

## **Table of Contents**

**State/Territory Name: South Carolina**

**State Plan Amendment (SPA) #: 25-0012**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-14-28  
Baltimore, Maryland 21244-1850



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**Financial Management Group**

March 2, 2026

Eunice Medina  
Interim Director, Department of Health & Human Services  
Post Office Box 8206  
1801 Main Street  
Columbia, SC 29202-8206

RE: TN SC-25-0012

Dear Director Medina:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed South Carolina state plan amendment (SPA) to Attachments 4.19-A and 4.19-B SC-25-0012, which was submitted to CMS on December 9, 2025. This plan amendment updates the Inpatient Disproportionate Share Hospital (DSH) methodology to use SFY 2024 cost reporting to calculate interim DSH payments, updates inflation trending to 2024 calendar year costs, and updates swing bed and administrative day rates to match current Nursing Facility rates. The SPA also updates the demonstration year and base cost report period for the Inpatient and Outpatient upper payment limit (UPL) methodology.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2) of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of October 1, 2025. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Ysabel Gavino at 667-290-8856 or via email at [Maria.Gavino@cms.hhs.gov](mailto:Maria.Gavino@cms.hhs.gov), or James Francis at 857-357-6378 or via email at [James.Francis@cms.hhs.gov](mailto:James.Francis@cms.hhs.gov).

Sincerely,

A handwritten signature in cursive script that reads "Rory Howe".

Rory Howe  
Director  
Financial Management Group

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>	1. TRANSMITTAL NUMBER <u>2 5 — 0 0 1 2</u>	2. STATE <u>S C</u>
	3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI	
TO: CENTER DIRECTOR CENTERS FOR MEDICAID & CHIP SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE <p style="text-align:center;">October 1, 2025</p>	
5. FEDERAL STATUTE/REGULATION CITATION 42 CFR Part 447, Subpart C and E	6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY <u>2026</u> \$ <u>880.000</u> b. FFY <u>2027</u> \$ <u>930.000</u>	
7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  Attachment 4.19-A, pages 22, 26a, 26a.2, 26d, 26g, 27, 28, 28a  Attachment 4.19-B, pages 1a.8, 1a.9	8. PAGENUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  Attachment 4.19-A, pages 22, 26a, 26a.2, 26d, 26g, 27, 28, 28a Attachment 4.19-B, pages 1a.8, 1a.9	

9. SUBJECT OF AMENDMENT

~~This SPA will update the inpatient hospital changes effective October 1, 2025 and Medicaid DSH changes for FFY 2026.~~  
 This SPA will update the inpatient, outpatient hospital changes effective October 1, 2025 and Medicaid DSH changes for FFY 2026.

10. GOVERNOR'S REVIEW (Check One)

<input type="radio"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="radio"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="radio"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL	<input checked="" type="radio"/> OTHER, AS SPECIFIED: Ms. Medina was designated by the Governor to review and approve all State Plans.
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11. SIGNATURE OF STATE AGENCY OFFICIAL 	15. RETURN TO South Carolina Department of Health and Human Services Post Office Box 8206 Columbia, SC 29202-8206
12. TYPED NAME Eunice Medina	
13. TITLE Director	
14. DATE SUBMITTED December 9, 2025	

**FOR CMS USE ONLY**

16. DATE RECEIVED December 9, 2025	17. DATE APPROVED March 2, 2026
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**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL October 1, 2025	19. SIGNATURE OF APPROVING OFFICIAL 
20. TYPED NAME OF APPROVING OFFICIAL Rory Howe	21. TITLE OF APPROVING OFFICIAL Director, Financial Management Group

22. REMARKS  
 1/27/2026: South Carolina authorized a pen-and-ink change to block 9 of the 179 form to change the sentence to read as follows:  
 "This SPA will update the inpatient, outpatient hospital changes effective October 1, 2025 and Medicaid DSH changes for FFY 2026." (JGF)

by multiplying the applicable DRG relative weight by the hospital discharge rate and dividing by twice the average length of stay for the DRG. However, when a patient is admitted and discharged, and subsequently readmitted on the same day, the hospital will be paid only one per discharge or per diem payment as appropriate.

