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State Name: Pennsylvania

State Plan Amendment (SPA) #10-018

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, M/S S3-13-15
Baltimore, MD 21244-1850

Center for Medicaid, CHIP, and Survey & Certification

Mr. Michael Nardone, Acting Secretary
Commonwealth of Pennsylvania
Department of Public Welfare
Office of Medical Assistance Programs
Bureau of Policy, Budget and Planning
P.O. Box 8046
Harrisburg, PA 17105

RE: State Plan Amendment (SPA) 10-018

Dear Mr. Nardone:

We completed our review of the proposed amendment to section 4.19A of Pennsylvania's Title XIX Medicaid State plan submitted under transmittal number (TN) 10-018. Specifically, this amendment continues a series of disproportionate share inpatient hospital payments and creates supplemental payments to qualifying acute care general hospitals, freestanding rehabilitation hospitals, and certain DSH hospitals.

We conducted our review of your submittal according to the statutory requirements at Sections 1902(a)(2), 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 Pennsylvania SPA 10-018 with an effective date of September 26, 2010. We are enclosing the HCFA-179 and the amended state plan pages.

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

Sincerely,

Cindy Mann
Director
Centers for Medicaid, CHIP, and Survey & Certification

cc: Leesa Allen, Director, Bureau of Policy, Analysis and Planning
Dawn Poppenwimer PA-OMAP

bcc: Mr. Gallagher, ARA RO3
Mr. McCullough RO3
Michael Cruse, PA Rep. RO3
Rob Weaver – NIRT
Mark Cooley – NIRT
NIRT Official file

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: 10-018

2. STATE: Pennsylvania

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
September 26, 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 Subpart C and F

7. FEDERAL BUDGET IMPACT:
a. FFY 2010 $16,806,833
b. FFY 2011 $290,842,168

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19A, Pages 2a, 2aa, 16, 16a, 17, 17.1, 20a, 20b, 21m, 21n, 21o, 21p

Attachment 4.19B Page 4c

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

Attachment 4.19A, Pages 2a, 16, 16a, 17 and 20a

10. SUBJECT OF AMENDMENT:
Changes to and Establishment of Disproportionate Share Hospital and Supplemental 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:
Michael Nardone

14. TITLE:
Acting Secretary of Public Welfare

15. DATE SUBMITTED:

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

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: 12-21-10 DEC 21 2010

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

FORM HCFA-179 (07-92)

Payments for Direct Medical Education Costs

(a) The Department reimburses hospitals with medical education costs by using the methods described below.

(1) For hospitals that received medical education payments in FY 2008-2009, the Department reimburses an eligible hospital the same amount that the hospital received for direct medical education payments in FY 2008-2009.

(2) The Department reimburses eligible hospitals the total medical assistance medical education costs for the hospital which is the sum of the MA fee-for-service medical education costs as reported on the hospital's Fiscal Year 2007-2008 Medical Assistance cost report (MA 336) available to the Department as of July 2010 and the estimated MA managed care medical education costs as determined by calculating a ratio of MA fee-for-service acute care days to MA managed care acute care days and applying this ratio to the MA fee-for-service medical education costs from the MA cost report. The medical education payment amount for the hospital will be the 75% of the total MA medical education costs.

(3) For Fiscal Year (FY) 2010-2011, hospitals eligible under both (a)(1) and (a)(2) will receive the higher of the payment amounts. Hospitals eligible only under (a)(2) will receive the payment amount calculated in (a)(2).

(4) For FY 2011-2012, hospitals eligible under both (a)(1) and (a)(2) will receive the payment amount under (a)(2) plus half of the difference between the payment amount of (a)(1) and (a)(2) if the payment amount under (a)(1) is greater than the payment amount under (a)(2). Hospitals eligible only under (a)(2) will receive the payment amount calculated in (a)(2).

(5) For FY 2012-2013, all eligible hospitals will receive the payment amount calculated under the method described in (a)(2).

(b) Payments

(1) For the period July 1, 1997 through December 31, 1997, eligible providers shall receive monthly payments equal to their monthly payments for the period January 1, 1997 through June 30, 1997.

(2) For the period January 1, 1998 through December 31, 1998, eligible providers shall receive quarterly payments based on the monthly payments set forth in (b)(1) converted to quarterly payments.

