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State/Territory Name: PA

State Plan Amendment (SPA) #: 25-0025

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



Financial Management Group

March 20, 2026

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 25-0025

Dear Secretary of Human Services Arkoosh:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Pennsylvania state plan amendment (SPA) to Attachment 4.19-A PA 25-0025, which was submitted to CMS on December 30, 2025. This plan amendment establishes a new class of supplemental 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 December 28, 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 Kristina Mack at 617-565-1225 or via email at Kristina.Mack-Webb@cms.hhs.gov.

Sincerely,

A solid black rectangular box redacting the signature of the Director.

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 5</u> — <u>0 0 2 5</u> | 2. STATE <u>PA</u> |
| 3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI | |

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| TO: CENTER DIRECTOR CENTERS FOR MEDICAID & CHIP SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES | 4. PROPOSED EFFECTIVE DATE December 28, 2025 |
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| 5. FEDERAL STATUTE/REGULATION CITATION 42 CFR 447 Subpart C | 6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY <u>2026</u> \$ <u>214,866,256</u> b. FFY <u>2027</u> \$ <u>0</u> |
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| 7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19A, Page 21ee, 21jj, 21ll, 21mm, 21s, 21uu, 21xx, 21zz, and 21zza Attachment 4.19B, Page 4ab | 8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19A, Page 21ee, 21jj, 21ll, 21mm, 21s, 21uu, 21xx, 21zz, and 21zza Attachment 4.19B, Page 4ab |
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9. SUBJECT OF AMENDMENT
Additional Classes of Supplemental 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 | 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 |
| 12. TYPED NAME Valerie A. Arkoosh, MD, MPH | |
| 13. TITLE Secretary of Human Services | |
| 14. DATE SUBMITTED December 30, 2025 | |

FOR CMS USE ONLY

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|--|-------------------------------------|
| 16. DATE RECEIVED December 30, 2025 | 17. DATE APPROVED March 20, 2026 |
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PLAN APPROVED - ONE COPY ATTACHED

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

22. REMARKS

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying hospitals that provide medical and surgical services for disease and injuries related to the eye to ensure that Medical Assistance (MA) beneficiaries continue to have access to these critical services.

A hospital is eligible for this additional class of supplemental payments if the hospital meets all criteria listed below:

- a) The hospital is enrolled in the MA Program as an acute care general hospital;
- b) The hospital is located in a city of the first class;
- c) The hospital does not qualify as a children's hospital, as defined by 42 CFR 495.302; and,
- d) The hospital has net patient revenue of less than \$30 million for Fiscal Year (FY) 2016-2017 as reflected in the Pennsylvania Health Care Cost Containment Council 2017 financial report.

Payments will be divided proportionately among qualified hospitals based on each hospital's fee-for-service (FFS) Pennsylvania MA inpatient acute care days of service to total FFS Pennsylvania MA inpatient acute care days for all qualifying hospitals.

Supplemental payments are subject to the regulations at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$14.985 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying hospitals that treat a high volume of opioid use disorder (OUD) patients in their emergency rooms. These payments are intended to provide funding to expand research and treatment protocols for combating opioid addiction.

A hospital is eligible for these supplemental payments if the hospital meets all the criteria below. Unless otherwise stated, the source of the information is the Fiscal Year (FY) 2016-2017 MA-336 Hospital Cost Report, as available to the Department on October 29, 2019.

- a) The hospital is enrolled in the Pennsylvania Medical Assistance (MA) Program as an acute care general hospital, licensed by Pennsylvania's Department of Health;
- b) The hospital provided at least 150,000 total inpatient acute care days;
- c) The hospital provided greater than 60,000 inpatient acute care days of care, both fee-for-service (FFS) and managed care combined, to MA beneficiaries; and,
- d) The hospital treated at least 1,000 OUD patients in the emergency room in calendar year 2019, as determined for purposes of the OUD Quality Improvement Program, using encounter data compiled by the Department for the FY 2019-2020 OUD Quality Improvement Program as of December 10, 2020.

Payments will be divided proportionately among qualified hospitals based on each hospital's fee-for-service (FFS) Pennsylvania MA inpatient acute care days of service to total FFS Pennsylvania MA inpatient acute care days for all qualifying hospitals.

