

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Department of Health Care Finance**



Office of the Director

**Transmittal # 15-13**

TO: Specialty Fee-For-Service Hospitals

FROM: Claudia Schlosberg   
Senior Deputy Director/ State Medicaid Director  
Department of Health Care Finance

DATE: **MAY 05 2015**

SUBJECT: Implementation of the Specialty Hospital Payment Methodology

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This transmittal provides notice and guidance on implementation of the Specialty hospital payment methodology for Fiscal Year (FY) 2015. The FY 2015 methodology is effective for all Specialty hospital inpatient medical services with dates of discharge occurring on or after October 1, 2014.

**Notice**

On April 13, 2015, the Centers for Medicare and Medicaid Services (CMS) approved the State Plan Amendment (SPA) establishing the District's FY 2015 Specialty hospital reimbursement methodology. The SPA is new to Attachment 4.19-A, Part II of the District of Columbia State Plan for Medical Assistance, and became effective for all inpatient medical services with dates of discharge occurring on or after October 1, 2014.

**Implementation Guidance**

Although the effective date of the SPA is October 1, 2014, however, the Department of Health Care Finance (DHCF) cannot retroactively implement some of the reimbursement policies outlined in the SPA. Specifically, DHCF is providing the following guidance -- with the aim of mitigating unintended complications with implementing these policies.

- **Prior Authorization (PA)** – Under SPA, Attachment 4.19-A, Part II, Section F. – prior authorization is required for all Specialty hospital inpatient stays and non-emergency transfers. This policy was not enforced under the previous approved payment methodology; therefore, we are unable to enforce this policy retrospectively. Accordingly, the requirement to obtain prior authorization for all Specialty hospital stays and non-emergency transfers will be enforced effective beginning May 4, 2015. Therefore, beginning May 4, 2015, claims for non-emergency inpatient hospital discharges will not be paid unless the appropriate PA number is submitted on the claim.

- **Transfer Cases** – Under SPA, Attachment 4.19-A, Part II, Section G – for each Per Diem APR-DRG Specialty hospital claim that involves a transfer to another hospital or health care facility, the Specialty hospital shall be paid for the last day of the beneficiary's stay.

**For Specialty Hospitals of Washington (Capitol Hill and Hadley) only:**

Under the new payment method the final interim bill type 0114 will no longer be allowed for these two hospitals and claims submitted will be denied. However, these codes are allowed under the current payment method. To address the potential payment denials this may cause, the District will apply the following process during the retroactive payment period.

- Prior to the new payment method activation, the District will evaluate the volume of claims paid since October 1, 2014 using type of bill 0114.
- The District will notify Capitol Hill and Hadley about these claims so that they can be prepared to immediately resubmit them after denial during the mass adjustment process.
- When the new payment method is activated, claims with type of bill 0114 will be reprocessed and denied.
- The two hospitals should submit replacement claims for these admissions using the new billing instructions, which is to submit full admit-to-discharge claims. If there were any other interim claims associated with the discharge, (type of bill 0112 or 0113), those will be denied in the mass adjustment as well. This will avoid the “duplicate” billing edit when the DRG claim is submitted.

**Claims Processing/ Recycling**

Except for the policies outlined above, beginning May 11, 2015, DHCF will recycle all inpatient medical services claims to retroactively comport with the standards established in the SPA. This retroactive recycling of claims will be applied to all claims for discharges occurring between October 1, 2014 through April 30, 2015. Based on available billing processing time frames, the recycling process may take up to six weeks.

In the meantime, DHCF will continue to communicate information about the new payment methods on <https://www.dc-medicaid.com/dcwebportal/home>.

If you have any questions, please contact Sharon Augenbaum, Medicaid Reimbursement Analyst, at (202) 442-6082 or e-mail [Sharon.Augenbaum@dc.gov](mailto:Sharon.Augenbaum@dc.gov)