

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop: S2-25-26
Baltimore, Maryland 21244-1850



State Demonstrations Group

June 21, 2022

Sarah Fertig
Medicaid Director
State of Kansas, Division of Health Care Finance
900 SW Jackson Ave., Suite 900
Topeka, KS 66612

Dear Ms. Fertig:

The Centers for Medicare & Medicaid Services (CMS) is approving the Uncompensated Care (UC) Payment Protocol for Kansas' section 1115(a) demonstration (11-W-00283/7) titled, "KanCare" (Project Number 11-W-00283/7). The UC Payment Protocol is a requirement of STC 53(e) and will be incorporated as Attachment L in the special terms and conditions (STC). A copy of Attachment L is enclosed and will remain in effect throughout the demonstration which is set to expire December 31, 2023.

KanCare authorizes an uncompensated care pool which makes funds available to defray the actual uncompensated cost of medical services that meet the definition of "medical assistance" contained in section 1905(a) of the Social Security Act, that are provided by hospitals to uninsured individuals as charity care, including uninsured full or partial discounts, that provide all or a portion of services free of charge to patients who meet the provider's charity care policy and that adhere to the charity care principles of the Healthcare Financial Management Association. The UC Payment Protocol, also known as the funding and reimbursement protocol, establishes rules and guidelines for the state to claim federal financial participation (FFP) for UC payments.

If you have any questions, please contact your project officer, Ms. Shelby Higgins. Ms. Higgins can be reached at (443) 926-6513, or by email at Shelby.Higgins@cms.hhs.gov. We look forward to continuing to collaborate with you and your staff on the KanCare section 1115 demonstration.

Sincerely,

Angela D. Garner
Director
Division of System Reform Demonstrations

Page 2 - Ms. Fertig

Enclosure: Attachment L

cc: Michala Walker, State Monitoring Lead, CMS Medicaid and CHIP Operations Group

Attachment L
UC Payment Protocol
Effective Beginning DY9

The intent of the *Kansas Uncompensated Care (UC) Pools* is to provide a way to subsidize the actual costs incurred by hospitals for patient care services provided as charity care, including uninsured full or partial discounts that provide all or a portion of services free of charge to patients who meet the provider's charity care policy, to uninsured patients not reimbursed by Disproportionate Share for Hospitals (DSH) or other payments. All UC Pool Payments to hospitals must not exceed the cost of services provided to uninsured charity care patients as defined and discussed in this protocol. The facility unreimbursed cost of services for the uninsured charity care are reported on the Uncompensated Care Cost (UCC)/Disproportionate Share for Hospitals (DSH) Survey.

Providers Eligible for UC Pool Payments

Kansas Medical Assistance Program (KMAP) enrolled general or special hospitals as defined in State Statute 65-425.

- (a) "General hospital" means an establishment with an organized medical staff of physicians; with permanent facilities that include inpatient beds; and with medical services, including physician services, and continuous registered professional nursing services for not less than 24 hours of every day, to provide diagnosis and treatment for patients who have a variety of medical conditions.
- (b) "Special hospital" means an establishment with an organized medical staff of physicians; with permanent facilities that include inpatient beds; and with medical services, including physician services, and continuous registered professional nursing services for not less than 24 hours of every day, to provide diagnosis and treatment for patients who have specified medical conditions.

A hospital that is a state agency or a critical access hospital is not eligible.

The Medicaid coverage limitations under Section 1905 (a) of the Act, which exclude coverage for patients in an institution for mental diseases (IMD) who are under age 65, except for coverage of inpatient psychiatric hospital services for individuals under age 21, are applicable.

UC Pool Application

The UC Pool is made up of two sub-pools: The Health Care Access Improvement Program (HCAIP) Pool and the Large Public Teaching Hospital/Border City Children's Hospital (LPTH/BCCH) Pool. Each pool has a separate single page application (Attachments E1-E2). The UC Pool Application will be used to document hospital eligible uninsured uncompensated costs.

The state sends the UC Pool Application to hospitals. The application must be signed by an individual legally responsible for the conduct of the contracted hospital such as the owner, a general partner, a specifically authorized corporation officer or a hospital administrator. The UC Pool Application with certifying signature must be submitted to the Kansas Department of Health

and Environment, Division of Health Care Finance by December 31 of each year to qualify for the UC Pool Payment for the demonstration year that begins on the following January 1.

Uncompensated Care (UC)

Hospitals must submit the UCC/DSH Survey to apply for a UC Pool Payment. Providers will input the information from Worksheet S-10 included in their Medicare 2552-10 Cost Report, on the UCC section of the UCC/DSH survey. Hospitals not required by Medicare to complete Worksheet S-10 will be required to report comparable information captured on Worksheet S-10 and provide support for the reported amounts.

Costs documented in the cost report ending two years retrospective to the demonstration year for the UC Payment being determined, are included in the UC Pool Application. Only costs associated with 1905a services approved in the state plan qualify as uncompensated care costs. The costs and other data included in the UCC/DSH Survey with the implementation of this protocol begin with DY 10 (1/1/2022 -12/31/2022) which should be representative of the latest hospital Medicare Cost Report with years ending between 9/30/2018 - 8/31/2019.

