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State/Territory Name: Hawaii

State Plan Amendment (SPA) #: 10-004

This file contains the following documents in the order listed:

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

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid, CHIP, and Survey & Certification

Lillian B. Koller, Esq.
Director, Department of Human Services
P.O. Box 339
Honolulu, HI 96809-0339

SEP 1 6 2010

RE: Hawaii State Plan Amendment 10-004

Dear Ms. Koller:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number 10-004. This amendment provides for disproportionate share hospital payments for the State fiscal year ending June 30, 2010.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 10-004 is approved effective June 30, 2010. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561.

Sincerely,

[redacted]

Cindy Mann
Director, CMCS

Enclosures

cc: Kenny Fink, Administrator, MEDQUEST
Ann Kinningham, Finance Officer, MEDQUEST
Kookie Moon-Ng, Medical Assistance Program Officer, MEDQUEST

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 10-004

2. STATE: HAWAII

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) MEDICAL ASSISTANCE

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
June 30, 2010

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.253 42 CFR 447 Subpart E
Section 1923 of the Act

7. FEDERAL BUDGET IMPACT:
a. FFY 2010: $10,000,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
ATTACHMENT 4.19-A, pages 42 and 43 43a, 43c

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
ATTACHMENT 4.19-A, pages 42 and 43 43a, 43c

10. SUBJECT OF AMENDMENT:
DISPROPORTIONATE SHARE PAYMENTS

11. 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:
AS APPROVED BY GOVERNOR

12. SIGNATURE OF STATE AGENCY OFFICIAL:
[redacted]

16. RETURN TO:

13. TYPED NAME:
LILLIAN B. KOLLER.

14. TITLE:
DIRECTOR

15. DATE SUBMITTED: 06/29/10

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:
6-30-10

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JUN 30 2010

[redacted]

21. TYPED NAME: William Lasowski

22. TITLE: Deputy Director, CMCS

23. REMARKS:
Regional Office made pen-and-ink changes to Boxes 6, 8, and 9 with State email concurrence dated 9/7/2010.

FORM HCFA-179 (07-92)

specialized ward and whether or not the individual remains in the hospital for lack of suitable placement elsewhere.

(4) "Uncompensated care costs" means the costs of providing care to the uninsured, shortfall in reimbursement of the cost of providing inpatient and outpatient services under the QUEST managed care program, and any shortfall in reimbursement of the cost of providing inpatient or outpatient services on a fee-for-service basis to Medicaid eligible patients. The State will adhere to the OBRA'93 hospital specific DSH limits (42 USC 1396r-4(g)) and is net of any profit earned on fee-for-service or managed care reimbursement. "Shortfall" means the cost of providing service less the payment received for the service, either pursuant to the state plan or pursuant to the section 1115 waiver and is net of any profit earned on fee-for-service or managed care reimbursement.

(5) "Governmental DSH Provider" means a hospital meeting the tests in Paragraph 2 (above) that is owned and operated by the Hawaii Health Systems Corporation.

B. PAYMENT ADJUSTMENT

1. With respect to state fiscal year 2010, all DSH providers (which do not include Governmental DSH providers) will receive payments as follows:

   a. Payments will be made from a pool of funds in the amount of $10 million (total computable). The payment for each DSH provider shall be determined by a distribution formula that is based on the following four factors:

      (i) Medicaid inpatient fee-for-service uncovered cost (30%);

      (ii) Medicaid outpatient fee-for-service uncovered cost (10%);

      (iii) Bad debt and charity (20%); and

      (iv) Case mix adjusted days (40%).

      The percentages applicable to each factor represent the portion of the pool to be distributed in accordance with the listed factor. For each portion of the pool, each hospital's share will be based on its share of the total for that portion, and the sum of the shares for each hospital and shall constitute its payment amount.

b. In no event shall the total payments to a DSH provider for state fiscal year 2010 exceed the uncompensated care costs of the provider. If the provider has uncompensated care costs (as defined in paragraph A.4 above) attributable to state fiscal year 2010 that are less than the amount of the payments that would be made to that provider pursuant to the formula set forth above (or to the redistribution described in this sentence), the payments to that provider shall be reduced to the amount of its uncompensated care costs attributable to state fiscal year 2010 and the difference shall be distributed to the remaining DSH providers in accordance with the formula set forth above.

2. With respect to state fiscal year 2010, governmental DSH providers will receive DSH payments as follows:

a. Payments will be made based on each qualifying governmental DSH hospital's uncompensated care cost (as defined in paragraph A.4 above) attributable to state fiscal year 2010.

b. The federal share of the DSH payments to government hospitals under this paragraph 2, when combined with the federal share of the DSH payments made to DSH hospitals under paragraph 1 of Section B., shall not exceed $10 million.