(3) For the period January 1, 1999 through December 31, 1999, eligible providers shall receive quarterly payments as set forth in (b)(2).

(4) For the period January 1, 2000 through June 30, 2000, payments set for in (b)(3) will be increased by 4 percent.

(5) For State Fiscal Year 2000-2001, eligible providers will receive quarterly payments which equal the aggregate amount paid for the period July 1, 1999 through June 30, 2000, increased by 2.4 percent and divided into four payments.

(6) For the period July 1, 2001, through December 31, 2001, eligible providers will receive two quarterly payments which equal the amount paid quarterly for the period July1, 2000, through June 30, 2001.

(7) For the period January 1, 2002, through June 30, 2002, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2001, inflated by 7.231 percent.

(8) For the period July 1, 2002, through December 31, 2002, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of June 30, 2001, inflated by 3.1 percent, then inflated by 1.0 percent then inflated by 3.1 percent.

(9) For the period January 1, 2003, through December 31, 2004, eligible providers will receive quarterly payments, each of which equals the quarterly payment amount as of December 31, 2002, inflated by 1.0 percent.

(10) For the period January 1, 2005, through June 30, 2005, eligible providers will receive two quarterly payments, each of which equals the quarterly amount as of December 31, 2004, inflated by 3.0 percent.

(11) For the period July 1, 2005, through December 31, 2005, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2004, inflated by 3.0 percent.

(12) For the period January 1, 2006 through January 13, 2007, eligible providers will receive four quarterly payments, each of which equal the quarterly payment amount as of December 31, 2005, inflated by 3.5 percent as adjusted under the Hospital Quality Incentive Pilot Program described in (e).

(13) For the period January 14, 2007 through June 30, 2007, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2006, inflated by 4 percent as adjusted in the Hospital Quality Incentive Pilot Program described in (e).

(14) For the period July 1, 2007 through December 31, 2007, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2006, inflated by 4 percent as adjusted in the Hospital Quality Incentive Pilot Program described in (e).

(15) For the period January 1, 2008 through June 30, 2008, eligible providers will receive two quarterly payments, each of which equals the quarterly payment amount as of December 31, 2007, inflated by 2 percent as adjusted in the Hospital Quality Incentive Pilot Program described in (e).

(16) For the period beginning July 1, 2010, eligible providers will receive quarterly payments calculated in accordance with subsection (a) above adjusted to reflect the aggregate annual amount described in Part V.

(c) Direct medical education payments shall be adjusted as necessary in accordance with the limitations set forth in Part V.

(d) Direct medical education payments shall be considered final and prospective and are not subject to cost settlement.

DISPROPORTIONATE SHARE PAYMENTS

Part I. General Policy

The Department provides additional funding for in-state inpatient hospital providers which service a disproportionate share of Medical Assistance (MA) recipients or Title XIX or low-income patients, according to the provisions of Section 1923 of the Social Security Act. Hospitals and units which can qualify for disproportionate share hospital (DSH) payments under this part are acute care general hospitals; psychiatric, medical rehabilitation and drug and alcohol rehabilitation units of acute care general hospitals; freestanding rehabilitation hospitals; and private psychiatric hospitals.

The Department will determine, effective July 1, 1998, the hospitals that qualify for DSH payments and the amounts of such payments, according to the standards described in this section. Days of care included in the eligibility determination include MA managed care days of care, Medicaid administrative days and days of care provided to recipients from other states' Medicaid programs.

No hospital may be defined as eligible for DSH payments unless it has a Title XIX utilization rate of one percent or greater. In conformity with OBRA '93, effective July 1, 1995, the Department will establish DSH payments no greater than each hospitals' unreimbursed costs for services rendered to Title XIX patients and uninsured patients. DSH payments to a qualifying hospital shall not exceed the amount permitted under the hospital's OBRA '93 hospital specific limit. DSH payments to qualifying hospitals may be adjusted so that payments do not exceed the Commonwealth's aggregate annual DSH allotment.

(a) To qualify as a disproportionate share hospital, the hospital must meet one of the conditions set under subsection (b) and meet any one of the following conditions:

(1) Have a percentage of Title XIX MA days to total days equal to or greater than one standard deviation above the mean for all in-state hospitals;

(2) Have a low-income utilization rate exceeding 25%, as defined under 42 U.S.C § 13969r-4(b)(3), under one of the following methods:

(i) The hospital's low income utilization rate as reported on its MA cost report (MA 336) computation of low income utilization rate worksheet exceeds 25%.

