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State/Territory Name: Washington

State Plan Amendment (SPA) #: 13-25

This file contains the following documents in the order listed:

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

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
2201 6th Avenue, Mailstop RX-43
Seattle, Washington 98121



Division of Medicaid & Children's Health Operations

JAN 24 2014

Dorothy Frost Teeter, Director
MaryAnne Lindeblad, Medicaid Director
Health Care Authority
P.O. Box 45502
Olympia, WA 98504-5502

RE: WA State Plan Amendment (SPA) Transmittal Number #13-025 – Approval

Dear Ms. Teeter and Ms. Lindeblad:

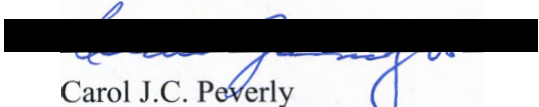
The Centers for Medicare & Medicaid Services (CMS) National Institutional Reimbursement Team (NIRT) recently approved Washington State Plan Amendment (SPA) 13-025.

Although the NIRT has already sent the state a copy of the approval for this SPA, the Seattle Regional Office is following up with an additional copy for the reason that we were in receipt of the original, signed amendment request.

Therefore, enclosed you will find a copy of the official CMS Form 179, amended page(s), and copy of the approval letter from the NIRT for your records.

If you have any questions concerning the Seattle Regional Office role in the processing of this SPA, please contact me, or have your staff contact Tom Couch, CMS' RO NIRT Representative at 208-334-9482 or: Thomas.Couch@cms.hhs.gov.

Sincerely,


Carol J.C. Peverly
Associate Regional Administrator
Division of Medicaid and Children's Health
Operations

Enclosure

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



JAN 24 2014

MaryAnne Lindeblad
Medicaid Director
Health Care Authority
Post Office Box 42716
Olympia, Washington 98504-2716

RE: WA State Plan Amendment (SPA) Transmittal Number #13-025 – Approval

Dear Ms. Lindeblad:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-025. This SPA creates a new DSH pool for qualifying Sole Community Hospitals at \$800,000 per year; makes modifications to two other DSH pools (small rural indigent assistance, and non-rural indigent assistance) to indicate that no funds have been appropriated for either of these pools after SFY 2012; and provides for administrative changes including language updating, corrections and clarifications, to several other DSH pools to add more comprehensiveness to the State plan methodology.

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 and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 13-025 is approved effective as of July 23, 2013. For your files, we are enclosing the HCFA-179 transmittal form and the amended plan pages.

If you have any questions concerning this state plan amendment, please contact Tom Couch, CMS' RO NIRT Representative at 208-334-9482 or Thomas.Couch@cms.hhs.gov.

Sincerely,

A handwritten signature in black ink, which appears to read "Cindy Mann", is written over a thick black horizontal line. The signature is written in a cursive style.

Cindy Mann
Director

Enclosures

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

1. TRANSMITTAL NUMBER:
13-25

2. STATE
Washington

FOR: HEALTH CARE FINANCING ADMINISTRATION

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

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

4. PROPOSED EFFECTIVE DATE
~~July 1, 2013~~ July 23, 2013 (P&I)

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:

7. FEDERAL BUDGET IMPACT:

a. ~~FFY 2014 \$400,000~~ FFY 2013 \$400,000 (P&I)
b. ~~FFY 2015 \$400,000~~ FFY 2014 \$400,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 4.19-A part 1, pgs 5, 47 - 57, 57a (new) 57b (new)

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

Att. 4.19-A part 1, pgs 5, 47 - 57

10. SUBJECT OF AMENDMENT

Sole Community Hospital DSH

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: Exempt

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
MARYANNE LINDEBLAD

14. TITLE:
MEDICAID DIRECTOR

15. DATE SUBMITTED:

9-24-13

16. RETURN TO:

Ann Myers
Office of Rules and Publications
Legal and Administrative Services
Health Care Authority
626 8th Ave SE MS: 42716
Olympia, WA 98504-2716

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 9/24/2013

18. DATE APPROVED: 1/24/2014

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
July 23, 2013

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Carol J.C. Peveryly

22. TITLE: Associate Regional Administrator Division of Medicaid
& Children's Health

23. REMARKS:

12.10.13- State authorizes P&I change to box 8
01.14.14- State authorizes P&I change to box 4 and 7

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**Children's Health Program (CHP)

The CHP provides medical coverage for non-citizen children under age 19 whose household income is at or less than 300% of the Federal Poverty Level.