E. Payment for Swing Bed Days

Acute care facilities will be reimbursed for qualifying skilled and intermediate care Medicaid patients in accordance with the daily rate schedule shown below.

January 1, 2019 - December 31, 2019	181.87
January 1, 2020 - December 31, 2020	192.04
January 1, 2021 - September 30, 2021	201.15
October 1, 2021 - December 31, 2022	201.86
January 1, 2023 - September 30, 2023	216.17
October 1, 2023 - September 30, 2024	246.55
October 1, 2024 - September 30, 2025	247.25
October 1, 2025 -	248.89

This rate calculation is described in the Nursing Home State Plan Attachment 4.19-D.

F. Payment for Administrative Days

Acute care facilities will be reimbursed for Medicaid eligible skilled or intermediate patients who no longer require acute care and are waiting for nursing home placement. Administrative days must follow an acute inpatient hospital stay and will be covered in any hospital as long as a nursing home bed is not available. Reimbursement for administrative days is described below.

- Each administrative day will be paid in accordance with the rate schedule shown below. This daily rate will be considered payment in full. There will be no cost settlement. This rate is a combination of the swing bed rate, as defined above, plus the Pharmacy per diem used for nursing facility UPL payments:

January 1, 2019 - December 31, 2019	202.21 (RX Per Diem 20.34)
January 1, 2020 - December 31, 2020	211.96 (RX Per Diem 19.92)
January 1, 2021 - September 30, 2021	221.40 (RX Per Diem 20.25)
October 1, 2021 - December 31, 2022	222.11 (RX Per Diem 20.25)
January 1, 2023 - September 30, 2023	236.42 (RX Per Diem 20.25)
October 1, 2023 - September 30, 2024	257.22 (RX Per Diem 10.67)
October 1, 2024 - September 30, 2025	253.17 (RX Per Diem 5.92)
October 1, 2025 -	253.83 (RX Per Diem 4.94)

- Patients who require more complex care services will be reimbursed using rates from the following schedule.

October 1, 2003 - September 30, 2004	188.00
October 1, 2004 - September 30, 2005	197.00
October 1, 2005 - September 30, 2006	206.00
October 1, 2006 - September 30, 2007	215.00
October 1, 2007 - November 30, 2008	225.00
December 1, 2008 - April 7, 2011	364.00
April 8, 2011 - September 30, 2011	353.08
October 1, 2011 -	450.00

This rate calculation is described in the Nursing Home State Plan Attachment 4.19-D., Section III I.

N. Upper Payment Limit CalculationI. Non-State Owned Governmental and Private Inpatient Hospital Service Providers

The following methodology is used to estimate the upper payment limit applicable to non-state owned governmental and privately owned or operated inpatient hospitals (i.e. for profit and non-governmental nonprofit facilities):

The most recent HFY 2552-10 cost report serves as the base year cost report to be used for Medicaid UPL calculations. In order to determine the Medicare allowable cost using Medicare allowable cost principles (i.e. upper payment limit), the SCDHHS employs the following process:

- (1) Covered Medicaid inpatient hospital routine charges are determined by multiplying covered Medicaid inpatient hospital routine billed charges by the ratio of Medicaid Covered days to Medicaid billed days. Data source - Summary MARS inpatient hospital report.
- (2) Covered Medicaid inpatient hospital ancillary charges are determined by multiplying covered Medicaid inpatient hospital ancillary billed charges by the ratio of Medicaid Covered days to Medicaid billed days. Data source - Summary MARS inpatient hospital report.
- (3) Medicaid covered inpatient hospital routine cost is determined by multiplying Medicaid routine days as identified on worksheet S-3, column 7, lines 1, 8 thru 13 and 16 thru 17 by the routine cost per diems determined by the amounts reflected on worksheet B Part I, column 24, lines 30 thru 40 divided by total days of each routine cost center reflected on worksheet S-3, column 8, lines 1 thru 18. Data source - HFY 2552-10 cost report.
- (4) Medicaid covered inpatient hospital ancillary cost is determined by multiplying covered Medicaid inpatient hospital ancillary charges as identified on worksheet D-3, column 2, lines 50 thru 117 by the ancillary cost to charge ratios as reflected on worksheet C, column 8, lines 50 thru 117. Data source - HFY 2552-10 cost report.
- (5) Total Medicaid inpatient hospital cost is determined by combining Medicaid covered inpatient hospital routine cost (step 3) with covered Medicaid inpatient hospital ancillary cost (step 4). The total Medicaid inpatient hospital cost is then trended using the mid-year to mid-year inflation method and the use of the most recent Global Insight Indexes Based CMS Hospital PPS Market Basket in order to trend the base year cost to the FFY 2026 UPL demonstration period.