(ii) The hospital's low income utilization rate as determined by its ratio of Title XIX and General Assistance inpatient days to total inpatient days exceeds 25%. To determine the ratio for an acute care general hospital, the Department will include inpatient days for drug and alcohol rehabilitation units and medical rehabilitation units of acute care general hospitals, inpatient psychiatric facilities, as well as days for acute care general hospitals. The Department will include in the calculation MA administrative days, days of care provided to recipients in other states' Medicaid programs and managed care days.

(3) Be an acute care general hospital defined by Medicare as a rural hospital or sole community hospital and be at of above the 75th percentile in the ratio of Medical Assistance acute care cases to total acute care cases in a ranking of all in-state hospitals.

(4) Be an acute care general hospital, that has rendered a total number of Medical Assistance inpatient days (including fee-for-service, managed care, administrative and out-of-state days and including days and including days from units) greater than two standard deviations above the mean of the total number of Medical Assistance days rendered by all acute care general hospitals. Hospitals qualifying under this condition will be ranked with all other previously qualified hospitals to determine and payment amount.

(i) Effective January 14, 2007, the Department shall distribute to hospitals qualifying under this condition an amount determined under (4) increased by 4 percent.

(ii) Effective January 1, 2008, the Department shall distribute to hospitals qualifying under this condition an amount determined under (4) increased by 2 percent.

(5) Be an MA enrolled acute care general hospital located in a county ranked above the 96 percentile for all counties in Pennsylvania as determined using the data contained in the Department's December 2009 report of Unduplicated Number of Persons Eligible for MA by County based on either the percentile rank of the county's percent of population eligible for MA, or the percentile rank of the county's total number of persons eligible for MA; and the hospital has a ratio of total MA acute inpatient days to total acute inpatient days which exceeds the average ratio of MA acute inpatient days to total hospital acute inpatient days of all hospitals within that county based on data from the FY 2007-2008 MA hospital cost report (MA 336) available to the Department as of July 2010.

(b) To qualify as a disproportionate share hospital, the hospital must meet at least one of the following conditions:

(1) Be identified as a children's hospital;

(2) Have at least two physicians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are entitled to such services under Medical Assistance Program: or

(3) Be identified as a hospital that did not offer nonemergency obstetric services to the general population on or after December 21, 1987.

Part II. Disproportionate Share Payments to Acute Care General Hospitals

(a) Acute care hospitals that meet the conditions in Part I (a)(1), (a)(2), (a)(4) or (a)(5), are assigned a disproportionate share percentage ranging from 1 percent to 15 percent. Qualifying hospitals are ranked from high to low based on their ratio of total Title XIX days to total days. The qualifying hospital with the highest ratio of Title XIX days to total days is assigned a disproportionate share percentage of 15 percent. For each other hospital qualifying under this section, the disproportionate share percentage is

(1) 1 percent, plus

(2) 13 percent multiplied by a fraction: the numerator of which is the ratio of Title XIX days to total days of the qualifying hospital minus the ratio of Title XIX days to total days of the lowest hospital on the list of all such qualifying hospitals; and the denominator of which is the ratio of Title XIX days to total days of the second highest hospital on the list of all such qualifying hospitals, minus the ratio of Title XIX days to total days of the lowest hospital on the list of all such qualifying hospitals.

(b) Acute care hospitals that meet the conditions in Part I (a)(3) receive a rural disproportionate share percentage ranging from 1 percent to 10 percent. Qualifying hospitals are ranked from high to low based on their ratio of Title XIX days to total days. The qualifying hospital with the highest ratio of Title XIX days to total days is assigned a disproportionate share percentage of 10 percent. For each other hospital qualifying under this section, the disproportionate share percentage is

(1) 1 percent, plus

(2) 8 percent multiplied by a fraction: the numerator of which is the ratio of Title XIX days to total days of the qualifying hospital minus the ratio of Title XIX days to total days of the lowest hospital on the list of all such qualifying hospitals; and the denominator of which is the ratio of Title XIX days to total days of the second highest hospital on the list of all such qualifying hospitals, minus the ratio of Title XIX days to total days of the lowest hospital on the list of all such qualifying hospitals.

