

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



DEC 13 2013

Ms. Beverly D. Mackereth, Secretary
Commonwealth of Pennsylvania
Department of Public Welfare
Office of Medical Assistance Programs
PO Box 8046
Harrisburg, PA 17105

RE: State Plan Amendment 13-039

Dear Ms. Mackereth:

We have completed our review of State Plan Amendment (SPA) 13-039. This SPA modifies Attachment 4.19-A of Pennsylvania's Title XIX State Plan. Specifically, the amendment continues provisions for certain inpatient supplemental payments and establishes the aggregate limit for DSH and the supplemental payments for 2013-2014.

We conducted our review of this SPA according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act (the Act) and the regulations at 42 CFR 447 Subpart C. We are approving state plan amendment 13-039 effective July 14, 2013. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, or require additional information, please call Gary Knight at (304) 347-5723.

Sincerely,

Cindy Mann
Director

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 13-039	2. STATE Pennsylvania
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) Title XIX	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE July 14, 2013	
5. TYPE OF PLAN MATERIAL (Check One):			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447 Subpart C		7. FEDERAL BUDGET IMPACT: a. FFY 2013 \$35,599,725 b. FFY 2014 \$246,565,503	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19A, Pages 2a, 17.1, 20a, 20b, 21m, 21n, 21o, 21p, 21q		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19A, Pages 2a, 17.1, 20a, 20b, 21m, 21n, 21o, 21p, 21q	
10. SUBJECT OF AMENDMENT: Disproportionate Share Hospital and Supplemental Payments			
11. GOVERNOR'S REVIEW (Check One):			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Review and approval authority has been delegated to the Department of Public Welfare	
12. SIGNATURE OF STATE AGENCY OFFICIAL:		16. RETURN TO:	
13. TYPED NAME: <u>Beverly D. Mackereth</u>		Commonwealth of Pennsylvania	
14. TITLE: <u>Secretary of Public Welfare</u>		Department of Public Welfare	
15. DATE SUBMITTED: <u>SEP 27 2013</u>		Office of Medical Assistance Programs	
		Bureau of Policy, Budget and Planning	
		P.O. Box 8046	
		Harrisburg, Pennsylvania 17105	

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17. DATE RECEIVED:	18. DATE APPROVED: DEC 13 2013
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 14 2013	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: <u>Penny Thompson</u>	22. TITLE: <u>Deputy Director, Policy & Financial Mgt. EMCS</u>
23. REMARKS:	