- A. The uninsured are those individuals who lack third party coverage for eligible services received.
- B. Uncompensated care used in the UC Pool Application includes charity care and discounts for the uninsured.
 - 1. Charity care and uninsured discounts result from a hospital's policy to provide all or a portion of services free of charge to patients who meet the hospital's charity care policy or financial assistance policy (FAP). Charity care and uninsured discounts can include full or partial discounts. If a patient is not eligible for discounts under the hospital's charity care policy or FAP, then any discounts or reductions given to the standard rate may not be included as charity care or an uninsured discount.
 - 2. Deductibles and coinsurance for insured patients written off to bad debt are not considered charity care charges.
 - 3. Adjustments to rates paid by other third parties, write offs, and or contractual adjustments are not considered charity care charges and should be excluded from the calculation of charity care.
 - 4. Self-pay clients that do not qualify for hospital charity care, FAP, or similar qualification standards are not charity care.
 - 5. Documentation to support charity care must be maintained by the hospital and is subject to review.

Uncompensated Care Cost (UCC)

Providers complete the Medicare 2552-10 Cost Report and Worksheet S-10 according to Medicare's respective instruction.

Calculation as reported in Worksheet S-10, Column 1:

Line 1: Cost to Charge Ratio (CCR)

Line 20, column 1: (Charges of Patients Approved for Charity Care) + (Uninsured Discounts for the Entire Facility)

Line 21, column 1: Approved Charity Care Cost = (Sum of Charges of Patients Approved for Charity Care + Uninsured Discounts) X (CCR)

Line 22, column 1: Payments Received from Patients for Amounts Previously Written Off as Charity Care

Line 23, column 1: Uncompensated Cost of Charity Care = (Approved Charity Care Cost) – (Payments Received from Patients for Amounts Previously Written Off as Charity Care)

HCAIP UC Pool Payment Calculation

The payment for each hospital is determined by their uncompensated costs and the type of services the hospital provides. Only general and specialty hospitals can apply for HCAIP UC Pool payments. Hospitals that are designated as critical access, a state agency, or a LPTH or BCCH are not eligible for this pool.

First, calculate the eligible uncompensated cost amount.

UCC as determined by Worksheet S-10 Charity Care Costs as reported on the S-10.

Equals the UCC for Pool Calculation.

Second, application of each hospital's Criteria for Additional Uniform Percentage.

Hospitals attesting to provision of the following services/conditions during the cost report year listed on the UC Pool Application can receive additional percentage increases to the base UC Pool Payment:

- Does the hospital provide Level II or Level III NICU services?
- Does the hospital have a distinct inpatient psychiatric unit (beds)?
- Does the hospital provide Level I or Level II trauma services?
- Does the hospital system provide Level I, II and III NICU services?
- Does the hospital have less than \$300 million in Net Inpatient Revenue?

The state calculates aggregate uncompensated care costs of eligible HCAIP hospitals. The uniform percentage stated in Attachment J is multiplied by each hospital's UCC. Then, as applicable, the specialty service uniform percentage, the tri-level NICU services uniform percentage, and the tri-specialty uniform percentage from Attachment J is multiplied by each hospital's UCC. These additional amounts are added to the uniform percentage amount to determine the UC Pool Payment for the hospital. The total annual payment amount is split into quarterly payments. Specialty services are further defined in STC 53.

The pool amount for DY9 through DY11 is capped at \$41,000,000 (total computable) per demonstration year (STC 53).

LPTH/BCCH UC Pool Payment Calculation

The calculation for eligible uncompensated cost amount is:

UCC as determined by Worksheet S-10 Charity Care Costs as reported on the S-10.

Equals the UCC for Pool Calculation.

The pool amount for DY9 through DY11 is capped at \$9,856,550 (total computable) per demonstration year (STC 53). The pool is split with the LPTH designated hospital eligible to receive up to 75% of pool and the BCCH hospital eligible to receive 25% of the pool. LPTH/BCCH UC Pool Payments cannot exceed the hospital's uncompensated care costs.

Reconciliation of Payments for Uncompensated Care

The UC Pool Application verifies that the UC Pool Payment does not exceed the amount of UCC reported for the retrospective cost report year as listed above under Uncompensated Care (UC).

UCC as determined by Worksheet S-10 Charity Care Costs.

Equals the UCC for Pool Calculation.

If the amount of UCC for Pool Calculation is negative or zero, the hospital is not eligible to receive payments from the UC Pool.

The DSH calculation process includes a reconciliation of hospital claims data to Medicaid Management Information System (KMMS) claims data as a validating measure with an error rate of ten percent or greater considered statistically significant.

Providers complete the Medicare Cost Report 2552-10 and Worksheet S-10 in adherence with instructions as set forth by Medicare. Providers complete the UCC/DSH Survey in adherence with instructions as set forth in the survey which is aligned with the DSH State Plan Amendment. Providers complete the UC Pool Application in adherence with the UC Pool Protocol. The UCC/DSH Survey and UC Application use the hospital Medicare cost report 2552-10 and Worksheet S-10, as a source reference for revenue and cost information. Separate audits are completed on each component.