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State Name: Pennsylvania

State Plan Amendment (SPA) #09-002

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS-179
- 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



Center for Medicaid and State Operations, CMSO

Ms. Estelle B. Richman, Secretary
Department of Public Welfare
Commonwealth of Pennsylvania
P.O. Box 2675
Harrisburg, Pennsylvania 17105-2675

NOV 17 2009

RE: State Plan Amendment 09-002

Dear Ms. Richman:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 09-002. This amendment amends the current payment methodology Pennsylvania uses to determine disproportionate share adjustment (DSH) payments to certain qualifying hospitals that provide obstetrical and neonatal intensive care services to low-income pregnant women and children. It also amends the current method used in making such payments to certain qualifying rural hospitals.

We conducted our review of this amendment 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 and the regulations at 42 CFR 447 Subpart C. I am pleased to inform you that Medicaid State plan amendment 09-007 is approved effective March 15, 2009. I have enclosed the approved HCFA-179 and the amended state plan pages.

If you have any questions, please call Keith Leuschner on (717) 782-4967.

Sincerely,

Cindy Mann
Director
Center for Medicaid and State Operations (CMSO)

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
09-002

2. STATE
Pennsylvania

FOR: HEALTH CARE FINANCING ADMINISTRATION

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

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

4. PROPOSED EFFECTIVE DATE
March 15, 2009

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 Subpart C

7. FEDERAL BUDGET IMPACT:
a. FFY 2009 \$ 7,845,000.00
b. FFY 2010 \$ 6,065,000.00

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19A, Page 21I and 21II.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):
Attachment 4.19A, Page 21I and 21II.

10. SUBJECT OF AMENDMENT:
1) Additional Class of 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:
Review and approval authority has
been delegated to the Department of
Public Welfare

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Estelle B. Richman

14. TITLE:
Secretary of Public Welfare

15. DATE SUBMITTED:
MAR 30 2009

16. RETURN TO:
Commonwealth of Pennsylvania
Department of Public Welfare
Office of Medical Assistance Programs
Bureau of Policy, Budget and Planning
P.O. Box 8046
Harrisburg, Pennsylvania 17105

17. DATE RECEIVED

USE ONLY
APPROVED
DATE

19. EFFECTIVE DATE OF APPROVED MATERIAL
MAR 15 2009

21. TYPE NAME
William Lasowski

23. REMARKS

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

ADDITIONAL CLASS OF DISPROPORTIONATE SHARE PAYMENTS

The Commonwealth of Pennsylvania is dedicated to ensuring the availability of quality care to low-income pregnant women and children. Access to obstetrical and neonatal health care services across the Commonwealth is necessary for all MA recipients and is crucial to ensure a positive prenatal experience for the mother and the best outcome for the infant. In order to maintain the system for obstetrical and neonatal health care services, the Department will make disproportionate share payments to hospitals that meet certain qualifying criteria.

A rural hospital, which is defined as being located in a county outside a Metropolitan Statistical Area ("MSA") established by the United States Office of Management and Budget or is the only hospital licensed by the Department of Health to provide obstetrical services located in a county of the 6th, 7th or 8th class, must meet one of the following qualifying criteria in order to be eligible for the disproportionate share hospital (DSH) payment:

- (a) The hospital is licensed to provide neonatal intensive care services.
- (b) The hospital is licensed to provide obstetrical services and ranks in the top 1/3 of rural hospitals in terms of volume of obstetrical cases for Pennsylvania (PA) MA recipients during the most recent fiscal year with available data.
- (c) The hospital is licensed to provide obstetrical services and has greater than 50% of all of its obstetrical cases for PA MA recipients during the most recent fiscal year with available data.
- (d) The hospital is the only hospital licensed to provide obstetrical services within the county.