Payments for Direct Medical Education Costs

- (a) The Department reimburses hospitals with medical education costs by using the methods described below.
- (1) For hospitals that received medical education payments in Fiscal Year (FY) 2008-2009, the Department reimburses an eligible hospital the same amount that the hospital received for direct medical education payments in FY 2008-2009.
 - (2) The Department reimburses eligible hospitals the total medical assistance medical education costs for the hospital which is the sum of the MA fee-for-service medical education costs as reported on the hospital's FY 2007-2008 Medical Assistance cost report (MA 336) available to the Department as of July 2010 and the estimated MA managed care medical education costs as determined by calculating a ratio of MA fee-for-service acute care days to MA managed care acute care days and applying this ratio to the MA fee-for-service medical education costs from the MA cost report. The medical education payment amount for the hospital will be 75% of the total MA medical education costs.
 - (3) For FY 2010-2011, hospitals eligible under both (a)(1) and (a)(2) will receive the higher of the payment amounts. Hospitals eligible only under (a)(2) will receive the payment amount calculated in (a)(2).
 - (4) For FY 2011-2012, hospitals eligible under both (a)(1) and (a)(2) will receive the payment amount under (a)(2) plus half of the difference between the payment amount of (a)(1) and (a)(2) if the payment amount under (a)(1) is greater than the payment amount under (a)(2). Hospitals eligible only under (a)(2) will receive the payment amount calculated in (a)(2).
 - (5) Beginning with FY 2012-2013, all eligible hospitals will receive the payment amount calculated under the method described in (a)(2).
- (b) Payments
- (1) For the period July 1, 1997 through December 31, 1997, eligible providers shall receive monthly payments equal to their monthly payments for the period January 1, 1997 through June 30, 1997.
 - (2) For the period January 1, 1998 through December 31, 1998, eligible providers shall receive quarterly payments based on the monthly payments set forth in (b)(1) converted to quarterly payments.
 - (3) For the period January 1, 1999 through December 31, 1999, eligible providers shall receive quarterly payments as set forth in (b)(2).
 - (4) For the period January 1, 2000 through June 30, 2000, payments set forth in (b)(3) will be increased by 4 percent.
 - (5) For State FY 2000-2001, eligible providers will receive quarterly payments which equal the aggregate amount paid for the period July 1, 1999 through June 30, 2000, increased by 2.4 percent and divided into four payments.
 - (6) For the period July 1, 2001, through December 31, 2001, eligible providers will receive two quarterly payments which equal the amount paid quarterly for the period July 1, 2000, through June 30, 2001.
 - (7) For the period January 1, 2002, through June 30, 2002, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2001, inflated by 7.231 percent.
 - (8) For the period July 1, 2002, through December 31, 2002, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of June 30, 2001, inflated by 3.1 percent, then inflated by 1.0 percent then inflated by 3.1 percent.
 - (9) For the period January 1, 2003, through December 31, 2004, eligible providers will receive quarterly payments, each of which equals the quarterly payment amount as of December 31, 2002, inflated by 1.0 percent.
 - (10) For the period January 1, 2005, through June 30, 2005, eligible providers will receive two quarterly payments, each of which equals the quarterly amount as of December 31, 2004, inflated by 3.0 percent.
 - (11) For the period July 1, 2005, through December 31, 2005, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2004, inflated by 3.0 percent.
 - (12) For the period January 1, 2006 through January 13, 2007, eligible providers will receive four quarterly payments, each of which equal the quarterly payment amount as of December 31, 2005, inflated by 3.5 percent as adjusted under the Hospital Quality Incentive Pilot Program described in (e).
 - (13) For the period January 14, 2007 through June 30, 2007, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2006 inflated by 4 percent as adjusted in the Hospital Quality Incentive Pilot Program described in (e).
 - (14) For the period July 1, 2007 through December 31, 2007, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2006, inflated by 4 percent as adjusted in the Hospital Quality Incentive Pilot Program described in (e).
 - (15) For the period January 1, 2008 through June 30, 2008, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2007, inflated by 2 percent as adjusted in the Hospital Quality Incentive Pilot Program described in (e).

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

Part II. Disproportionate Share Payments to Acute Care General Hospitals

- (d) The Department prospectively calculates the annual DSH payment amount for qualifying acute care general hospitals by multiplying the disproportionate share percentage determined under sections (a) – (c) by the hospital's projected Title XIX and general assistance income for acute care cases during the fiscal year.
- (1) The Department will use the FY 2007-2008 MA hospital cost report data available to the Department as of July 2010 to calculate an inpatient DSH payment amount for each qualifying hospital.
- (2) For FY 2010-2011, a qualifying hospital's inpatient DSH payment amount will be the higher of:
- (i) The payment amount calculated under (1) above; or
 - (ii) The inpatient DSH payment amount the hospital received for FY 2009-2010
- (3) For FY 2011-2012, unless a qualifying hospital meets the conditions specified in (5) below, the hospital's inpatient DSH payment amount will be the higher of:
- (i) The payment amount calculated under (1) above; or
 - (ii) The payment amount calculated under (1) above plus one half of the difference between the inpatient DSH payment amount the hospital was allocated to receive for FY 2009-2010 and payment amount calculated under (1) above, if the FY 2009-2010 payment amount is greater than the amount calculated under (1) above.
- (4) Beginning with FY 2012-2013, unless a qualifying hospital meets the conditions specified in (5) below, the hospital's inpatient DSH payment amount will equal the payment amount calculated under (1).
- (5) Beginning with FY 2011-2012, using the FY 2007-2008 MA hospital cost report available to the Department as of July 2010, if a qualifying acute care general hospital has a ratio of MA days to total days (fee-for-service and MCO days) that exceeds 40% as calculated by determining its ratio of Title XIX and General Assistance inpatient days to total inpatient days; and has greater than 20,000 MA days total (fee-for-service and MCO days) as calculated by determining its ratio of Title XIX and General Assistance inpatient days to total inpatient days; and has a low-income utilization rate that exceeds 40% as reported on its MA hospital cost report computation of low income utilization rate worksheet, the hospital's inpatient DSH payment will be the higher of:
- (i) The payment amount calculated under (1) above or
 - (ii) The inpatient DSH payment amount the hospital received for FY 2009-2010.
- (e) Annual payments are distributed to qualifying hospitals in quarterly payments adjusted to reflect the total amount allocated for the fiscal year.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