Cost Limit for DSH Payments

The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Critical Access Hospital (CAH) Program

Critical Access Hospital (CAH) program means a Title XIX inpatient and outpatient hospital reimbursement program where in-state hospitals that are Agency-approved and DOH Medicare-certified as a CAH, are reimbursed through a cost settlement method.

DRG Conversion Factor (DRG rate)

The DRG conversion factor, a cost based DRG rate, is a calculated amount based on the statewide-standardized average cost per discharge adjusted by the Medicare wage index for each hospital's geographical location and any indirect medical education costs to reflect the hospital's specific costs.

DSH Limit

The total DSH payments to an eligible hospital may not exceed the hospital-specific cost limit for DSH payments, in accordance with federal regulations. The total DSH payments to all eligible hospitals in a given year are limited to the State allotment for that year.

DSH One Percent Inpatient Medicaid Utilization Rate

All hospitals must meet the one percent Medicaid inpatient utilization rate in order to qualify for any of the Agency disproportionate share hospital programs.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

E. PER DIEM, PER CASE, AND RCC PAYMENT METHODS (cont.)

3. RCC PAYMENT METHOD (cont.)

a. New Hospitals Rate Methodology

New hospitals are those entities that have not provided services prior to August 1, 2007. A change in ownership does not necessarily constitute the creation of a new hospital. New hospitals' cost-based rates are based on the in-state average rate.

b. Change in ownership

When there is a change in ownership and/or the issuance of a new federal identification, the new provider's cost-based rate is the same rate as the prior owner's.

Depreciation and acquisition costs are recaptured as required by Section 1861 (V) (1) (0) of the Social Security Act. Mergers of corporations into one entity with sub-providers receive a blended rate based on the old entities' rates. The blended rate is weighted by admission for the new entity.

F. "FULL COST" PAYMENT METHODOLOGY (effective July 1, 2005)

The public hospitals located in the State of Washington that are operated by public hospital districts and are not Agency-approved and DOH-certified as CAH, the Harborview Medical Center, and the University of Washington Medical Center, will be reimbursed using the "full cost" payment method using their respective Medicaid RCC to determine cost for covered medically necessary services. The payment method pays only the federal match portion of the allowable on claims based on federal Medicaid funding for the cost of medically necessary patient care. Recipient responsibility (spend-down) and third-party liability as identified on the billing invoice or by the Agency are deducted from the allowed amount (basic payment) to determine the actual payment for that admission. The costs as determined above will be certified as actual expenditures by the hospital and the Agency claim will be the allowed federal match on the amount of the related certified public expenditures. The Agency will verify that the expenditures certified were actually incurred. For a description of the Certified Public Expenditure protocol, see Supplement 3 to Attachment 4.19-A Part 1.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON

**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)****G. BASE COMMUNITY PSYCHIATRIC HOSPITALIZATION PAYMENT RATE**

Under the DRG, RCC, and "full cost" methods, and only for dates of admission before August 1, 2007, a base community psychiatric hospital payment rate may apply for psychiatric claims submitted by an in-state hospital that has already treated a patient covered under the state's Involuntary Treatment Act (ITA) in an ITA-certified bed. The base community psychiatric payment rate is a per diem rate.

The base community psychiatric hospitalization payment rate used in conjunction with the DRG, RCC, and "full cost" methods as follows:

- (1) The respective DRG, RCC, or "full cost" allowable on a qualifying claim is divided by the length of stay for the claim to determine an allowable per diem amount.
- (2) The base community psychiatric hospital payment rate is then compared to that amount.
- (3) If the base community psychiatric hospital payment rate is greater, then it is applied to the authorized length of stay for the claim to determine a revised allowable for the claim.

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS

As required by Section 1902(a)(13)(A) and Section 1923(a)(1) of the Social Security Act, the Medicaid reimbursement system takes into account the situation of hospitals which serve a disproportionate number of low-income patients with special needs by making a payment adjustment for eligible hospitals. To be eligible for any disproportionate share hospital payment, a hospital must meet the minimum requirement of a one-percent Medicaid inpatient utilization rate. A hospital will be considered for one or all of the disproportionate share hospital (DSH) payment adjustments if the hospital meets the eligibility criteria for that respective DSH program and has met the State DSH application requirements explained in WAC 182-550-4900 through 182-550-5400.

The total of all DSH payments will not exceed the State's DSH allotment. To accomplish this goal, the Agency intends to distribute DSH payments to ensure costs incurred by Medicaid and uninsured patients are covered to the maximum extent permitted by federal rules.

