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

Center for Medicaid, CHIP, and Survey & Certification

JUL 1 8 2011

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

RE: Hawaii State Plan Amendment 11-002

Dear Ms. Koller:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number 11-002. This amendment provides for disproportionate share hospital payments for the State fiscal year ending June 30, 2011.

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 11-002 is approved effective May 28, 2011. 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,

Cindy Mann
Director, CMCS

Enclosures

cc: Kenny Fink, Administrator, MEDQUEST
Kookie Moon-Ng, Medical Assistance Program Officer, MEDQUEST
Reuben Shimazu, Finance Office, 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: 11-002

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: May 28, 2011

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
Section 1923 of the Act

7. FEDERAL BUDGET IMPACT:
a. FFY 2011 : $10,000,000

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

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: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

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]

13. TYPED NAME: PATRICIA MCMANAMAN

14. TITLE: DIRECTOR

15. DATE SUBMITTED: MAY 2 2011

16. RETURN TO:
Med-QUEST Division
Program & Policy Development Office
P. O. Box 700190
Kapolei, Hawaii 96709-0190

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: JUL 18 2011

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: MAY 28 2011

20. SIGNATURE OF REGIONAL OFFICIAL: [redacted]

21. TYPED NAME: [redacted]

22. TITLE: Deputy Director, CMCS

23. REMARKS:

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 2011, 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 2011 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 2011 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 2011 and the difference shall be distributed to the remaining DSH providers in accordance with the formula set forth above.

c. Any overpayment to a non-governmental hospital, based on the results of the DSH audit and reporting requirements per 42 CFR 447.299 and 42 CFR 455 Subpart D, including the determination of a hospital's uncompensated care cost limit and its DSH qualification using actual period data, will be recouped from the hospital and redistributed to other DSH hospitals per paragraph B.1.b

2. With respect to state fiscal year 2011, 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 2011.

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. In the event the combined UCC CPEs exceeds the maximum allotment available for the governmental DSH pool, each hospital's UCC CPE will be reduced by the aggregate percentage of the excess.

c. In the event that the aggregate uncompensated care costs of the governmental DSH hospitals exceed the maximum allotment available for the governmental DSH hospitals, each governmental DSH hospital's uncompensated care costs shall be reduced pro rata by the aggregate percentage of the excess so that the aggregate of uncompensated care costs is equal to the maximum allotment available for the governmental DSH hospitals. Any overpayment to a governmental hospital, based on the results of the DSH audit and reporting requirements per 42 CFR 447.299 and 42 CFR 455 Subpart D or otherwise, including the determination of a hospital's uncompensated care cost limit and its DSH qualification using actual period data, will be recouped from the hospital and redistributed to other governmental DSH hospitals based on the proportion of each remaining hospital's uncompensated care cost to the aggregate of the remaining hospitals' uncompensated care costs.

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

B. <u>PAYMENT METHOD</u>

Payments for state fiscal year 2011 will be made in up to four installments during the course of state fiscal year 2012.

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, 2010. 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.