A nonrural hospital must be licensed to provide obstetrical and/or neonatal intensive care services and must meet one of the following qualifying criteria in order to be eligible for the DSH payments:

- (a) The hospital ranks in the top 1/3 of nonrural hospitals in terms of volume of obstetrical cases for PA MA recipients during the most recent fiscal year with available data.
- (b) The hospital has greater than 50% of all of its obstetrical cases for PA MA recipients during the most recent fiscal year with available data.
- (c) The hospital provides obstetrical care services and is located within five miles of any hospital that closed its obstetrical service during the previous three years.
- (d) The hospital ranks in the top 1/3 of nonrural hospitals in terms of volume of neonatal intensive care cases for PA MA recipients during the most recent fiscal year with available data.
- (e) The hospital has greater than 50% of all of its neonatal intensive care cases for PA MA recipients during the most recent fiscal year with available data.
- (f) A children's hospital with greater than 40% of all of its cases for PA MA recipients during the most recent fiscal year with available data.

The Department will make DSH payments to those hospitals that meet the qualifying criteria using the following payment methodology.

- (a) 15% of the total amount available will be paid to qualified rural hospitals as follows:
 - (i) Of the amount available for distribution to rural hospitals, 75% will be distributed to qualified rural hospitals with obstetrical cases for PA MA recipients using the following formula:
 - (A) For each hospital, determine the ratio of the hospital's obstetrical cases for PA MA recipients to all obstetrical cases for the hospital.
 - (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's obstetrical cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the amount available for distribution to rural hospitals by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (F) For rural hospitals located in counties whose ratio of MA eligible persons to total county population exceeds one standard deviation above the mean for all rural counties but less than 1.3 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.50. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.3 standard deviations above the mean for all rural counties but less than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.75. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 2.0.

- (ii) Of the amount available for distribution for rural hospitals, 10% will be distributed to qualified rural hospitals with neonatal intensive-care cases for PA MA recipients using the following formula:
- (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA recipients to all neonatal intensive-care cases for the hospital.
 - (B) For each hospital multiply: the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the amount available for distribution to rural hospitals by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (F) For rural hospitals located in counties whose ratio of MA eligible persons to total county population exceeds one standard deviation above the mean for all rural counties but less than 1.3 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.50. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.3 standard deviations above the mean for all rural counties but less than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.75. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 2.0.
- (iii) 15% of the funds available for rural hospitals will be distributed equally among qualified rural hospitals with obstetrical cases for PA MA recipients.
- (iv) To ensure that payments do not exceed available funds, the Department will adjust payments to each hospital using the following formula:
- (A) The calculated total amount of payments for each hospital under steps (i), (ii) and (iii) in this section is divided by the total calculated amount for all hospitals to obtain a percentage, which is a ratio of each hospital's respective share of the calculated amount.
 - (B) The resulting percentage for each hospital in clause (A) is multiplied by the total available funds to obtain a proportional payment for each hospital.
- (b) 85% of the total amount available will be paid to qualified nonrural hospitals as follows:
- (i) Of the eighty-five percent, 52.5% will be distributed to qualified nonrural hospitals with obstetrical cases for PA MA recipients covered by MA using the following formula:
 - (A) For each hospital, determine the ratio of the hospital's obstetrical cases for PA MA recipients to all obstetrical cases for the hospital.
 - (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's obstetrical cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the amount available for distribution to nonrural hospitals by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (ii) Of the amount available for distribution to nonrural hospitals, 32.5% will be distributed to qualified nonrural hospitals with neonatal intensive-care cases for PA MA recipients using the following formula:
 - (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA recipients to all neonatal intensive-care cases for the hospital.
 - (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the 32.5% by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (iii) Of the amount available for distribution to nonrural hospitals, 15% will be distributed equally among qualified nonrural hospitals with obstetrical cases for PA MA recipients.

For Fiscal Year 2008-2009 the fiscal impact of this additional class of DSH payments is \$14.389 (\$6.544 million in State General Funds and \$7.845 million in Federal Funds upon approval by the Centers for Medicare and Medicaid Services).