Part V. Aggregate Limits to Inpatient Disproportionate Share, Outpatient Supplemental and Direct Medical Education

For the period January 14, 2007 through December 31, 2007, the Department shall distribute to providers that are eligible for direct medical education and/or disproportionate share payments, including outpatient supplemental, the aggregate annualized amount of \$223.608 million, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

For the period beginning January 1, 2008, the Department shall distribute to providers that are eligible for direct medical education and/or disproportionate share payments, including outpatient supplemental, the aggregate annualized amount of \$228.08 million, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

For State Fiscal Year 2009-2010, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount not to exceed \$193.010 million, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

For State Fiscal Year 2010-2011, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$287.832 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2011-2012, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$270.740 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2012-2013, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$270.740 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2013-2014, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$262.341 million, as adjusted to reflect the reconciliation factor described in Part VI.

Part VI. Disproportionate Share and Supplemental Payment Reconciliation

(a) The following payments are subject to reconciliation under this Part:

- (1) A portion of the inpatient disproportionate share payments and direct medical education payments made under Part I and Part V in a fiscal year, up to the amount specified in subsection (f);
- (2) Medical Assistance Stability Payments;
- (3) Medical Assistance Dependency Payments;
- (4) Medical Assistance Rehabilitation Adjustment Payments;
- (5) Disproportionate Share Hospital Payments to Small and Sole Community Hospitals;
- (6) Enhanced Payments to Disproportionate Share Hospitals

(b) The Department will determine if a payment reconciliation is needed as follows:

- (1) The Department will determine the amount of funds allocated from an approved provider assessment on licensed hospitals at the beginning of the fiscal year for the following items:
 - (i) increased expenditures for inpatient hospital services resulting from rebasing FFS inpatient hospital rates and implementing a revised patient classification system based on APR DRGs;
 - (ii) increased capitated rates to MCOs for inpatient hospital services related to the rebasing of FFS inpatient hospital rates and the APR DRG classification system;
 - (iii) additional funds to restore inpatient DSH payments, outpatient supplemental payments, Medical Education payments and Community Access Fund payments to their FY 2009 levels;
 - (iv) additional funds of \$6.2 million to increase obstetrical/NICU and Critical Access payments; and
 - (v) funds allocated for other purposes approved by the Secretary of Public Welfare.
- (2) The Department will estimate the amounts expended for each item in (b)(1) using annualized or actual expenditure data.
- (3) The Department will subtract the expended amounts in (b)(2) from the allocated amounts in (b)(1). If the result is less than 0, a reconciliation factor will be calculated.

(c) The Department will calculate a reconciliation factor as follows:

