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State Name: Pennsylvania

State Plan Amendment (SPA) #11-024

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS-179
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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 and CHIP Services

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

JAN 17 2012

RE: State Plan Amendment (SPA) 11-024

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) 11-024. Specifically, this amendment continues a series of disproportionate share inpatient hospital 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 11-024 with an effective date of October 2, 2011. 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 and CHIP Services

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 11-024	2. STATE Pennsylvania
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) Title XIX	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE October 2, 2011	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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 2012 \$295,132,016.00 b. FFY 2013 \$ 0
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19A, Pages 20a, 20b, 21m, 21n, 21o, 21p and 21q	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19A, Pages 20a, 20b, 21m, 21n, 21o, 21p and 21q

10. SUBJECT OF AMENDMENT:
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

13. TYPED NAME: Gary D. Alexander	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
14. TITLE: Secretary of Public Welfare	
15. DATE SUBMITTED: NOV 4 - 2011	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: JAN 17 2012
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT 2, 2011 OCT 2 2011	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Penny Thompson	22. TITLE: Deputy Director, CMCS

23. REMARKS:

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.

For State Fiscal Year 2011-2012, 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 \$270.740 million, as adjusted to reflect the reconciliation factor described in Part VI, except any additional amount resulting from the Hospital Quality Incentive Pilot Program.

TN# 11-024
Supersedes
TN# 10-018

Approval Date: JAN 17 2012

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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 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) The Department will determine if a payment reconciliation is needed as follows:
- (1) The Department will determine the amount of funds from an approved provider assessment on licensed hospitals allocated at the beginning of the fiscal year for the following items:
 - i) increased expenditures for inpatient hospital services resulting from rebasing FFS inpatient hospital rates and implementing a revised patient classification system based on APR DRGs;
 - ii) increased capitated rates to MCOs for inpatient hospital services related to the rebasing of FFS inpatient hospital rates and the APR DRG classification system;
 - iii) additional funds to restore Inpatient DSH payments, outpatient DSH payments, Medical Education payments and Community Access Fund payments to their FY 2009 levels; and
 - iv) funds allocated for other purposes approved by the Secretary of Public Welfare.
 - (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). If the result is less than 0, a reconciliation factor will be calculated.
- (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).
 - (3) If a hospital has reached its OBRA '93 hospital specific limit due to payments received from (a) or (b)(1)(i),(ii) or (iii), 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 amount in (f) to determine the reconciliation factor.
- (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) 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).
 - (2) In State Fiscal Year 2011-2012, the payments identified in subsection (a) of \$315.754 million (\$141.868 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 \$50.572 million (\$22.722 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 2011-2012, the Department will allocate an annualized amount of \$151.444 million (\$68.044 million in State General Funds) for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

TN# 11-024
Supersedes
TN# 10-018

Approval Date: _____

JAN 17 2012

Effective Date: **October 2, 2011**

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 2011-2012, the Department will allocate an annualized amount of \$11.564 million (\$5.196 million in State General Funds) for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

TN# 11-024
Supersedes
TN# 10-018

Approval Date: JAN 17 2012 Effective Date: October 2, 2011

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 116% 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 2011-2012, the Department will allocate an annualized amount of \$18.619 million (\$8.365 million in State General Funds) for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

TN# 11-024
Supersedes
TN# 11-007

Approval Date: JAN 17 2012

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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 proportional amount of the remaining funds allocated to this payment after reducing the allocated amount by payments to be made under (b)(1) or (b)(3). A hospital's proportional amount is determined by dividing the qualifying hospital's calculated DSH OBRA '93 limit by the total calculated DSH OBRA '93 limits for all hospitals meeting the criteria for (a)(2). For purposes of this calculation, the hospitals' DSH OBRA '93 limits will be those calculated using 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 2011-2012, the Department will allocate an annualized amount of \$58.893 million (\$26.461 million in State General Funds) for this additional class of DSH payments adjusted to reflect the reconciliation factor described in Part VI.

TN# 11-024

Supersedes

TN# 11-007

Approval Date: JAN 17 2012

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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 2011-2012, the Department will allocate an annualized amount of \$24.661million (\$11.080 million in State General Funds) for this enhanced payment adjusted to reflect the reconciliation factor described in Part VI.

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