

## **Table of Contents**

**State Name:** Pennsylvania

**State Plan Amendment (SPA)#:** 16-0010

This file contains the following documents in the order listed:

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

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



---

**Financial Management Group**

**AUG 23 2016**

Mr. Theodore Dallas, Secretary  
Commonwealth of Pennsylvania  
Department of Human Services  
Office of Medical Assistance Programs  
PO Box 2675  
Harrisburg, PA 17110

RE: State Plan Amendment (SPA) 16-0010

Dear Mr. Dallas:

We have completed our review of State Plan Amendment (SPA) 16-0010. This SPA modifies Attachment 4.19-A of Pennsylvania's Title XIX State Plan. Specifically, the amendment continues disproportionate share hospital payments to qualifying hospitals with obstetrical and neonatal intensive care cases.

We conducted our review of this SPA according to the statutory requirements at sections 1902(a)(3), 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 16-0010 effective May 29, 2016. 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,

**/S/**

Kristin Fan  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: <b>16-0010</b>	2. STATE <b>Pennsylvania</b>
<b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) Title XIX	
<b>TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		4. PROPOSED EFFECTIVE DATE <b>May 29, 2016</b>	
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: <b>42 CFR 447 Subpart C</b>		7. FEDERAL BUDGET IMPACT: a. FFY 2015 \$0 b. FFY 2016 \$ 7,241,000	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  <b>Attachment 4.19A, Page 21ii</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  <b>Attachment 4.19A, Page 21ii</b>	
10. SUBJECT OF AMENDMENT: <b>DSH Payments to Certain Qualifying Hospitals Based on Obstetrical and Neonatal Intensive Care Cases</b>			
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: <b>/S/</b>		16. RETURN TO: Commonwealth of Pennsylvania Department of Human Services Office of Medical Assistance Programs Bureau of Policy, Analysis and Planning P.O. Box 2675 Harrisburg, Pennsylvania 17110	
13. TYPED NAME: <b>Theodore Dallas</b>		17. DATE RECEIVED:	
14. TITLE: <b>Secretary of Human Services</b>		18. DATE APPROVED: <b>AUG 23 2016</b>	
15. DATE SUBMITTED: <b>MAR 16 2016</b>		<b>FOR REGIONAL OFFICE USE ONLY</b>	
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>MAY 29 2016</b>		20. SIGNATURE OF REGIONAL OFFICIAL: <b>/S/</b>	
21. TYPED NAME: <b>Kristin FAN</b>		22. TITLE: <b>Director FMC</b>	
23. REMARKS:			

- (ii) Of the amount available for distribution for rural hospitals, 10% will be distributed to qualified rural hospitals with neonatal intensive-care cases for PA MA beneficiaries using the following formula:
- (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA beneficiaries to all neonatal intensive-care cases for the hospital.
- (B) For each hospital multiply: the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA beneficiaries.
- (C) Add the products under clause (B) for all hospitals.
- (D) Divide the amount available for distribution to rural hospitals by the sum under clause (C).
- (E) Multiply the quotient under clause (D) by the product under clause (B).
- (F) For rural hospitals located in counties whose ratio of MA eligible persons to total county population exceeds one standard deviation above the mean for all rural counties, but is less than 1.3 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.50. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.3 standard deviations above the mean for all rural counties, but less than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.75. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 2.0.
- (iii) 15% of the funds available for rural hospitals will be distributed equally among qualified rural hospitals with obstetrical cases for PA MA beneficiaries.
- (iv) To ensure that payments do not exceed available funds, the Department will adjust payments to each hospital using the following formula:
- (A) The calculated total amount of payments for each hospital under steps (i), (ii), and (iii) in this section is divided by the total calculated amount for all hospitals to obtain a percentage, which is a ratio of each hospital's respective share of the calculated amount.
- (B) The resulting percentage for each hospital in clause (A) is multiplied by the total available funds to obtain a proportional payment for each hospital.
- (b) 85% of the total amount available will be paid to qualified nonrural hospitals as follows:
- (i) Of the eighty-five percent, 52.5% will be distributed to qualified nonrural hospitals with obstetrical cases for PA MA beneficiaries using the following formula:
- (A) For each hospital, determine the ratio of the hospital's obstetrical cases for PA MA beneficiaries to all obstetrical cases for the hospital.
- (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's obstetrical cases for PA MA beneficiaries.
- (C) Add the products under clause (B) for all hospitals.
- (D) Divide the amount available for distribution to nonrural hospitals by the sum under clause (C).
- (E) Multiply the quotient under clause (D) by the product under clause (B).
- (ii) Of the amount available for distribution to nonrural hospitals, 32.5% will be distributed to qualified nonrural hospitals with neonatal intensive-care cases for PA MA beneficiaries using the following formula:
- (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA beneficiaries to all neonatal intensive-care cases for the hospital.
- (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA beneficiaries.
- (C) Add the products under clause (B) for all hospitals.
- (D) Divide the 32.5% by the sum under clause (C).
- (E) Multiply the quotient under clause (D) by the product under clause (B).
- (iii) Of the amount available for distribution to nonrural hospitals, 15% will be distributed equally among qualified nonrural hospitals with obstetrical cases for PA MA beneficiaries.

