

## **Table of Contents**

**State Name:** Pennsylvania

**State Plan Amendment (SPA)#:** 18-0026

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Four (4) SPA Pages



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**Financial Management Group**

Ms. Teresa D. Miller, Secretary  
Commonwealth of Pennsylvania  
Department of Human Services  
Office of Medical Assistance Programs  
PO Box 8046  
Harrisburg, PA 17105

RE: State Plan Amendment 18-0026

October 23, 2018

Dear Ms. Miller:

We have completed our review of State Plan Amendment (SPA) 18-0026. This SPA modifies Attachment 4.19-A of Pennsylvania's Title XIX State Plan. Specifically, the amendment sets the aggregate limits for certain disproportionate share hospital, supplemental, and direct medical education payments. The SPA also modifies some of the criteria for hospitals to qualify for the Medical Assistance Dependency payment.

We conducted our review of this SPA 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 (the Act) and the regulations at 42 CFR 447 Subpart C. We are approving Pennsylvania State plan amendment 18-0026 with an effective date of September 23, 2018. We are enclosing the HCFA-179 and the amended plan pages.

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

Sincerely,

/S/

Kristin Fan  
Director

Enclosures

cc: Leesa M. Allen, Deputy Secretary, DHS, Office of Medical Assistance Programs  
Dan De Lellis, Director, DHS, Bureau of Policy, Planning, and Analysis

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: 18-0026	2. STATE Pennsylvania
<b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>		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 23, 2018	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> 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 2018 \$0 b. FFY 2019 \$154,759,066	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Attachment 4.19A, Pages 20a, 21n, 21t and 21tt		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  Attachment 4.19A, Pages 20a, 21n, 21t and 21tt	
10. SUBJECT OF AMENDMENT: Continuation of Disproportionate Share Hospital and Supplemental Payments, New Hospital Payments and Psychiatric and Rehabilitation Hospitals and Units			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Review and approval authority has <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      been delegated to the Department of Human Services			
12. SIGNATURE OF STATE AGENCY OFFICIAL:  /S/		16. RETURN TO: Commonwealth of Pennsylvania Department of Human Services Office of Medical Assistance Programs Bureau of Policy, Budget and Planning P.O. Box 2675 Harrisburg, Pennsylvania 17110	
13. TYPED NAME: Teresa D. Miller			
14. TITLE: Secretary of Human Services			
15. DATE SUBMITTED: SEP 28 2018			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED:		18. DATE APPROVED: OCT 23 2018	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: SEP 23 2018		20. SIGN. /S/ AL:	
21. TYPED NAME: Kristin Fan		22. TITLE: Director, FMG	
23. REMARKS:			

Part V. Aggregate Limits to Inpatient Disproportionate Share, Outpatient Supplemental 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 supplemental, 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 supplemental, 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 disproportionate share and outpatient supplemental 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 disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$287.832 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2011-2012, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$270.740 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2012-2013, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$270.740 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2013-2014, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$262.341 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2014-2015, the Department shall distribute to providers that are eligible for direct medical education and/or inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$263.661 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2015-2016, the Department shall distribute to providers that are eligible for direct medical education, inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$262.341 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2016-2017, the Department shall distribute to providers that are eligible for direct medical education, inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$256.520 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2017-2018, the Department shall distribute to providers that are eligible for direct medical education, inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$256.520 million, as adjusted to reflect the reconciliation factor described in Part VI.

For State Fiscal Year 2018-2019, the Department shall distribute to providers that are eligible for direct medical education, inpatient disproportionate share and outpatient supplemental payments an aggregate annualized amount of \$256.564 million, as adjusted to reflect the reconciliation factor described in Part VI.

(C) Except as provided in (D), beginning in SFY 2013-2014, for the second and subsequent full SFY of PA MA enrollment of a new hospital that qualifies for one or more of these payments, the payments will be annualized if the first full SFY payment had been prorated as described in (B)(3) and (B)(4), or the source data will be annualized prior to determining the annual payment allocation if the source data was not annualized as described in (B)(1) and (B)(2).

(D) For each of the payments listed in (B) for new hospitals, the Department will determine a final payment amount using actual MA data relating to the new hospital's first full SFY of enrollment once that data becomes available. The Department will reconcile payments made to final payment amounts subject to available funding.

For FY 2018-2019, the Department will allocate an annualized amount of \$1.307 million (\$0.624million in State General Funds) for these DSH and supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

Medical Assistance Dependency Payments

The Department of Human Services (Department) will make supplemental payments to 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 40,000 total (Fee-for-Service (FFS) and managed care) days of inpatient care to Pennsylvania MA beneficiaries as identified in the Fiscal Year (FY) 2014-2015 MA-336 Hospital Cost Report available to the Department as of July 2017.