Supplemental payments are subject to the regulation at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$149.260 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying acute care hospitals that treat a high percentage of Medical Assistance (MA) patients under the age of 18. These payments will enable the continuation of quality medical services for children enrolled in the MA program.

A hospital is eligible for this additional class of supplemental payments if the hospital meets all the criteria below. Unless otherwise stated, the source of the information is the Fiscal Year (FY) 2016-2017 MA-336 Hospital Cost Report, as available to the Department on October 29, 2019.

- a) The hospital is enrolled in the Pennsylvania MA Program as an acute care hospital, licensed by Pennsylvania's Department of Health (DOH);
- b) The hospital provides acute 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 2019 Pennsylvania DOH Reports 3-A and 3-B;
- c) The hospital is located in a city of the first class; and,
- d) The hospital's ratio of combined MA acute care fee-for-service (FFS) and managed care days to total inpatient acute care days exceeds 70%.

Payments will be divided proportionately among qualified hospitals based on each hospital's FFS Pennsylvania MA inpatient acute care days to total FFS Pennsylvania MA inpatient acute care days for all qualifying hospitals.

Supplemental payments are subject to the regulations at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$53.046 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying acute care general hospitals located in a county with an estimated general population count of less than 1 million that serve a high percent of Medical Assistance (MA) patients. These payments will enable the continuation of quality medical services in these areas.

A hospital is eligible for this additional class of supplemental payments if the hospital meets all the following criteria. Unless otherwise stated, the source of the information is the Fiscal Year (FY) 2018-2019 MA-336 Hospital Cost Report, as available to the Department on June 22, 2021.

- a) The hospital is enrolled in the Commonwealth's MA Program as an acute care general hospital and submitted a FY 2018-2019 MA-336 Hospital Cost Report to the Department available to the Department on June 22, 2021;
- b) The hospital provides an array of inpatient services (acute, psychiatric and rehabilitation) to MA enrollees as evidenced by having provided at least one acute care day, one psychiatric day and one rehabilitation day to MA beneficiaries;
- c) The hospital's main campus is located in a county with an Annual Estimate of the Resident Population for 2019 of less than 1 million according to the U.S. Census Bureau, Population Division (March 2020 release date);
- d) The hospital's combined fee-for-service (FFS) and managed care Pennsylvania MA inpatient acute care days exceeds the statewide average combined FFS and managed care Pennsylvania MA inpatient acute care days for all hospitals enrolled in the MA Program as an acute care general hospital;
- e) The hospital's Medicaid Inpatient Utilization Rate (MIUR) exceeds 30% (for purposes of this eligibility criterion a hospital's MIUR is equal to the hospital's total combined FFS and managed care MA inpatient days divided by the hospital's total inpatient days);
- f) The hospital's inpatient Low Income Utilization Rate exceeds 30%; and,
- g) The hospital's operating margin is less than 1.0% based on the Pennsylvania Health Care Cost Containment Council's *FY 2019 Financial Analysis*.

Payments will be divided proportionately among qualified hospitals based on each hospital's fee-for-service (FFS) Pennsylvania MA inpatient acute care days of service to total FFS Pennsylvania MA inpatient acute care days for all qualifying hospitals.

Supplemental payments are subject to the regulation at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$5.072 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) provides additional funding to hospitals enrolled in Pennsylvania (PA) Medical Assistance (MA) as an acute care general hospital that provide a substantial portion of their inpatient services to PA MA patients. To qualify for this additional class of supplemental payments, an acute care general hospital must provide at least 80% of its inpatient days of care (both Fee-for-Service and Managed Care) to PA MA patients as evidenced by the hospitals' Fiscal Year (FY) 2009-2010 MA-336 Hospital Cost Report.

A qualifying hospital's payment is determined by dividing the hospital's PA MA inpatient days of care as specified in its FY 2009-2010 MA-336 Hospital Cost Report by the total PA MA inpatient days for all qualifying hospitals to establish the hospital proportional payment percentage. The hospital's proportional payment percentage is then multiplied by the funds appropriated for these payments to establish the hospital's allocation amount for the FY.

Supplemental payments are subject to the regulation at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$1.800 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS FOR QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying hospitals located in a city of the first class with greater than the statewide average of uncompensated care, Medicare share of net patient revenue (NPR), and Medical Assistance (MA) share of NPR.