In accordance with the Omnibus Budget Reconciliation Act of 1993, the amounts paid under DSH programs to public hospitals will not exceed the uncompensated cost of furnishing hospital services to Medicaid-eligible individuals and individuals with no insurance or any creditable third party coverage for the services provided.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

The Agency will not exceed the DSH statewide allotment nor allow a hospital to exceed the DSH limit. The following clarification of the process explains precautionary procedures.

All the Agency DSH program payments are prospective payments, and these programs are: LIDSH, PIIDSH, CHPDSH, MCSDSH, SCDSH, SRDSH, SRIADSH, NRIADSH, and PHDSH. DSH is available only to acute care hospitals with the exception of IMDDSH, which is distributed to the state-owned institutions for Mental Disease (IMD) The IMDDSH is appropriated separately to the Division of Behavioral Health and Recovery.

The following DSH programs are supplemental payments: PHDSH, LIDSH, SRDSH, SCDSH, SRIADSH, and NRIADSH. Three DSH programs are paid on a per claim basis: CHPDSH, MCSDSH and PIIDSH. Institutions for Mental Disease are not eligible for any of these programs.

If an individual hospital has been overpaid by a specified amount, the Agency will recoup that overpayment amount from the hospital and redistribute it among the other eligible hospitals in the DSH program. The additional DSH payment to be given to each of the other hospitals from the recouped amount is proportional to each hospital's share of the particular DSH program.

If a hospital exceeds its DSH limit, the Agency will recoup the DSH payments in the following program order: PHDSH, SRIADSH, SRDSH, SCDSH, NRIADSH, MCSDSH, CHPDSH, PIIDSH, and LIDSH. For example, if a small rural hospital were receiving payments from all applicable DSH programs, the overpayment adjustment would be made in SRIADSH to the fullest extent possible before adjusting LIDSH payments. If the DSH state-wide allotment is exceeded, the Agency will similarly make appropriate proportionate adjustments in the program order shown above.

Beginning in state fiscal year 2011, to the extent that audit findings demonstrate that DSH payments made in that year exceed the documented hospital-specific cost limits, hospitals are required to return overpayments to the Agency for redistribution to qualifying hospitals as an integral part of the audit process. The additional DSH payment to be given to each of the other hospitals from the recouped amount is proportional to each hospital's share of the particular DSH program. Only the recouped payments are redistributed.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

1. Low-income Disproportionate Share Hospital (LIDSH) Payment

Hospitals will be considered eligible for a LIDSH payment adjustment if:

- a. The hospital is an in-state (Washington) hospital;
- b. The hospital's Medicaid inpatient utilization rate (as defined in Section 1923(b)(2)) is at least one standard deviation above the mean Medicaid inpatient utilization rate of hospitals receiving Medicaid payments in the State; or
- c. The hospital's low-income utilization rate (as defined in Section 1923 (b) (3)) exceeds 25 percent;
- d. The hospital qualifies under Section 1923 (d) of the Social Security Act; and
- e. The hospital is not a Certified Public Expenditure (CPE) hospital.

Hospitals considered eligible under the above criteria will receive DSH payment amounts that in total will equal the annual appropriation for LIDSH. The process of apportioning payments to individual hospitals is as follows:

A single base payment is selected that distributes the total LIDSH appropriation. For each hospital, the Agency divides the hospital's MIPUR by the average MIPUR of all LIDSH-eligible hospitals, and then multiplies the result by the hospital's most recent Medicaid case mix index (CMI), and then multiplies the result by the hospital's base year Title XIX discharges. The Agency then converts the product to a percentage of the sum of all such products for individual hospitals and multiplies this percentage by the legislatively appropriated amount for LIDSH. For DSH program purposes, a hospital's Medicaid CMI is the average diagnosis related group (DRG) weight for all of its paid Medicaid DRG claims during the state fiscal year used as the base year for the DSH application.

Each hospital's total DSH payments will not exceed its DSH limit. The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Dollars not allocated due to a hospital reaching the DSH limit are reallocated to the remaining hospitals in the LIDSH pool. The payments are made periodically. LIDSH payments are subject to federal regulation and payment limits.