(c) Hospitals that qualify under both section (a) and section (b) will receive the higher of the percentages, but will not receive both percentages.

Part II. Disproportionate Share Payments to Acute Care General Hospitals

(d) The Department prospectively calculates the annual DSH payment amount for qualifying acute care general hospitals by multiplying the disproportionate share percentage determined under sections (a) – (c) by the hospital's projected Title XIX and general assistance income for acute care cases during the fiscal year.

(1) The Department will use the FY 2007-2008 MA hospital cost report data available to the Department as of July 2010 to calculate an inpatient DSH payment amount for each qualifying hospital.

(2) For FY 2010-2011, a qualifying hospital's inpatient DSH payment amount will be the higher of:

(i) The payment amount calculated under (1) above; or

(ii) The inpatient DSH payment amount the hospital received for FY 2009-2010

(3) For FY 2011-2012, unless a qualifying hospital meets the conditions specified in (5) below, the hospital's inpatient DSH payment amount will be the higher of:

(i) The payment amount calculated under (1) above; or

(ii) The payment amount calculated under (1) above plus one half of the difference between the inpatient DSH payment amount the hospital was allocated to receive for FY 2009-2010 and payment amount calculated under (1) above, if the FY 2009-2010 payment amount is greater than the amount calculated under (1) above.

(4) For FY 2012-2013, unless a qualifying hospital meets the conditions specified in (5) below, the hospital's inpatient DSH payment amount will equal the payment amount calculated under (1).

(5) For FY 2011-2012 and FY 2012-2013, using the FY 2007-2008 MA hospital cost report available to the Department as of July 2010, if a qualifying acute care general hospital has a ratio of MA days to total days (fee-for-service and MCO days) that exceeds 40% as calculated by determining its ratio of Title XIX and General Assistance inpatient days to total inpatient days; and has greater than 20,000 MA days total (fee-for-service and MCO days) as calculated by determining its ratio of Title XIX and General Assistance inpatient days to total inpatient days; and has a low-income utilization rate that exceeds 40% as reported on its MA hospital cost report computation of low income utilization rate worksheet, the hospital's inpatient DSH payment will be the higher of:

(i) The payment amount calculated under (1) above or

(ii) The inpatient DSH payment amount the hospital received for FY 2009-2010.

(e) Annual payments are distributed to qualifying hospitals in quarterly payments adjusted to reflect the total amount allocated for the fiscal year.

Part V. Aggregate Limits to Inpatient Disproportionate Share, Outpatient Disproportionate Share and Direct Medical Education

For the period January 14, 2007 through December 31, 2007, the Department shall distribute to providers that are eligible for direct medical education and/or disproportionate share payments, including outpatient disproportionate share, the aggregate annualized amount of $223.608 million, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

For the period beginning January 1, 2008, the Department shall distribute to providers that are eligible for direct medical education and/or disproportionate share payments, including outpatient disproportionate share, the aggregate annualized amount of $228.08 million, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

For State Fiscal Year 2009-2010, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient and outpatient disproportionate share payments an aggregate annualized amount not to exceed $193.010 million, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

For State Fiscal Year 2010-2011, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient and outpatient disproportionate share payments an aggregate annualized amount of $287.832 million, as adjusted to reflect the reconciliation factor described in Part VI, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

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 (d);
(2) Medical Assistance Stability Payments;
(3) Medical Assistance Dependency Payments;
(4) Medical Assistance Rehabilitation Adjustment Payments;
(5) Disproportionate Share Hospital Payments to Small and Sole Community Hospitals;
(6) Enhanced Payments to Disproportionate Share Hospitals

(b) For State Fiscal Year 2010-2011, the Department will calculate a reconciliation factor as follows:

(1) The Department will estimate the funding available for the payments identified in (a), taking into account the assessment revenues generated to the Commonwealth from an approved provider tax on licensed hospitals, the amount of funds allocated for APR DRG prospective payments for inpatient hospital services for the fiscal year and the amount of enhanced payments for inpatient hospital services included in the MCO capitation rates for the fiscal year .
(2) The Department will divide the estimated available funding amount from (b)(1) by the amount identified in subsection (d) for the applicable State Fiscal Year to obtain the reconciliation factor.
(3) This reconciliation factor will be applied to the payments identified in (a) that are made during that fiscal year.

