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State/Territory Name: Pennsylvania

State Plan Amendment (SPA) #: 21-0019

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 S2-26-12
Baltimore, Maryland 21244-1850



Financial Management Group

November 19, 2021

Ms. Meg Snead
Acting Secretary Commonwealth of Pennsylvania
Department of Human Services
Office of Medical Assistance Programs
PO Box 2675
Harrisburg, PA 17105-2675

RE: State Plan Amendment 21-0019

Dear Ms. Snead:

We have completed our review of State Plan Amendment (SPA) 21-0019. This SPA modifies Attachment 4.19-A of Pennsylvania's Title XIX State Plan. Specifically, the SPA authorizes the discontinuation of the Medical Assistance Stability inpatient supplemental payment and modification to the reconciliation process to account for the elimination of MA Stability payments.

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 21-0019 effective July 18, 2021. We are enclosing the CMS-179 and the amended plan page.

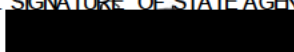
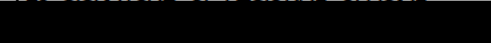
If you have any questions, or require additional information, please call Gary Knight at (304) 347-5723.

Sincerely,



Rory Howe
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 21-0019	2. STATE Pennsylvania
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) Title XIX	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE July 18, 2021	
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 2020 \$0 b. FFY 2021 \$(115,648,000)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19A, Pages 20b, 21m, 21t, and 21tt		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19A, Pages 20b, 21m, 21t, and 21tt	
10. SUBJECT OF AMENDMENT Medical Assistance Stability Payments and Revenue Reconciliation			
11. GOVERNOR'S REVIEW (Check One)			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS <input type="checkbox"/> SPECIFIED COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL 		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 17105-2675	
13. TYPED NAME M. Snead			
14. TITLE Acting Secretary of Human Services			
15. DATE SUBMITTED August 24, 2021			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED August 24, 2021		18. DATE APPROVED November 19, 2021	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL July 18, 2021		20. SIGNATURE OF REGIONAL OFFICIAL  For	
21. TYPED NAME Rory Howe		22. TITLE Director- Financial Management Group	
23. REMARKS			

RESERVED

TN#21-0019
Supersedes
TN#13-039

Approval Date: November 19, 2021

Effective Date: July 18, 2021

(A) Beginning with State Fiscal Year (FY) 2013-2014, the Department will make the following disproportionate share hospital (DSH) and supplemental payments to newly enrolled in-state hospitals (new hospitals) that qualify for payments as specified in the respective qualifying criteria for each payment in the state plan as modified in (B) below:

- (1) MA Dependency Payment;
- (2) MA Rehabilitation Adjustment Payment; and
- (3) Enhanced Payments to Certain Disproportionate Share Hospitals

For purposes of this determination for (2) and (3) of this subsection, a new hospital is defined as a hospital that has enrolled in the Pennsylvania (PA) MA Program on or after July 1, 2008 and is not a long-term acute care general hospital as defined in 62 P.S. §801-G. For purposes of this determination for (1) of this subsection, a new hospital is defined as a hospital that has enrolled in the PA MA Program on or after July 1, 2015 and is not a long-term acute care general hospital as defined in 62 P.S. §801-G. To determine a hospital's eligibility and payment allocation for each of these DSH and supplemental payments, the Department collects data from new hospitals in a form and manner specified by the Department.

(B) Beginning with FY 2013-2014, the following provides eligibility and payment distribution methodologies for the payment programs listed in (A) for those newly enrolled hospitals enrolled in the PA MA Program for at least one full FY:

- (1) For the MA Dependency Payment, the Department annualizes each new hospital's data for its initial FY of enrollment to determine if the new hospital qualifies for this payment in accordance with the qualifying criteria for the payment as provided in the state plan. For qualifying new hospitals enrolled as acute care general hospitals for which the Department does not have a FY 2014-2015 MA-336 Hospital Cost Report as of July 2017, the Department will determine the payment amount for the first full FY of enrollment by multiplying the number of PA MA FFS acute care inpatient days that were provided by the new hospital during its initial FY of enrollment by either:
 - i. \$850.00 for qualifying hospitals with greater than 50,000 PA MA (FFS and managed care) acute care inpatient days during its initial FY of enrollment as provided by the new hospital; or,
 - ii. \$370.00 for other qualifying new hospitals.
 - iii. New hospitals for which the Department has a FY 2014-2015 MA-336 Hospital Cost Report as of July 2017 will not qualify for the MA Dependency payment as a new hospital.
- (2) For the MA Rehabilitation Adjustment Payment, the Department collects and annualizes the total Medicaid inpatient FFS amount paid to the new hospital enrolled as a freestanding rehabilitation hospital for the new hospital's initial FY of PA MA enrollment and deflates the annualized revenue to FY 2007-2008. The new hospital's payment amount for the first full FY of PA MA enrollment as a rehabilitation hospital is 147% of the deflated revenue amount, pro-rated according to the number of days of the new hospital's initial FY of PA MA enrollment.
- (3) For the Enhanced Payments to Certain Disproportionate Share Hospitals Payment, a new hospital qualifies for this payment if the acute care general hospital qualifies for disproportionate share hospital (DSH) payments and its MA FFS and managed care outpatient charges to total hospital outpatient charges (as annualized from the new hospital's initial FY of PA MA enrollment) are greater than 12.90%. If the hospital qualifies, the hospital's payment amount for its first full FY of PA MA enrollment is determined in accordance with the payment method described in page 21q of the state plan using the hospital's annualized MA outpatient revenue amounts, then prorated according to the number of days of the new hospital's initial FY of PA enrollment. The outpatient revenue amounts for new hospitals will not be used in determining payment amounts for all other hospitals qualifying for enhanced payments to certain disproportionate share hospitals.

- (C) Except as provided in (D), beginning in FY 2013-2014, for the second and subsequent full FY of PA MA enrollment of a new hospital that qualifies for one or more of these payments, the payments will be annualized if the first full FY payment had been prorated as described in (B)(2) and (B)(3), or the source data will be annualized prior to determining the annual payment allocation if the source data was not annualized as described in (B)(1).
- (D) For each of the payments listed in (B) for new hospitals, the Department will determine a final payment amount using actual MA data relating to the new hospital's first full FY of enrollment once that data becomes available. The Department will reconcile payments made to final payment amounts subject to available funding.

For FY 2021-2022, the Department will allocate an annualized amount of \$1.170 million for these DSH and supplemental payments 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 (MA) Stability Payments (applies to FY 2020-2021 and prior reconciliations);
 - (3) MA Dependency Payments;
 - (4) MA Rehabilitation Adjustment Payments;
 - (5) Disproportionate Share Hospital Payments to Small and Sole Community Hospitals;
 - (6) Enhanced Payments to Disproportionate Share Hospitals;
 - (7) High MA Graduate Medical Education Payments
- (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 Fee For Service (FFS) inpatient hospital rates and implementing a revised patient classification system based on APR DRGs and for FFS observation services;
 - (ii) increased capitated rates to Managed Care Organizations (MCOs) for inpatient hospital services related to the rebasing of FFS inpatient hospital rates and the APR DRG classification system, for observation services related to implementation of a FFS observation policy, for outpatient hospital services, and for the Hospital Quality Incentive Program;
 - (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/neonatal intensive care unit and Critical Access payments,
 - (v) COVID-Relief DSH payments as described within page 21kk of this Attachment 4.19A, and
 - (vi) funds allocated for other purposes approved by the Secretary of Human Services.
 - (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).
- (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). If (b)(3) is greater than 0 then the aggregate adjusted amount for the payments listed in (a) is equal to the available funding amount determined in (c)(1).
 - (3) If a hospital has reached its OBRA '93 hospital specific limit due to payments received from (a) or (b)(1)(i), (ii), (iii), (iv) or (v), 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 state portion of the amount in (f). If the result is equal to or less than one, the result will equal the reconciliation factor. If the result is greater than one, the reconciliation factor will equal one.
- (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) Beginning with FY 2021-2022 reconciliations, available funding for payments identified in (a) is \$201.847 million. Of this amount, the portion attributable to the inpatient disproportionate share payments and direct medical education payments in (a)(1) is \$40.959 million.