Total funding to the LIDSH program equals \$17,204,000 in state fiscal year (SFY) 2010, \$16,204,000 in SFY 2011, and \$8,522,000 in SFY 2012 and thereafter.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

2. Psychiatric Indigent Inpatient Disproportionate Share Hospital (PIIDSH) Payment

Effective July 1, 2003, hospitals will be considered eligible for a PIIDSH payment if:

- a. The hospital is an in-state (Washington) hospital;
- b. The hospital provides emergency, voluntary inpatient services to low-income, Psychiatric Indigent Inpatient (PII) patients. PII persons are low-income individuals who are not eligible for any health care coverage and who are encountering a psychiatric condition; and
- c. The hospital qualifies under Section 1923 (d) of the Social Security Act.

Hospitals qualifying for PIIDSH payments will receive a per claim payment for inpatient claims.

For all hospitals, except public hospitals located in the State of Washington that are operated by public hospital districts and are not Agency-approved and DOH-certified as a Critical Access Hospital (CAH), the Harborview Medical Center, and the University of Washington Medical Center, the inpatient payments made are at a rate lower than the Medicaid rate and are based on published, non-Medicaid rates. The hospital claims are processed through the Provider One (MMIS) system where the PII clients are identified based upon their assigned Recipient Aid Category (RAC) code. If a hospital does not qualify for DSH payments, these claims are paid with State funds.

The total of each hospital's claims-based PIIDSH payments will not exceed its hospital-specific DSH cap. The hospital-specific DSH cap limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations

For the excepted hospitals, the payment equals "full cost" using the Medicaid RCCs to determine cost for the medically necessary care.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

3. Medical Care Services Disproportionate Share Hospital (MCSDSH) Payment

Effective July 1, 1994, hospitals will be considered eligible for a MCSDSH payment if:

- a. The hospital is an in-state (Washington) or border area hospital;
- b. The hospital provides services to low-income, Medical Care Services (MCS) patients. MCS persons are low-income individuals who are not eligible for Title XIX coverage and who are unemployable for at least 90 days due to a medical, mental health, or substance abuse incapacity; and
- c. The hospital qualifies under Section 1923 (d) of the Social Security Act.

Hospitals qualifying for MCSDSH payments will receive a per claim payment for inpatient claims. For all hospitals, except public hospitals located in the State of Washington that are operated by public hospital districts and are not Agency-approved and DOH-certified as a Critical Access Hospital (CAH), the Harborview Medical Center, and the University of Washington Medical Center, the inpatient payments made are at a rate lower than the Medicaid rate and are based on published, non-Medicaid rates. The hospital claims are processed through the Provider One (MMIS) system where the MCS clients are identified based upon their assigned Recipient Aid Category (RAC) code. If the hospital does not qualify for DSH, these claims are paid with State funds.

The total of each hospital's claims-based MCSDSH payments will not exceed its hospital-specific DSH cap. The hospital-specific DSH cap limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

For the excepted hospitals, the payment equals "full cost" using the Medicaid RCCs to determine cost for the medically necessary care.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

4. Small Rural Disproportionate Share Hospital (SRDSH) Payment

Effective July 1, 2007, hospitals will be considered eligible for a SRDSH payment if:

- a. The hospital is an in-state (Washington) hospital;
- b. The hospital is a small, rural hospital, defined as a hospital with fewer than 75 acute beds and located in a city or town with a non-student population of no more than 17,806 in calendar year 2008, as determined by population data reported by the Washington State Office of Financial Management population of cities, towns, and counties used for the allocation of state revenues. This non-student population is used for SFY 2010, which begins July 1, 2009. For each subsequent SFY, the non-student population is increased by two percent;
- c. The hospital qualifies under Section 1923(d) of the Social Security Act; and
- d. The hospital is not a Certified Public Expenditure (CPE) hospital.

Each hospital's SRDSH payment is based on the hospital's Medicaid payments.

To determine each hospital's percentage of Medicaid payments, the sum of the Medicaid payments to the individual hospital is divided by the total Medicaid payments made to all SRDSH hospitals during the most currently available state fiscal year. The percentage is then applied to the total dollars in the pool to determine each hospital's payment subject to hospital-specific DSH limits.

As of July 1, 2007, prior to calculation of the individual hospital's percentage of payments, hospitals with a low profitability margin will have their total payments set at 110 percent of actual payments. A hospital is determined to have a low profitability margin when their profitability margin is less than 110 percent of the average profitability margin for qualifying hospitals.

The Agency will calculate each hospital's net operating margin based on the hospital's base year data and audited financial statements from the hospital.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

4. Small Rural Disproportionate Share Hospital (SRDSH) Payment (cont.)

Each hospital's total DSH payments will not exceed its DSH limit. The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Dollars not allocated due to a hospital reaching the DSH limit are reallocated to the remaining hospitals in the SRDSH pool. The payments are made periodically. SRDSH payments are subject to federal regulation and payment limits.

