

## **Table of Contents**

**State/Territory Name: PA**

**State Plan Amendment (SPA) #: 24-0017**

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**

December 18, 2024

Valerie A. Arkoosh, MD, MPH  
Secretary of Human Services  
Commonwealth of Pennsylvania Department of Human Services  
Office of Medical Assistance Programs Bureau of Policy, Analysis and Planning  
PO Box 2675  
Harrisburg, Pennsylvania 17105-2675

RE: TN 24-0017

Dear Secretary of Human Services:

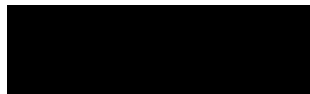
The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Pennsylvania state plan amendment (SPA) to Attachment 4.19-A PA 24-0017, which was submitted to CMS on (August 8, 2024). This plan amendment will make inpatient and outpatient IME payments to qualifying Medical Assistance (MA) enrolled acute care general hospitals.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 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 July 7, 2024. 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 Kristina Mack at 617-565-1225 or via email at [Kristina.Mack-Webb@cms.hhs.gov](mailto:Kristina.Mack-Webb@cms.hhs.gov).

Sincerely,



Rory Howe  
Director  
Financial Management Group

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER <u>2 4</u> — <u>0 0 1 7</u>	2. STATE <u>PA</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  
July 7, 2024

5. FEDERAL STATUTE/REGULATION CITATION  
42 CFR Subpart C

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)  
a. FFY 2024 \$ 0  
b. FFY 2025 \$ 178,775,557

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  
Attachment 4.19A, Page 21pp and 21ppp

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  
New Pages

9. SUBJECT OF AMENDMENT

Other Classes of Payments to Qualifying Hospitals

10. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL  
[Redacted]

12. TYPED NAME  
Valerie A. Arkoosh, MD, MPH

13. TITLE  
Secretary of Human Services

14. DATE SUBMITTED  
August 8, 2024

15. 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 17105-2675

**FOR CMS USE ONLY**

16. DATE RECEIVED  
August 8, 2024

17. DATE APPROVED  
December 18, 2024

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL  
[Redacted]

20. TYPED NAME OF APPROVING OFFICIAL  
Rory Howe

21. TITLE OF APPROVING OFFICIAL  
Director, Financial Management Group

22. REMARKS

### **INPATIENT INDIRECT MEDICAL EDUCATION (IME) PAYMENTS FOR QUALIFYING HOSPITALS**

The Department of Human Services (Department) will make inpatient IME payments to qualifying Medical Assistance (MA) enrolled acute care general hospitals that provide inpatient services to MA beneficiaries. These payments are intended to recognize the higher patient care costs of teaching hospitals.

A hospital is eligible for this inpatient IME payment program if it meets all of the following criteria:

- a) The hospital is an acute care general hospital enrolled in the Pennsylvania (PA) MA Program;
- b) The hospital is located in a city of the first class;
- c) The hospital submitted a Fiscal Year (FY) 2021-2022 MA-336 hospital cost report;
- d) The hospital's resident-to-bed ratio exceeds 0.0 as reported within CMS' *FY 2024 Final Rule Impact File, August 2023*;
- e) The hospital does not provide acute care inpatient services to patient populations predominately under the age of 18. A hospital's patient population is predominately under the age of 18 if the hospital's number of discharges for "0-17 Years" is greater than 50% of the hospital's number of "Total" discharges. Discharges are determined from the calendar year 2022 PA Department of Health Reports 3-A and 3-B; and
- f) The hospital is not a Medicare Prospective Payment System Exempt Cancer Hospital as of February 1, 2024.

The Department will determine each qualifying hospital's annual payment amount by multiplying the amount in 1) below by the IME Factor in 2) below and by the Adjustment Factor as determined in 3) below. Should the sum of the annual payment amounts for all qualifying hospitals exceed the total payment allocation, the Department will proportionally distribute payments to qualifying hospitals up to the total payment allocation based on the payment amounts determined in 1) through 3) below.