(c) For each State Fiscal Year beginning on or after July 1, 2011, the Department will calculate a reconciliation factor as follows:
(1) The Department will estimate the net funding available for the payments identified in (a) by adding:
(A) The projected revenue for the fiscal year, which will include funding generated to the Commonwealth from an approved provider tax on licensed hospitals and allocated to the payments identified in (a); and
(B) The amount of unspent funds in the prior fiscal year for any category of payment indentified in (a) due to individual hospital disproportionate share limitations or hospital closures

and from the sum of (A) and (B) subtracting:

(C) The amount by which APR DRG prospective payments for inpatient services in the prior fiscal year exceeded the amount allocated for those payments; and
(D) The amount by which enhanced payments to MCO capitation rates for inpatient hospital services in the prior fiscal year exceeded the estimated impact of the APR DRG payment system;
(2) The Department will divide the net funding amount from (c) (1) by the amount of funding for payments identified for the applicable State Fiscal year in subsection (d) to determine the final reconciliation factor for the fiscal year.
(3) This reconciliation factor will be applied to the payments identified in (a) that are made during the Fiscal Year.
(4) If the net funding from (c)(1) is less than estimated, the Department may adjust the reconciliation factor determined under this paragraph to account for changes in the amounts specified in (c)(1)(A)-(D).

(d) Available funding for payments identified in (a).
(1) In State Fiscal Year 2010-2011, the payments identified in subsection (a) of $319.218 million ($126.808 million in State General Funds). Of this amount, the portion attributable to the inpatient disproportionate share payments and direct medical education payments in (a)(1) is $58.234 million ($22.818 million in State General Funds).

Medical Assistance Stability Payments

The Department will make supplemental payments to qualifying hospitals participating in the Medical Assistance (MA) Program.

The Department will consider all acute care general hospitals enrolled in the MA Program as of July 1, 2010, that have a submitted Fiscal Year (FY) 2007-2008 MA hospital cost report available to the Department as of July 2010 eligible for these supplemental payments.

The Department will determine a per diem amount by dividing all Pennsylvania MA fee-for-service (FFS) days for all eligible hospitals into the amount allocated for these payments. Each qualifying hospital's annual payment amount will be equal to this per diem amount multiplied by the hospital's Pennsylvania MA FFS days using the FY 2007-2008 MA cost report data available to the Department as of July 2010. The Department will distribute quarterly payments to qualifying hospitals adjusted to reflect the total amount allocated per fiscal year for this payment.

For FY 2010-2011, the Department will allocate an annualized amount of $151.444 million ($59.031 million in State General Funds) for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

Medical Assistance Dependency Payments

The Department will make supplemental payments to certain qualifying hospitals that are highly dependent upon Medical Assistance (MA) payment.

To qualify for these supplemental payments, an acute care general hospital must provide at least 50,000 fee-for-service (FFS) and managed care acute care days of inpatient care to Pennsylvania MA recipients as identified in the Fiscal Year (FY) 2007-2008 MA cost report data available to the Department as of July 2010.

The Department will determine a qualifying hospital's annual payment amount by multiplying the number of the hospital's Pennsylvania MA FFS acute care inpatient days, as identified in the FY 2007-2008 MA cost report data available to the Department as of July 2010, by $230.00. The Department will distribute quarterly payments to qualifying hospitals adjusted to reflect the total amount allocated per fiscal year for this payment.

For FY 2010-2011, the Department will allocate an annualized amount of $11.564 million ($4.300 million in State General Funds) for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

Medical Assistance Rehabilitation Adjustment Payments

The Department will make supplemental payments to freestanding rehabilitation hospitals enrolled in the MA Program as an inpatient rehabilitation hospital provider as of July 1, 2010.

The Department will calculate an annual payment amount for qualifying freestanding rehabilitation hospitals equal to 92% of the total inpatient fee-for-service MA amount paid to the hospital as reported in the Fiscal Year (FY) 2007-2008 MA cost report data available to the Department as of July 2010. The Department will distribute quarterly payments to qualifying hospitals adjusted to reflect the total amount allocated per fiscal year for this payment. The Department may adjust this payment amount to reflect the funding that is available for this payment.