SC 25-0012

EFFECTIVE DATE: 10/01/25

APPROVAL DATE: March 2, 2026

SUPERSEDES: SC 24-0023

- (1) Medicaid covered inpatient hospital routine cost is determined by multiplying Medicaid routine days as identified on worksheet S-3, column 7, lines 1 and 8 thru 13 by the routine cost per diems determined by the amounts reflected on worksheet B Part I, column 24, lines 30 thru 40 divided by total days of each routine cost center reflected on worksheet S-3, column 8, lines 1 thru 13. Data source - HFY 2552-10 cost report.
- (2) Medicaid covered inpatient hospital ancillary cost is determined by multiplying Medicaid routine days as identified on worksheet S-3, column 7, lines 1 and 8 thru 13 by the sum of the ancillary cost centers determined by the amounts reflected on worksheet B Part I, column 24, lines 50 thru 117 divided by total days of all routine cost centers reflected on worksheet S-3, column 8, lines 1 thru 13. Data source - HFY 2552-10 cost report.
- (3) Total Medicaid inpatient hospital cost is determined by combining Medicaid covered inpatient hospital routine cost (step 1) with covered Medicaid inpatient hospital ancillary cost (step 2). The total Medicaid inpatient hospital cost is then trended using the mid-year to mid-year inflation method and the use of the most recent Global Insight Indexes Based CMS Hospital PPS Market Basket in order to trend the base year cost to the FFY 2026 UPL demonstration period.
- (4) Total base year Medicaid inpatient hospital revenue is derived from each hospital's DataProbe (SCDHHS Decision Support System) Summary report based upon each hospital's cost reporting period.
- (5) Total projected Medicaid inpatient hospital revenue is determined by taking the October 1, 2024 Medicaid per diem rates multiplied by the HFY 2024 Medicaid days as identified via the DataProbe report.
- (6) The Medicaid UPL compliance check is determined for this class by comparing the aggregate amounts as determined in (3) above to ensure that projected Medicaid inpatient hospital cost is equal to or greater than projected Medicaid inpatient hospital rate expenditures in step 5. In the event that aggregate Medicaid inpatient hospital rate expenditures exceed aggregate Medicaid hospital cost, the Medicaid per discharge rate for each facility will be limited to the Medicaid cost based rate as determined in (3) above.

charge ratios as reflected on worksheet C, column 9, lines 50 through 112. Any ancillary services reflected within these lines (i.e. 50 through 112) that are not considered an inpatient or outpatient hospital service (e.g. home health, ambulance, etc.) will not be reflected within these calculations.

- (2) Covered Medicaid inpatient hospital days used in the UPL calculation are reconciled to the SC MMIS.
- (3) Covered Medicaid inpatient hospital ancillary charges used in the UPL calculations are those that are provider reported and are subject to reconciliation to the SC MMIS if a variance of 3%+ exists between provider reported inpatient ancillary charges versus SC MMIS reported inpatient ancillary charges.
- (4) To determine the UPL gap that will be used to make supplemental payments the amount determined for each hospital in step 1 above will be subtracted from the amount paid to each hospital adjusted for any changes in payment rates during the payment year. The aggregate gap amount for each group of hospitals (private and non-state government) will serve as the basis for the supplemental payments to the private and non-state government hospitals. Furthermore, the supplemental payments available under this section cannot exceed the difference between total Medicaid covered inpatient hospital charges and total allowable Medicaid inpatient revenue received by each hospital eligible to receive UPL reimbursement under this section.
- (5) For payments made for FFY 2026, base year cost will be trended accordingly using the most recent CMS Market Basket rates. Base year cost will be trended using the midpoint to midpoint methodology and the use of the most recent Global Insight CMS Hospital Prospective Reimbursement Quarterly Market Basket Indexes. Medicaid base year revenue will be adjusted accordingly, if applicable, to reflect changes made to SC Medicaid inpatient hospital reimbursement. For subsequent fiscal years, data utilized from the HFY 2552-10 cost report and HFY Summary MARS Report will be no older than 2 years prior to the projected spending year.