- (1) The available funding amount listed in (f) will be adjusted, as necessary, to reflect any anticipated reduction to the assessment receipts from the approved statewide provider assessment on licensed hospitals. If no adjustment is necessary, the available funding amount listed in (f) will be used.
 - (2) The amount of the difference determined in (b)(3) will be subtracted from the available funding amount determined in (c)(1) to establish an aggregate adjusted amount for the payments listed in (a).
 - (3) If a hospital has reached its OBRA '93 hospital specific limit due to payments received from (a) or (b)(1)(i), (ii), (iii), or (iv), any unspent amount that otherwise would have been paid to the hospital will be added to the amount in (c)(2) so that the total may equal but not exceed the available funding amount determined in (c)(1).
 - (4) The amount calculated in (c)(3) will be divided by the amount in (f) to determine the reconciliation factor.
- (d) The reconciliation factor from (c)(4) will be applied to the payments identified in (a) that are made during that fiscal year unless the Department is unable to make the adjustment during the fiscal year due to the timing of the payments. In that case, the payments for the subsequent fiscal year will be adjusted by the difference between the amounts from (f) and (c)(3).
- (e) The Department may make interim reconciliation adjustments to the payments listed in (a) at any time during the fiscal year in accordance with the method described in (c) and (d) above. A final reconciliation of the payments listed in (a) will be made at the end of each fiscal year.
- (f) Available funding for payments identified in (a) is \$306.116 million. Of this amount, the portion attributable to the inpatient disproportionate share payments and direct medical education payments in (a)(1) is \$42.174 million.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

Medical Assistance Stability Payments

The Department will make supplemental payments to qualifying acute care general hospitals (hospitals) participating in the Pennsylvania (PA) Medical Assistance (MA) Program.

The Department will consider all acute care general hospitals enrolled in the MA Program as of July 1, 2010, that have submitted a Fiscal Year (FY) 2007-2008 MA hospital cost report available to the Department as of July 2010 eligible for these supplemental payments.

The Department will determine a per diem amount by dividing all PA MA fee-for-service (FFS) days for all eligible hospitals excluding new hospitals as defined on page 21t into the amount allocated for these payments. Each qualifying hospital's annual payment amount will be equal to this per diem amount multiplied by the hospital's PA MA FFS days using the FY 2007-2008 MA cost report data available to the Department as of July 2010. The Department will distribute quarterly payments to qualifying hospitals adjusted to reflect the total amount allocated per fiscal year for this payment.

The Department will allocate an annualized amount of \$150.335 million in total funds for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

Medical Assistance Dependency Payments

The Department will make supplemental payments to certain qualifying hospitals that are highly dependent upon Medical Assistance (MA) payment.

To qualify for these supplemental payments, an acute care general hospital must provide at least 50,000 fee-for-service (FFS) and managed care acute care days of inpatient care to Pennsylvania MA beneficiaries as identified in the Fiscal Year (FY) 2007-2008 MA cost report data available to the Department as of July 2010.

The Department will determine a qualifying hospital's annual payment amount by multiplying the number of the hospital's Pennsylvania MA FFS acute care inpatient days, as identified in the FY 2007-2008 MA cost report data available to the Department as of July 2010, by \$230.00. The Department will distribute quarterly payments to qualifying hospitals adjusted to reflect the total amount allocated per fiscal year for this payment.

The Department will allocate an annualized amount of \$11,564 million in total funds for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

TN# 13-039
Supersedes
TN# 12-032

Approval Date DEC 13 2013 Effective Date: July 14, 2013

Medical Assistance Rehabilitation Adjustment Payments

The Department will make supplemental payments to freestanding rehabilitation hospitals enrolled in the MA Program as inpatient rehabilitation hospital providers as of July 1, 2010.

The Department will calculate an annual payment amount for qualifying freestanding rehabilitation hospitals equal to 116% of the total inpatient fee-for-service MA amount paid to the hospital as reported in the Fiscal Year (FY) 2007-2008 MA cost report data available to the Department as of July 2010. The Department will distribute quarterly payments to qualifying hospitals adjusted to reflect the total amount allocated per fiscal year for this payment. The Department may adjust this payment amount to reflect the funding that is available for this payment.

The Department will allocate an annualized amount of \$18.619 million in total funds for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

TN# 13-039
Supersedes
TN# 12-032

Approval Date DEC 13 2013

Effective Date: July 14, 2013

Disproportionate Share Hospital Payments to Small and Sole Community Hospitals

The Department will make an additional class of disproportionate share hospital (DSH) payments to qualifying small hospitals and sole community hospitals participating in the Medical Assistance (MA) Program.