For FY 2010-2011, the Department will allocate an annualized amount of $14.421 million ($5.362 million in State General Funds) for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

Disproportionate Share Hospital Payments to Small and Sole Community Hospitals

The Department will make an additional class of disproportionate share hospital (DSH) payments to qualifying small hospitals and sole community hospitals participating in the Medical Assistance (MA) Program.

(a) The Department will consider a hospital eligible for this additional class of DSH payments if the hospital meets one of the following criteria:

(1) As of July 1, 2010, the hospital meets the Medicare definition of a sole community hospital (42 CFR § 412.92).

(2) As of July 1, 2010, the hospital only:

(i) Received a DSH payment for hospitals that incur significant uncompensated care costs or that experience a high volume of inpatient cases, the cost of which exceeds twice the hospital's average cost per stay for all patients as provided in page 21b of Attachment 4.19A; and/or

(ii) Is scheduled to receive a DSH payment for hospitals that qualify as a trauma center for FY 2008-2009 as provided in page 21c of Attachment 4.19A.

(3) The hospital has 150 set up/staffed hospital beds or less as reported on the hospital's FY 2007-2008 MA hospital cost report available to the Department as of July 2010 and is identified by the Department as experiencing an estimated annual loss of over $1.0 million when the MA Program moves to a revised hospital payment system effective July 1, 2010.

(b) Hospitals eligible for this DSH payment will receive quarterly payments adjusted to reflect the aggregate amount equal to the payment amount determined using the following methodology:

(1) Hospitals that meet the criteria in (1) will receive a payment of $200,000 annually.

(2) Hospitals that meet the criteria in (2) will receive a payment equal to 27.3% of the hospital's calculated DSH OBRA '93 limit (as estimated using the FY 2007-2008 MA cost report data available to the Department as of July 2010) as reduced by all MA payments the Department calculated the hospital to receive as of September 30, 2010.

(3) Hospitals that meet the criteria in (3) will receive a payment equal to 40% of the hospital's calculated DSH OBRA '93 limit (as estimated using the FY 2007-2008 MA cost report data available to the Department as of July 2010) as reduced by all MA payments the Department calculated the hospital to receive as of September 30, 2010.

(4) Hospitals that meet the criteria in both (1) and (2); or both (1) and (3) will receive the sum of those two payment amounts.

(5) In making these payments, the Department ensures that no acute care general hospital receives any DSH payment that is in excess of its hospital specific DSH upper payment limit and the Commonwealth does not exceed its aggregate annual DSH allotment.

For FY 2010-2011, the Department will allocate an annualized amount of $58.893 million ($26.125 million in State General Funds) for this additional class of DSH payments adjusted to reflect the reconciliation factor described in Part VI.

Enhanced Payments to Certain Disproportionate Share Hospitals

(A) The Department makes an enhanced fee-for-service supplemental payment to Medical Assistance (MA) acute care general hospitals that:

(1) Qualify for disproportionate share payments;

(2) Have a FY 2007-2008 MA hospital cost reports available to the Department as of July 2010;

(3) Have a percentage of MA fee-for-service (FFS) and managed care outpatient charges to total hospital outpatient charges greater than the statewide average percentage of such charges as determined using data from all FY 2007-2008 MA acute care general hospital cost reports available to the Department as of July 2010; and

(4) Do not receive an enhanced payment under page 4 of Attachment 4.19B.

(B) The Department will calculate the enhanced payment amounts as follows:

(1) The Department will identify all MA acute care hospitals that meet the conditions specified in (A) (1)-(3) above. For each identified hospital, the Department will determine the ratio of the hospital's MA FFS and managed care outpatient revenue to the total MA outpatient revenue for all identified hospitals. The Department will then multiply each identified hospital's ratio by the sum of the outpatient FFS supplemental payments for FY 2008-2009 that were made to hospitals which were in operation as of July 1, 2010.

(2) The Department will pay the amount determined in (B)(1) to a MA acute care hospital that qualifies under (A) above.

For FY 2010-2011, the Department will allocate an annualized amount of $24.661 million ($9.170 million in State General Funds) for this enhanced payment adjusted to reflect the reconciliation factor described in Part VI.