Total funding to the SRDSH program equals \$3,818,400 per state fiscal year (SFY) beginning SFY 2010.

5. Small Rural Indigent Assistance Disproportionate Share Hospital (SRIADSH) Payment

Effective July 1, 2007, hospitals will be considered eligible for a SRIADSH payment if:

- a. The hospital is an in-state (Washington) hospital;
- b. The hospital is a small, rural hospital, defined as a hospital with fewer than 75 acute beds and located in a city or town with a non-student population of no more than 17,806 in calendar year 2008, as determined by population data reported by the Washington State Office of Financial Management population of cities, towns, and counties used for the allocation of state revenues. This non-student population is used for SFY 2010, which begins July 1, 2009. For each subsequent SFY, the non-student population is increased by two percent;
- c. The hospital qualifies under Section 1923(d) of the Social Security Act;
- e. Effective July 1, 2007, the hospital provided services to charity patients during the calculation base year; and
- e. The hospital is not a Certified Public Expenditure (CPE) hospital.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

5. Small Rural Indigent Assistance Disproportionate Share Hospital (SRIADSH) Payment (cont)

Hospitals qualifying for SRIADSH payments are paid from a legislatively appropriated pool. Beginning July 1, 2007, the apportionment formulas is based on each SRIADSH hospital's calculated costs for qualifying charity patients during the most currently available state fiscal year.

To determine each hospital's percentage of SRIADSH payments, the sum of individual hospital calculated charity costs is divided by the total charity calculated costs of all SRIADSH hospitals during the most currently available state fiscal year. The percentage is then applied to the total dollars in the pool to determine each hospital's payment, subject to hospital-specific DSH limits.

As of July 1, 2007, prior to calculation of the individual hospital's percentage of calculated charity costs, hospitals with a low profitability margin will have their total calculated charity costs adjusted to 110 percent of calculated charity costs. A hospital is determined to have a low profitability margin when their profitability margin is less than 110 percent of the average profitability margin for qualifying hospitals. The Agency will calculate each hospital's net operating margin based on the hospital's base year data and audited financial statements from the hospital.

Each hospital's total DSH payments will not exceed its DSH limit. The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Dollars not allocated due to a hospital reaching its DSH limit are reallocated to the remaining hospitals in the SRIADSH pool. The payments are made periodically. SRIADSH payments are subject to federal regulation and payment limits.

Total funding to the SRIADSH program equals \$1,294,000 in state fiscal year (SFY) 2011 and \$1,330,000 in SFY 2012. This program was not funded in SFY 2010 nor has this program received any funding beyond SFY 2012.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

6. Non-Rural Indigent Assistance Disproportionate Share Hospital (NRIADSH) Payment

Effective July 1, 2007, hospitals will be considered eligible for a NRIADSH payment if:

- a. The hospital does not qualify as a Small Rural Hospital as defined in section H.4. of this plan;
- b. The hospital qualifies under Section 1923(d) of the Social Security Act;
- c. The hospital is not a Certified Public Expenditure (CPE) hospital; and
- d. The hospital is an in-state (Washington) or designated bordering city hospital that provided charity services to clients during the base year (for DSH purposes, the Agency considers as non-rural any hospital located in a designated bordering city).

Hospitals qualifying for NRIADSH payments are paid from a legislatively appropriated pool. Beginning July 1, 2007, the apportionment formula is based on each NRIADSH hospital's calculated costs of charity care during the most currently available state fiscal year.

To determine each hospital's percentage of NRIADSH payments, the sum of individual hospital calculated charity costs is divided by the total calculated charity costs of all NRIADSH hospitals. The percentage is then applied to the total dollars in the pool to determine each hospital's payment.

As of July 1, 2007, prior to calculation of the individual hospital's percentage of costs for charity care, hospitals with a low profitability margin will have their total calculated charity costs adjusted to 110% of calculated charity costs. A hospital is determined to have a low profitability margin when their profitability margin is less than 110 percent of the average profitability margin for qualifying hospitals. The Agency will calculate each hospital's net operating margins based on the hospital's base year data and audited financial statements from the hospital.

Each hospital's total DSH payments will not exceed its DSH limit. The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations.

Dollars not allocated due to a hospital reaching its DSH limit are reallocated to the remaining hospitals in the NRIADSH pool. The payments are made periodically. NRIADSH payments are subject to federal regulation and payment limits.