- (a) The Department will consider a hospital eligible for this additional class of DSH payments if the hospital meets one of the following criteria:
- (1) The hospital provides verification to the Department that it has been designated as a sole community hospital by Medicare or as of July 1, 2010, the hospital meets the Medicare definition of a sole community hospital (42 CFR § 412.92).
 - (2) As of July 1, 2010, the hospital only:
 - (i) Received a DSH payment for hospitals that incur significant uncompensated care costs or that experience a high volume of inpatient cases, the cost of which exceeds twice the hospital's average cost per stay for all patients as provided in page 21b of Attachment 4.19A; and/or
 - (ii) is scheduled to receive a DSH payment for hospitals that qualify as a trauma center for FY 2008-2009 as provided in page 21c of Attachment 4.19A.
 - (3) The hospital has 150 set up/staffed hospital beds or less as reported on the hospital's FY 2007-2008 MA hospital cost report available to the Department as of July 2010 and is identified by the Department as experiencing an estimated annual loss of over \$1.0 million when the MA Program moves to a revised hospital payment system effective July 1, 2010.
- (b) Hospitals eligible for this DSH payment will receive quarterly payments adjusted to reflect the aggregate amount equal to the payment amount determined using the following methodology:
- (1) Hospitals that meet the criteria in (1) will receive a payment of \$200,000 annually
 - (2) Hospitals that meet the criteria in (2) will receive a proportional amount of the remaining funds allocated to this payment after reducing the allocated amount by payments to be made under (b)(1) or (b)(3). A hospital's proportionate amount is determined by dividing the qualifying hospital's calculated DSH OBRA '93 limit by the total calculated DSH OBRA '93 limits for all hospitals meeting the criteria for (a)(2). For purposes of this calculation, the hospitals' DSH OBRA '93 limits will be those calculated using FY 2007-2008 MA cost report data available to the Department as of July 2010 as reduced by all MA payments the Department calculated the hospital to receive as of September 30, 2010.
 - (3) Hospitals that meet the criteria in (3) will receive a payment equal to 40% of the hospital's calculated DSH OBRA '93 limit (as estimated using the FY 2007-2008 MA cost report data available to the Department as of July 2010) as reduced by all MA payments the Department calculated the hospital to receive as of September 30, 2010.
 - (4) Hospitals that meet the criteria in both (1) and (2); or both (1) and (3) will receive the sum of those two payment amounts.
 - (5) In making these payments, the Department ensures that no acute care general hospital receives any DSH payment that is in excess of its hospital specific DSH upper payment limit and the Commonwealth does not exceed its aggregate annual DSH allotment.

The Department will allocate an annualized amount of \$58.821 million in total funds for this additional class of DSH payments adjusted to reflect the reconciliation factor described in Part VI.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

Enhanced Payments to Certain Disproportionate Share Hospitals

(A) The Department makes an enhanced fee-for-service (FFS) disproportionate share hospital (DSH) payment to Medical Assistance (MA) acute care general hospitals that:

- (1) Qualify for disproportionate share payments;
- (2) Have a FY 2007-2008 MA hospital cost report available to the Department as of July 2010;
- (3) Have a percentage of MA FFS and managed care outpatient charges to total hospital outpatient charges greater than the statewide average percentage of such charges as determined using data from all FY 2007-2008 MA acute care general hospital cost reports available to the Department as of July 2010; and
- (4) Do not receive an enhanced payment under page 4 of Attachment 4.19B.

(B) The Department will calculate the enhanced payment amounts as follows:

- (1) The Department will identify all MA acute care hospitals that meet the conditions specified in (A) (1)-(3) above. For each identified hospital, the Department will determine the ratio of the hospital's MA FFS and managed care outpatient revenue to the total MA outpatient revenue for all identified hospitals excluding revenue of new hospitals as defined on page 21t. The Department will then multiply each identified hospital's ratio by the sum of the outpatient FFS supplemental payments for FY 2008-2009 that were made to hospitals which were in operation as of July 1, 2010.
- (2) The Department will pay the amount determined in (B)(1) to a MA acute care hospital that qualifies under (A) above.

The Department will allocate an annualized amount of \$24.603 million in total funds for these DSH payments adjusted to reflect the reconciliation factor described in Part VI.