the Medicaid worksheet D-3, column 2, lines 50 through 112 by the ancillary cost to charge ratios as reflected on worksheet C, column 9, lines 50 through 112. Any ancillary services reflected within these lines (i.e. 50 through 112) that are not considered an inpatient or outpatient hospital service (e.g. home health, ambulance, etc.) will not be reflected within these calculations.

- (2) Covered Medicaid inpatient hospital days used in the UPL calculation are reconciled to the SC MMIS.
- (3) Covered Medicaid inpatient hospital ancillary charges used in the UPL calculations are those that are provider reported and are subject to reconciliation to the SC MMIS if a variance of 3%+ exists between provider reported inpatient ancillary charges versus SC MMIS reported inpatient ancillary charges.
- (4) To determine the UPL gap that will be used to make supplemental payments the amount determined for each hospital in step 1 above will be subtracted from the amount paid to each hospital adjusted for any changes in payment rates during the payment year. The aggregate gap amount for each group of hospitals (private and non-state government) will serve as the basis for the supplemental payments to the private and non-state government hospitals. Furthermore, the supplemental payments available under this section cannot exceed the difference between total Medicaid covered inpatient hospital charges and total allowable Medicaid inpatient revenue received by each hospital eligible to receive UPL reimbursement under this section.
- (5) For payments made for FFY 2026, base year cost will be trended accordingly using the most recent CMS Market Basket rates. Base year cost will be trended using the midpoint to midpoint methodology and the use of the most recent Global Insight Based CMS Hospital Prospective Reimbursement Quarterly Market Basket Indexes. Medicaid base year revenue will be adjusted accordingly, if applicable, to reflect changes made to SC Medicaid inpatient hospital reimbursement. For subsequent fiscal years, data utilized from the HFY 2552-10 cost report and HFY Summary MARS Report will be no older than 2 years prior to the projected spending year.

VII. Disproportionate Share

A. Payments

Disproportionate share hospital (DSH) payments shall be made in accordance with the requirements of Section 1923 of the Social Security Act. DSH payments will be paid to those facilities meeting the requirements specified in Section II 12. For clarification purposes, the South Carolina Medicaid State Plan rate year for DSH payment purposes is October 1 through September 30. For FFY 2026, qualification data will be based upon each hospital's fiscal year 2024 cost reporting period.

1. Effective for the October 1, 2025 - September 30, 2026 (FFY 2026) DSH payment period, the interim hospital specific DSH limit will be set as follows:

a. The interim hospital specific DSH limit for most SC general acute care hospitals that contract with the SC Medicaid Program will be equal to one hundred percent (100%) of the unreimbursed hospital cost for all (i.e. SC and out-of-state) uninsured patients, all Medicaid fee for service patients, and all Medicaid managed care patients (including PACE Program participants). The hospital specific DSH limit of the SC non-general acute care hospitals will equal to sixty percent (60%). The hospital specific DSH limit for all general acute care border hospitals (in North Carolina and Georgia) contracting with the SC Medicaid Program will be equal to sixty percent (60%) of the unreimbursed hospital cost for SC uninsured patients, SC Medicaid fee for service patients, and SC Medicaid managed care patients (including PACE Program participants). Due to certain provisions contained within the Federal Consolidated Appropriations Act of 2021, the FFY 2026 Medicaid Shortfall of the interim hospital specific DSH limits will exclude the costs of Medicaid-eligible patients with third-party sources of coverage, where the third-party source of coverage is the primary payer. The December 19, 2008 Final Rule (as well as instructions/guidance provided by the DSH audit contractor) relating to the audits of the Medicaid DSH plans as well as the December 3, 2014 Final Rule relating to the Uninsured Definition will be the guiding documents that hospitals must use in providing the DSH data.

