment amount and the direct medical education payment amount will be inflated ~~using the MBI by 1.90%~~ for the rate period beginning July 1, 2004~~8~~.

10-010.03B12 Transfers: When a patient is transferred to or from another hospital, the Department shall make a transfer payment to the transferring hospital if the initial admission is determined to be medically necessary.