A hospital is eligible for this additional class of supplemental payments if the hospital meets all criteria below. Unless otherwise stated, the source of information is from the Pennsylvania Health Care Cost Containment Council's (PHC4) Financial Analysis 2022 (Volume 1).

- a) The hospital is located in a city of the first class and is enrolled in Pennsylvania's (PA) MA Program as an acute care general hospital, licensed by PA's Department of Health;
- b) The hospital has at least 450 acute care beds available according to the Fiscal Year (FY) 2018-2019 MA-336 Hospital Cost Report on file with the Department as of June 22, 2021;
- c) The hospital's percent of uncompensated care FY 2022 is greater than the statewide percent of uncompensated care for FY 2022;
- d) The hospital's Medicare share of NPR FY 2022 is greater than the statewide Medicare share of NPR for FY 2022; and
- e) The hospital's MA share of NPR FY 2022 is greater than the statewide MA share of NPR for FY 2022.

Payments will be divided proportionately among qualified hospitals based on each hospital's fee-for-service (FFS) PA MA inpatient acute care days to total FFS PA MA inpatient acute care days for all qualifying hospitals as reported on the FY 2018-2019 MA-336 Hospital Cost Report on file with the Department as of June 22, 2021.

Supplemental payments are subject to the regulations at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

Beginning with FY 2025-2026, effective December 28, 2025, the Department will distribute \$1.671 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying Medical Assistance (MA) enrolled general acute care hospitals that serve a disproportionate share of elderly individuals and relies primarily on government payers. These payments will promote the availability of prevention and treatment services to the MA population in an area of the Commonwealth with the highest number of MA beneficiaries.

A hospital is eligible for this additional class of supplemental payments if the hospital meets all the following criteria:

- a) The hospital is enrolled in the Pennsylvania MA Program as a general acute care hospital;
- b) The hospital is located in a city of the first class;
- c) The hospital is licensed by Pennsylvania's Department of Health (DOH);
- d) The hospital ratio of discharges for individuals aged 65 and over to total discharges is greater than 60% as reported to the Pennsylvania DOH for the period January 1, 2022 through December 31, 2022 and contained in Report 3-A;
- e) The hospital has a combined Medicare Share of net patient revenue (NPR) and Medicaid Share of NPR of greater than 65 percent based on the Pennsylvania Health Care Cost Containment Council *Financial Analysis 2022 – Volume One*; and
- f) The hospital has a Percent of Uncompensated Care of greater than 2.0% based on the Pennsylvania Health Care Cost Containment Council *Financial Analysis 2022 – Volume One*.

Payments will be divided proportionately among qualified hospitals based on each hospital's fee-for-service (FFS) Pennsylvania MA inpatient discharges to total FFS Pennsylvania MA inpatient discharges for all qualifying hospitals as reported on the Fiscal Year (FY) 2018-2019 MA-336 Medicaid Hospital Cost Report (available to the Department as of June 22, 2021).

Supplemental payments are subject to the regulations at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$17.569 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying Medical Assistance (MA) enrolled acute care general hospitals that provide inpatient services to MA beneficiaries.

A hospital is eligible for this additional class of supplemental payments if the hospital meets all the following criteria:

- a) The hospital is enrolled in Pennsylvania's MA program as an acute care general hospital;
- b) The hospital is located in a county of the fourth, fifth, sixth, seventh or eighth class;
- c) The hospital is in operation; and
- d) The hospital provides inpatient services as reported on the hospital's Fiscal Year (FY) 2021-22 MA-336 Hospital Cost Report on file with the Department as of July 10, 2024.

The Department will determine each qualifying hospital's annual payment amount as the sum of each component as follows. Unless otherwise stated, the source of information is from the FY 2021-2022 MA-336 Hospital Cost Report on file with the Department as of July 10, 2024.