Except for the SC Department of Mental Health (SCDMH) hospitals, for FFY 2026, each hospital's interim hospital specific DSH limit will be calculated as follows:

i) The unreimbursed cost of providing inpatient and outpatient hospital services to the uninsured, Medicaid fee for service, and Medicaid MCO enrollees will be determined by taking each hospital's fiscal year 2024 cost reporting period charges for each group listed above and multiplying that by the hospital's applicable FY 2024 unadjusted inpatient and outpatient hospital cost to charge ratios (i.e. Uninsured, Medicaid MCO, and Medicaid FFS) to determine the base year cost for this group. In order to inflate each hospital's

base year cost determined for each group identified above, each hospital's cost will be inflated from the base year to December 31, 2024 using the applicable CMS Market Basket Index described in (A)(3) of this section. The inflated cost of each hospital for each group determined above will be summed and reduced by payments received from or for all uninsured patients, all Medicaid fee for service, and all Medicaid managed care patients to determine the total unreimbursed cost for each DSH hospital. HFY 2024 base revenue for Medicaid fee for service and Medicaid managed care enrollees will be adjusted to account for any Medicaid fee for service reimbursement actions implemented during or after the base year. Out of state border DSH qualifying hospitals will only report charges and revenue received from SC residents.

- ii) For FFY 2026, each SCDMH hospital's interim hospital specific DSH limit will be calculated using FYE June 30, 2024 cost report data for all of its Medicaid fee for service, uninsured, and Medicaid managed care enrollees. Each hospital's total allowable cost will be inflated from the base year to December 31, 2024 using the CMS Market Basket Index described in (A)(3) of this section. The inflated cost will be divided by total FYE June 30, 2024 acute care hospital days to determine a cost per day amount. This cost per day amount will be multiplied by the FYE June 30, 2024 acute care hospital days associated with all Medicaid fee for service, uninsured, and Medicaid managed care enrollees to determine the total amount of cost eligible under the hospital specific DSH limit. The inflated cost of each hospital determined above will be reduced by payments received from or for all Medicaid fee for service, uninsured patients, and Medicaid managed care enrollees to determine the total unreimbursed cost of each DSH hospital. Medicaid fee for service and Medicaid managed care revenue will be adjusted to account for any Medicaid rate increase provided since the base year.
- iii) For new SC general acute care hospitals which enter the SC Medicaid Program during the October 1, 2025 - September 30, 2026 DSH Payment Period, their interim hospital specific DSH limits will be based upon projected DSH qualification, cost, charge and payment data that could be subject to further revision based upon the audited DSH qualification, cost, charge and payment data resulting from the audit of the October 1, 2025 through September 30, 2026 Medicaid State Plan rate year.
- iv) For the FFY 2026 DSH payment period, SC Medicaid-designated rural hospitals in South Carolina shall be eligible to receive up to one hundred percent of costs associated with uncompensated care as part of the DSH program. Funds shall be allocated from the existing DSH program.

- v) Effective for the FFY 2026 DSH payment period, the SCDHHS will create three separate DSH pools for the calculation of the interim DSH payments effective October 1, 2025. The first DSH pool will represent the unreimbursed costs of the uninsured and Medicaid eligible recipients receiving inpatient psychiatric hospital services provided by South Carolina Department of Mental Health (SCDMH) hospitals. Under this pool, the SCDMH hospitals will receive (in the aggregate) up to one hundred percent of their specific DSH limit but not to exceed \$60,903,051. Next, a second DSH pool will be created for SC defined rural hospitals from the existing FFY 2026 DSH allotment for the SC defined rural hospitals as described in iv. above. Finally, the remaining DSH allotment amount for FFY 2026 will be available to all remaining DSH eligible hospitals. In the event that the sum of the hospital specific DSH limits of the DSH qualifying hospitals exceeds the sum of DSH payment pool #3 the hospital specific DSH limits will be decreased proportionately to ensure the hospital specific DSH limits are within the DSH payment pool #3 amount.
2. The October 1, 2025 - September 30, 2026 annual aggregate DSH payment amounts will not exceed the October 1, 2025 - September 30, 2026 annual DSH allotment amount.
3. The following CMS Market Basket index will be applied to hospitals' base year cost.
- |         |       |
|---------|-------|
| FY 2024 | 3.3 % |
|---------|-------|
4. All disproportionate share payments will be made by adjustments during the applicable time period.
5. Effective October 1, 2018, the Medicaid Agency will employ the use of the DSH audit redistribution methodology as outlined under Section X.(C)(I)(b) of Attachment 4.19-A.

