**Section 148.170 Payment Methodology for University-Owned Large Public Hospitals**

a) Effective for dates of outpatient services on or after July 1, 2014 and inpatient discharges on July 1, 2014 through December 31, 2015:

1) Inpatient Reimbursement Methodology

In accordance with 89 Ill. Adm. Code 149.50(b)(5), a large public hospital, as defined in Section 148.25(a)(2), is excluded from the DRG PPS for reimbursement for inpatient hospital services and shall be reimbursed on a per diem basis.

A) Inpatient Per Diem Rate Calculation

University-owned hospital inpatient per diem rates are calculated as follows:

i) Each University-owned hospital's inpatient base year costs, including operating, capital and direct medical education costs, shall be calculated using inpatient base period claims data and Medicare cost report data with reporting periods matching the inpatient base period. Effective July 1, 2018, direct and indirect medical education costs shall be reduced from the inpatient base year cost.

ii) The inpatient base year costs shall be inflated from the midpoint of the inpatient base period claims data to the midpoint of the time period, for which rates are being set (rate period) based on an inflation methodology determined by the Department and approved by the Center for Medicare and Medicaid Services (CMMS).

iii) Calculate the sum of:

• The total hospital inflated base year costs, excluding non-Medicare crossover claims, in the inpatient base period claims data; and

• Total uncovered Medicare crossover claim cost in the inpatient base period claims data.

iv) The inpatient per diem rate shall be the quotient of:

• Combined inflated base year cost and uncovered Medicare crossover claims cost, per subsection (a)(1)(A)(iii); and

• Total hospital base year covered days, excluding non-Medicare crossover claims, in the inpatient base period claims data.

v) The inpatient per diem rates shall be reduced if resulting payments exceed available Department funding or the CMMS Upper Payment Limit.

B) Rate Updates and Adjustments

University-owned hospital per diem rates shall be updated on an annual basis using more recent inpatient base period claims data, Medicare cost report data and cost inflation data.

C) New hospitals, for which inpatient base period claims data or Medicare cost reports are not on file, will be reimbursed the per diem rate calculated in subsection (a)(1)(A).

D) Review Procedure

The review procedure shall be in accordance with Section 148.310.

E) Applicable Adjustment for DSH Hospitals

The criteria and methodology for making applicable adjustments to DSH hospitals shall be in accordance with Section 148.120.

2) Outpatient Reimbursement Methodology

Large public hospitals, as defined in Section 148.25(a)(2), are included in the EAPG PPS for reimbursement for outpatient hospital services as described in Section 148.140 and are to receive a provider-specific EAPG standardized amount.

A) Outpatient EAPG Standardized Amount Calculation

University-owned hospital outpatient EAPG standardized amount is calculated as follows:

i) Each University-owned hospital's outpatient base year costs, including operating, capital and direct medical education costs, shall be calculated using outpatient base period claims data and Medicare cost report data with reporting periods matching the outpatient base period.

ii) The outpatient base year costs shall be inflated from the midpoint of the outpatient base period claims data to the midpoint of the rate period based on an inflation methodology determined by the Department and approved by CMMS.

iii) Prior to July 1, 2018, EAPG standardized amounts shall be determined for each State-owned hospital such that simulated EAPG payments are equal to outpatient base period costs inflated to the rate period, based on outpatient based period paid claims data. Effective July 1, 2018, EAPG standardized amounts shall be determined for each county-owned hospital such that simulated EAPG payments are equal to outpatient base period costs inflated to the rate period, based on outpatient based period claims data, less an amount calculated in 148.406(f).

iv) EAPG standardized amounts shall be reduced if resulting payments exceed available Department funding or the Centers for Medicare and Medicaid Services Upper Payment Limit.

B) Rate Updates and Adjustments

State-owned hospital EAPG standardized amounts shall be updated on an annual basis using more recent outpatient base period claims data, Medicare cost report data and cost inflation data.

C) Review Procedure

The review procedure shall be in accordance with Section 148.310.

3) Definitions, as used in this Section:

"Inpatient base period paid claims data" means:

Prior to July 1, 2018, Medicaid fee-for-service inpatient paid claims data from the State fiscal year ending 36 months prior to the beginning of the rate period.

Effective July 1, 2018, Medicaid fee-for-service and MCO encounter inpatient claims data from the State fiscal year ending 12 months prior to the beginning of the rate period.

"Outpatient base period paid claims data" means:

Prior to July 1, 2018, Medicaid fee-for-service outpatient paid claims data from the State fiscal year ending 36 months prior to the beginning of the rate period, excluding crossover claims.

Effective July 1, 2018, Medicaid fee-for-service and MCO encounter outpatient claims data from the State fiscal year ending 12 months prior to the beginning of the rate period, excluding crossover claims.

"Rate period" means the State fiscal year for which the University-owned hospital inpatient and outpatient rates are effective.

b) Effective for inpatient acute care discharges on or after January 1, 2016, University-owned hospitals, as defined in Section 148.25(a)(2), shall be reimbursed at allowable cost on a DRG basis. The DRG base payment shall be the product, rounded to the nearest hundredth, of:

1) The DRG weighting factor of the DRG and SOI, to which the inpatient stay was assigned by the grouper.

2) Prior to July 1, 2018, the DRG base rate determined such that simulated base period as defined in subsection (a)(3) DRG payments are equal to adjusted base period costs, as determined in subsection (a)(1)(A)(ii). Effective July 1, 2018, the DRG base rate shall be determined such that simulated DRG payments are equal to inpatient base period costs inflated to the rate period, based on inpatient based period claims data, less an amount calculated in Section 148.406(c).

(Source: Amended at 42 Ill. Reg. 22401, effective November 29, 2018)