- 1) The hospital's Pennsylvania Medicaid (Title XIX) managed care inpatient revenues as specified within the hospital's FY 2021-2022 MA-336 Hospital Cost Report as available to the Department on December 11, 2023.
- 2) IME Factor =  $1.35 \times (((1+r)^{0.405}) - 1)$ , where r is the eligible hospital's Resident to Bed ratio as reported within CMS' *FY 2024 Final Rule Impact File, August 2023*.
- 3) Adjustment Factor
  - (i) For qualifying hospitals where the product of the amount in 1) above multiplied by the IME Factor in 2) does not exceed \$800,000, the Adjustment Factor is 1.0.
  - (ii) For qualifying hospitals that do not meet the criteria in 3)(i) and where the product of the amount in 1) above multiplied by the IME Factor in 2) above exceeds 3% of the sum of the hospital's inpatient and outpatient net revenues earned less bad debt, charity care and contractual allowance expenses as filed on the FY 2021-2022 MA-336 Hospital Cost Report as available to the Department on December 11, 2023, the Adjustment Factor is as follows:
    - a. 0.5 for hospitals having a Resident to Bed ratio as reported within CMS' *FY 2024 Final Rule Impact File, August 2023* that exceeds 0.8;
    - b. 0.35 for all other hospitals.
  - (iii) For all other qualifying hospitals that do not meet the criteria in 3)(i) or 3)(ii), the Adjustment Factor is 1.0.

Beginning with FY 2024-2025, the Department will allocate an annualized amount of \$184.718 million in total funds (State and Federal) for these inpatient IME payments.

**OUTPATIENT INDIRECT MEDICAL EDUCATION (IME) PAYMENTS FOR QUALIFYING HOSPITALS**

The Department of Human Services (Department) will make outpatient IME payments to qualifying Medical Assistance (MA) enrolled acute care general hospitals that provide outpatient hospital services to MA beneficiaries. These payments are intended to recognize the higher patient care costs of teaching hospitals.

A hospital is eligible for this outpatient IME payment program if it meets all of the following criteria:

- a) The hospital is an acute care general hospital enrolled in the Pennsylvania (PA) MA program;
- b) The hospital is located in a city of the first class;
- c) The hospital submitted a Fiscal Year (FY) 2021-2022 MA-336 hospital cost report;
- d) The hospital's resident-to-bed ratio exceeds 0.0 as reported within CMS' *FY 2024 Final Rule Impact File, August 2023*.
- e) The hospital does not provide acute care inpatient services to patient populations predominately under the age of 18. A hospital's patient population is predominately under the age of 18 if the hospital's number of discharges for "0-17 Years" is greater than 50% of the hospital's number of "Total" discharges. Discharges are determined from the calendar year 2022 PA Department of Health Reports 3-A and 3-B; and
- f) The hospital is not a Medicare Prospective Payment System Exempt Cancer Hospital as of February 1, 2024.

The Department will determine each qualifying hospital's annual payment amount by multiplying the amount in 1) below by the IME Factor in 2) below and by the Adjustment Factor as determined in 3) below. Should the sum of the annual payment amounts for all qualifying hospitals exceed the total payment allocation, the Department will proportionally distribute payments to qualifying hospitals up to the total payment allocation based on the payment amounts determined in 1) through 3) below.

- 1) The hospital's Pennsylvania Medicaid (Title XIX) managed care outpatient revenues as specified within the hospital's FY 2021-2022 MA-336 Hospital Cost Report as available to the Department on December 11, 2023.
- 2) IME Factor =  $1.35 \times (((1+r)^{0.405}) - 1)$ , where r is the eligible hospital's Resident to Bed ratio as reported within CMS' *FY 2024 Final Rule Impact File, August 2023*.
- 3) Adjustment Factor
  - (i) For qualifying hospitals where the product of the amount in 1) above multiplied by the IME Factor in 2) does not exceed \$400,000, the Adjustment Factor is 1.0.
  - (ii) For qualifying hospitals that do not meet the criteria in 3)(i) and where the product of the amount in 1) above multiplied by the IME Factor in 2) above exceeds 1.5% of the sum of the hospital's inpatient and outpatient net revenues earned less bad debt, charity care and contractual allowance expenses as filed on the FY 2021-2022 MA-336 Hospital Cost Report as available to the Department on December 11, 2023, the Adjustment Factor is as follows:
    - a. 0.5 for hospitals having a Resident to Bed ratio as reported within CMS' *FY 2024 Final Rule Impact File, August 2023* that exceeds 0.8;
    - b. 0.35 for all other hospitals.
  - (iii) For all other qualifying hospitals that do not meet the criteria in 3)(i) or 3)(ii), the Adjustment Factor is 1.0.

Beginning with FY 2024-2025, the Department will allocate an annualized amount of \$77.186 million in total funds (State and Federal) for these outpatient IME payments.