- 1) Obstetric Component. The Department will distribute \$11,021,308 proportionally among qualifying hospitals based on the number of live births. The number of live births is determined from the calendar year 2022 Pennsylvania Department of Health Report 14;
- 2) Financial Stability Component. The Department will multiply a qualifying hospital's Pennsylvania MA fee-for-service (FFS) inpatient total days by the following per diem. A hospital's operating margin is determined from the Pennsylvania Health Care Cost Containment Council's (PHC4) *FY 2023 Financial Analysis, Volume 1*.
 - a. \$671.4916 for qualifying hospitals having a negative operating margin;
 - b. \$335.7458 for qualifying hospitals having an operating margin less than 2.12% (the weighted average of all qualifying hospitals) but greater than or equal to 0.00%; or,
 - c. \$0.00 for all other qualifying hospitals.
 - d. Should the aggregate payment amount for this component exceed \$8,973,478.00, the Department will proportionally distribute this amount among hospitals based on the amounts determined under 2)a. and 2)b. above.
- 3) Government Dependency Component. For qualifying hospitals having a government dependency percentage greater than or equal to 56.6% (the median government dependency percentage of all qualifying hospitals), the Department will multiply the hospital's Pennsylvania MA FFS inpatient total days by \$591.3512. A hospital's government dependency percentage is calculated as the sum of the hospital's MA Share of Net Patient Revenue and the hospital's Medicare Share of Net Patient Revenue. For purposes of this payment, a hospital's MA Share of Net Patient Revenue and a hospital's Medicare Share of Net Patient Revenue is determined from PHC4's *FY 2023 Financial Analysis*. Should the aggregate payment amount for this component exceed \$7,347,538.66, the Department will proportionally distribute this amount among hospitals based on the amounts initially determined for this component.
- 4) Social Vulnerability Component. The Department will distribute \$3,673,769.33 proportionally among qualifying hospitals based on the product of the hospital's Pennsylvania MA FFS inpatient total days and the hospital's vulnerability index as determined by the Department using The Centers for Disease Control and Prevention and Agency for Toxic Substances and Disease Registry Social Vulnerability Index (CDC/ATSDR SVI), specifically the overall SVI for 2022 (RPL_THEMES) for Pennsylvania geography. The Department determined the hospital's vulnerability index based on the census tract of the hospital's acute care physical location(s) based on the address on file with Pennsylvania's MA enrollment data as of January 3, 2024, using a simple average for instances when acute care hospitals are located in or straddle multiple census tracts.

- 1) Pennsylvania Rural Health Model Component. The Department will distribute \$3,673,769.22 equally among hospitals that participate in the Pennsylvania Rural Health Model as of July 1, 2024.
- 2) Geographic Isolation Component. The Department will distribute \$2,007,384.77 proportionally among qualifying federally-designated critical access hospitals based on Pennsylvania MA FFS inpatient total days. A federally-designated hospital is defined as any hospital that qualifies under section 1861(mm)(1) of the Social Security Act (42 U.S.C. § 1695x(mm)(1)) (relating to definitions as a “critical access hospital” under Medicare).

Supplemental payments are subject to the regulation at 42 CFR 447.272 and the application of upper payment limits for inpatient services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$36.697 million in total funds (State and Federal) for these inpatient supplemental payments by September 30, 2026.

ADDITIONAL CLASS OF SUPPLEMENTAL PAYMENTS TO QUALIFYING HOSPITALS

The Department of Human Services (Department) will make supplemental payments to qualifying Medical Assistance (MA) enrolled general acute care hospitals. These payments will promote the availability of emergency department services to the MA population in an area of the Commonwealth with the highest number of MA beneficiaries.

A hospital is eligible for this additional class of supplemental payments if the hospital meets all the following criteria:

- a) The hospital is enrolled in the Pennsylvania MA Program as a general acute care hospital;
- b) The hospital is licensed by Pennsylvania's Department of Health (DOH);
- c) The hospital is located in a city of the first class; and
- d) The hospital provided more than 140,000 visits to Emergency Room as reported to the Pennsylvania DOH for the period January 1, 2022, through December 31, 2022, and contained in Report 4.

Payments will be divided proportionately among qualified hospitals based on each hospital's fee-for-service (FFS) Pennsylvania MA outpatient revenue to the total FFS Pennsylvania MA outpatient revenue for all qualifying hospitals as reported on the Fiscal Year (FY) 2018-2019 MA-336 Medicaid Hospital Cost Report (available to the Department as of June 22, 2021).

Supplemental payments are subject to the regulations at 42 CFR 447.321 and the application of upper payment limits for outpatient hospital services.

For FY 2025-2026, effective December 28, 2025, the Department will distribute \$15.000 million in total funds (State and Federal) for these outpatient supplemental payments by September 30, 2026.