- Effective for discharges incurred on and after January 1, 2020, all SC defined rural hospitals will receive retrospective cost settlements equaling 100% of their SC Medicaid outpatient hospital reimbursable cost subject to the July 1, 2014 and October 1, 2015 normalization actions.
- Effective for services provided on and after October 1, 2021, the impact of the July 1, 2014 and October 1, 2015 normalization actions will be removed from those hospitals impacted by these actions as outlined in Bullet #4 of page 1 and Bullet #1 of page 1.1. of Attachment 4.19-B. Therefore effective for services provided on and after October 1, 2021, SC defined rural hospitals and qualifying burn intensive care unit hospitals will receive 100% of its allowable Medicaid reimbursable costs on a retrospective basis.
- Effective for services provided on and after July 1, 2023, South Carolina Defined rural hospitals will receive a cost based prospective payment rate based on the two-year average of each hospitals 2020 and 2021 payment data applied as a percentage base rate adjustment to the October 1, 2015 outpatient fee schedule.

For clarification purposes, all interim retrospective cost settlements will be subject to final audit. Any underpayment/(overpayment) identified as a result of the final audit will be paid or recouped accordingly. Effective July 1, 2023, only qualifying burn units are eligible for retrospective cost settlement.

## II. Upper Payment Limits:

Outpatient hospital reimbursement shall be made in accordance with the upper payment limit requirements defined in 42 CFR 447.321.

### Non-State Owned Governmental and Private Outpatient Hospital Service Providers

The following methodology is used to estimate the upper payment limit applicable to non-state owned governmental and privately owned or operated outpatient hospitals (i.e. for profit and non-governmental nonprofit facilities). State owned psychiatric hospitals do not provide outpatient hospital services so no UPL demonstration is warranted for this class:

The most recent HFY 2552-10 cost report serves as the base year cost report to be used for Medicaid UPL calculations. In order to determine the Medicare allowable cost using Medicare allowable cost principles (i.e. upper payment limit), the SCDHHS employs the following process:

- (1) Medicaid covered outpatient hospital ancillary charges are obtained from the Summary MARS outpatient hospital report. Data source - Summary MARS outpatient hospital report.
- (2) Medicaid covered outpatient hospital ancillary cost is determined by multiplying covered Medicaid outpatient hospital ancillary charges as identified on worksheet D Part V, column 3, lines 50 thru 117 by the ancillary cost to charge ratios as reflected on worksheet C, column 8, lines 50 thru 117. Data source - HFY 2552-10 cost report.
- (3) The total Medicaid outpatient hospital cost determined in step (2) is then trended using the mid-year to mid-year inflation method and the use of the most recent Global Insight Indexes Based CMS hospital PPS Market Basket in order to trend the base year cost to the FFY 2026 UPL demonstration period.

- (4) Total base year Medicaid outpatient hospital revenue is derived from each hospital's Summary MARS report based upon each hospital's cost reporting period. Data source - Summary MARS outpatient hospital report. Base year revenue will be adjusted accordingly to reflect any rate/payment methodology changes that may have occurred since and during the base year. For hospitals that receive retrospective cost settlements of the estimated revenue for the FFY 2026 payment period will be adjusted accordingly to reflect no more than trended cost as referenced in step (3).
- (5) The Medicaid UPL compliance check is determined for each class by comparing the aggregate amounts as determined in (3) above to ensure that projected Medicaid outpatient hospital cost is equal to or greater than projected Medicaid outpatient hospital payments in step (4). In the event that aggregate Medicaid outpatient hospital payments exceed aggregate Medicaid outpatient hospital cost, the hospital specific outpatient multiplier for each facility will be established using the Medicaid cost as reflected in step (3).