3. No payment will be made to any hospital in excess of its total inpatient and outpatient hospital uncompensated care costs.

C. PAYMENT METHOD

Payments for state fiscal year 2010 will be made in up to four installments during the course of state fiscal year 2011.

DSH payments for government DSH providers will be reconciled in accordance with the methodology set forth in the Protocol referred to in Section E.

D. SOURCE OF DATA

The calculations to be made in determining the payment amounts in accordance with Section B.1. above shall be based on cost reports for each hospital's most current fiscal year concluded by June 30, 2009. The calculations to be made in determining the payment amounts in accordance with Section B.2. above shall be based on hospital reported data for the current year.

E. COST PROTOCOL

Uncompensated cost of government DSH providers will be determined in accordance with the following Cost Protocol:

Government-Owned Hospital
Uncompensated Care Cost (UCC) Protocol

Introduction

This protocol directs the method that will be used to determine uncompensated care (UCC) payments to government-owned hospitals as allowed by this Section VIII (Disproportionate Share Payments).

Summary of Medicare Cost Report Worksheets

Expenditures will be determined according to costs reported on the hospitals' 2552 Medicare cost reports as follows:

Worksheet A

The hospital's trial balance of total expenditures, by cost center. The primary groupings of cost centers are:

(i) overhead;
(ii) routine;
(iii) ancillary;
(iv) outpatient;
(v) other reimbursable; and
(vi) non-reimbursable.

Worksheet A also includes A-6 reclassifications (moving cost from one cost center to another) and A-8 adjustments (which can be increasing or decreasing adjustments to cost centers). Reclassifications and adjustments are made in accordance with Medicare reimbursement principles.

Determination of Allowable Payments to cover Uncompensated Care Costs (UCC)

To determine governmentally operated hospitals' (hospital) allowable UCC, the following steps must be taken to ensure Federal financial participation (FFP):

Annual Payment

Each hospital's annual DSH payments will be based on its filed Medicare cost reports for the spending year to which the payments apply or, if not available, for the most recent year for which a report is available. If a prior year cost report is used for the interim payment purposes, the annual payment will be determined as described below but using the data from that prior period, and such interim payment will then be first reconciled to the annual payment computed from the spending cost reporting period, as described below, once that spending year Medicare cost report is filed by the hospital.

The annual payment is based on the calculation of inpatient and outpatient program costs using the cost center per diems and cost-to-charge ratios derived from its filed Medicare cost report for the service period. Days, charges, and payments for Medicaid FFS services originating from the provider's auditable records will be reconciled to MMIS paid claims records. Medicaid managed care and uninsured days, charges, and payments will originate from the provider's auditable records.

For each inpatient hospital routine cost center, a per diem is calculated by dividing total costs of the cost center (from ws B, part I, column 25) by total days of the cost center (from ws S-3, Part I, column 6). For each ancillary hospital cost center, a cost to charge ratio is calculated by dividing the total cost of the cost center (from ws B, Part I, column 25) by the total charges of the cost center (from ws C, Part I, column 8). The Adult and Pediatric (A&P) routine per diem, in accordance with CMS-2552 worksheet D-1, should be computed by including observation bed days in the total A&P patient day count and excluding swing bed nursing facility costs and non-medically necessary private room differential cost from the A&P costs.

For inpatient UCC cost computation, each routine hospital cost center's per diem is multiplied by the cost center's number of eligible UCC days, and each ancillary hospital cost center's cost-to-charge ratio is multiplied by the cost center's UCC-eligible inpatient charges. Eligible UCC days and charges pertain only to the UCC populations and services and exclude any non-hospital services such as physician/practitioner professional services. The sum of each cost center's inpatient hospital UCC cost is the hospital's inpatient UCC cost prior to the application of payment/revenue offsets.

For outpatient UCC cost computation, each ancillary hospital cost center's cost-to-charge ratio is multiplied by the cost center's UCC-eligible outpatient charges. Eligible UCC charges pertain only to the UCC populations and services as defined in the STCs and exclude any non-hospital services such as physician/practitioner professional services. The sum of each cost center's outpatient hospital UCC cost is the hospital's outpatient UCC cost prior to the application of payment/revenue offsets.

The cost computed above will be offset by all applicable payments received for the Medicaid and uninsured services included in the UCC computation and then reconciled to the interim quarterly UCC payments made.

Payments that are made independent of the claims processing system for hospital services of which the cost are included in the program costs described above, including payments from managed care entities, for serving QEx enrollees, will be included in the total program payments under this annual initial