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 2014-2015 MA-336 Hospital Cost Report available to the Department as of July 2017 by either:

- a) \$850.00 for qualifying hospitals with greater than 50,000 Commonwealth MA (FFS and managed care) acute care inpatient days; or,
- b) \$370.00 for other qualifying hospitals.

The Department will distribute payments to qualifying hospitals adjusted to reflect the total amount allocated per FY for this payment.

The Department will allocate an annualized amount of \$36.544 million in total funds for these supplemental payments adjusted to reflect the reconciliation factor described in Part VI.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

(A) Beginning with State Fiscal Year (FY) 2013-2014, the Department will make the following disproportionate share hospital (DSH) and supplemental payments to newly enrolled in-state hospitals (new hospitals) that qualify for payments as specified in the respective qualifying criteria for each payment in the state plan as modified in (B) below:

- (1) Medical Assistance (MA) Stability Payment;
- (2) MA Dependency Payment;
- (3) MA Rehabilitation Adjustment Payment; and
- (4) Enhanced Payments to Certain Disproportionate Share Hospitals

For purposes of this determination for (1), (3) and (4) of this subsection, a new hospital is defined as a hospital that has enrolled in the Pennsylvania (PA) MA Program on or after July 1, 2008 and is not a long-term acute care general hospital as defined in 62 P.S. §801-G. For purposes of this determination for (2) of this subsection, a new hospital is defined as a hospital that has enrolled in the PA MA Program on or after July 1, 2015 and is not a long-term acute care general hospital as defined in 62 P.S. §801-G. To determine a hospital's eligibility and payment allocation for each of these DSH and supplemental payments, the Department collects data from new hospitals in a form and manner specified by the Department.

(B) Beginning with FY 2013-2014, the following provides eligibility and payment distribution methodologies for the payment programs listed in (A) for those newly enrolled hospitals enrolled in the PA MA Program for at least one full FY:

- (1) For the MA Stability Payment, the Department reimburses new hospitals enrolled as acute care general hospitals for the first full FY of enrollment a per diem rate of \$262.84 multiplied by the number of PA MA Fee-for-Service (FFS) days of care provided by the new hospital during its initial FY of PA MA enrollment. The PA MA FFS days for new hospitals will not be included in the calculation of the per diem amount for all other hospitals qualifying for the MA Stability Payments.
- (2) For the MA Dependency Payment, the Department annualizes each new hospital's data for its initial FY of enrollment to determine if the new hospital qualifies for this payment in accordance with the qualifying criteria for the payment as provided in the state plan. For qualifying new hospitals enrolled as acute care general hospitals for which the Department does not have a FY 2014-2015 MA-336 Hospital Cost Report as of July 2017, the Department will determine the payment amount for the first full FY of enrollment by multiplying the number of PA MA FFS acute care inpatient days that were provided by the new hospital during its initial FY of enrollment by either:
  - I. \$850.00 for new hospitals with greater than 50,000 PA MA FFS acute care inpatient days during its initial FY of enrollment as provided by the new hospital; or,
  - II. \$370.00 for other qualifying new hospitals.
  - III. New hospitals for which the Department has a FY 2014-2015 MA-336 Hospital Cost Report as of July 2017 will not qualify for the MA Dependency payment as a new hospital.
- (3) For the MA Rehabilitation Adjustment Payment, the Department collects and annualizes the total Medicaid inpatient FFS amount paid to the new hospital enrolled as a freestanding rehabilitation hospital for the new hospital's initial FY of PA MA enrollment and deflates the annualized revenue to FY 2007-2008. The new hospital's payment amount for the first full FY of PA MA enrollment as a rehabilitation hospital is 147% of the deflated revenue amount, pro-rated according to the number of days of the new hospital's initial FY of PA MA enrollment.
- (4) For the Enhanced Payments to Certain Disproportionate Share Hospitals Payment, a new hospital qualifies for this payment if the acute care general hospital qualifies for disproportionate share hospitals (DSH) payments and its MA FFS and managed care outpatient charges to total hospital outpatient charges (as annualized from the new hospital's initial FY of PA MA enrollment) are greater than 12.90%. If the hospital qualifies, the hospital's payment amount for its first full FY of PA MA enrollment is determined in accordance with the payment method described in page 21q of the state plan using the hospital's annualized MA outpatient revenue amounts, the prorated according to the number of days of the new hospital's initial FY of PA enrollment. The outpatient revenue amounts for new hospitals will not be used in determining payment amounts for all other hospitals qualifying for enhanced payments to certain disproportionate share hospitals.