All payment limitations are still applicable, including those limitations that the Commonwealth may not exceed its aggregate annual DSH allotment and that no hospital may receive DSH payments in excess of its hospital-specific limit. The Department will not redistribute DSH payments made under this additional class of DSH payments to qualifying hospitals as a result of a qualifying hospital exceeding its hospital-specific DSH limit.

For Fiscal Year 2015-2016, the total fiscal impact of this additional class of DSH payments shall not exceed \$13.922 million (\$6.681 million in State General Funds and \$7.241 million in Federal Funds upon approval by the Centers for Medicare and Medicaid Services).

- (ii) Of the amount available for distribution for rural hospitals, 10% will be distributed to qualified rural hospitals with neonatal intensive-care cases for PA MA beneficiaries using the following formula:
- (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA beneficiaries to all neonatal intensive-care cases for the hospital.
- (B) For each hospital multiply: the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA beneficiaries.
- (C) Add the products under clause (B) for all hospitals.
- (D) Divide the amount available for distribution to rural hospitals by the sum under clause (C).
- (E) Multiply the quotient under clause (D) by the product under clause (B).
- (F) For rural hospitals located in counties whose ratio of MA eligible persons to total county population exceeds one standard deviation above the mean for all rural counties, but is less than 1.3 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.50. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.3 standard deviations above the mean for all rural counties, but less than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.75. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 2.0.
- (iii) 15% of the funds available for rural hospitals will be distributed equally among qualified rural hospitals with obstetrical cases for PA MA beneficiaries.
- (iv) To ensure that payments do not exceed available funds, the Department will adjust payments to each hospital using the following formula:
- (A) The calculated total amount of payments for each hospital under steps (i), (ii), and (iii) in this section is divided by the total calculated amount for all hospitals to obtain a percentage, which is a ratio of each hospital's respective share of the calculated amount.
- (B) The resulting percentage for each hospital in clause (A) is multiplied by the total available funds to obtain a proportional payment for each hospital.
- (b) 85% of the total amount available will be paid to qualified nonrural hospitals as follows:
- (i) Of the eighty-five percent, 52.5% will be distributed to qualified nonrural hospitals with obstetrical cases for PA MA beneficiaries using the following formula:
- (A) For each hospital, determine the ratio of the hospital's obstetrical cases for PA MA beneficiaries to all obstetrical cases for the hospital.
- (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's obstetrical cases for PA MA beneficiaries.
- (C) Add the products under clause (B) for all hospitals.
- (D) Divide the amount available for distribution to nonrural hospitals by the sum under clause (C).
- (E) Multiply the quotient under clause (D) by the product under clause (B).
- (ii) Of the amount available for distribution to nonrural hospitals, 32.5% will be distributed to qualified nonrural hospitals with neonatal intensive-care cases for PA MA beneficiaries using the following formula:
- (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA beneficiaries to all neonatal intensive-care cases for the hospital.
- (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA beneficiaries.
- (C) Add the products under clause (B) for all hospitals.
- (D) Divide the 32.5% by the sum under clause (C).
- (E) Multiply the quotient under clause (D) by the product under clause (B).
- (iii) Of the amount available for distribution to nonrural hospitals, 15% will be distributed equally among qualified nonrural hospitals with obstetrical cases for PA MA beneficiaries.

All payment limitations are still applicable, including those limitations that the Commonwealth may not exceed its aggregate annual DSH allotment and that no hospital may receive DSH payments in excess of its hospital-specific limit. The Department will not redistribute DSH payments made under this additional class of DSH payments to qualifying hospitals as a result of a qualifying hospital exceeding its hospital-specific DSH limit.

For Fiscal Year 2015-2016, the total fiscal impact of this additional class of DSH payments shall not exceed \$13.922 million (\$6.681 million in State General Funds and \$7.241 million in Federal Funds upon approval by the Centers for Medicare and Medicaid Services).