Total funding to the NRIADSH program equals \$11,506,000 in state fiscal year (SFY) 2011 and \$11,810,000 in SFY 2012. This program was not funded in SFY2010 nor has this program received any funding beyond SFY 2012.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

7. Public Hospital Disproportionate Share Hospital (PHDSH) Payment

Effective July 1, 2005, hospitals will be considered eligible for a PHDSH payment if:

- a. The hospital is a public hospital in Washington State (includes the Harborview Medical Center, the University of Washington Medical Center, and public hospitals located in the State of Washington that are operated by public hospital districts);
- b. The hospital qualifies under section 1923 (d) of the Social Security Act; and
- c. The hospital is not Agency-approved and DOH-certified as a CAH under Washington State Law and federal Medicare rules.

Harborview is a county-owned, state-operated hospital. The University of Washington Medical Center is a state-owned and operated hospital. Public hospital districts located in the State of Washington are organized and exist as a result of the Washington State Legislature's authorization of public hospital districts. Those public hospital districts are authorized to own and operate hospitals and other health care facilities and to provide hospital services and other health care services for the residents of such districts and other persons.

Hospitals that apply and are considered eligible under the above criteria will receive a disproportionate share payment for hospital services during the State's fiscal year that, in total, will not exceed 100 percent of cost as defined in Section 1923(g) of the Social Security Act, except as allowed by federal guidelines.

Payments in the program will be based on the amount of uncompensated care incurred by the hospital during the most recently reported fiscal year (usually two years prior) trended forward to the year of payment.

The PHDSH payment will be based on expenditures certified by the hospital in an amount as specified in the preceding paragraph.

The PHDSH payments for the Certified Public Expenditures (CPE) program are cost settled on an interim and final basis per Supplement 3 to Attachment 4.19A Part 1.

8. Children's Health Program Disproportionate Share Hospital (CHPDSH) Payment

Effective July 1, 2011, hospitals will be considered eligible for a CHPDSH payment if:

- a. The hospital is an in-state (Washington) or border area hospital;
- b. The hospital provides services to low-income, Children's Health Program patients who, because of their citizenship status, are not eligible for Medicaid health coverage and who are encountering a medical condition; and
- c. The hospital qualifies under Section 1923 (d) of the Social Security Act.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

8. Children's Health Program Disproportionate Share Hospital (CHPDSH) Payment

For all hospitals, except public hospitals located in the State of Washington that are operated by public hospital districts and are not Agency-approved and DOH-certified as a Critical Access Hospital (CAH), the Harborview Medical Center, and the University of Washington Medical Center, the inpatient payments made are at a rate lower than the Medicaid rate and are based on published, non-Medicaid rates. The hospital claims are processed through the Provider One (MMIS) system where the eligible clients are identified based upon their assigned Recipient Aid Category (RAC) code. If the hospital is not eligible for DSH funds, these claims are paid with State Funds.

The total of each hospital's claims based CHPDSH payments will not exceed its hospital specific DSH cap. The hospital-specific DSH cap limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no insurance or any other creditable third-party coverage, in accordance with federal regulations

Hospitals qualifying for CHPDSH payments will receive a per claim payment for inpatient and outpatient claims at the equivalent Medicaid rate.

For the excepted hospitals, the inpatient payment equals "full cost" using the Medicaid RCCs to determine cost for the medically necessary care.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State WASHINGTON**METHODS AND STANDARDS FOR ESTABLISHING
PAYMENT RATES FOR INPATIENT HOSPITAL SERVICES (cont.)**

H. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS (cont.)

9. Sole Community Hospital Disproportionate Share Hospital (SCDSH) Payments

Effective July 23, 2013, a hospital will be considered eligible for a SCDSH payment if:

- a. The hospital is an in-state (Washington) hospital;
- b. The hospital is a rural hospital certified by the Centers for Medicare and Medicaid Services (CMS) as a sole community hospital as of January 1, 2013;
- c. The hospital has less than one hundred and fifty acute care licensed beds in fiscal year 2011;
- d. The hospital qualifies under Section 1923(d) of the Social Security Act; and
- e. The hospital is not a certified public expenditure (CPE) hospital.

Hospitals qualifying for SCDSH payments are paid from a legislatively appropriated pool. This distribution is based on the hospital's Medicaid payments. To determine the hospital's SCDSH payments the agency:

- a. Identifies the sum of the Medicaid payments to the individual hospital during the state fiscal year (SFY) two years prior to the current SFY for which DSH application is being made. These Medicaid payment amounts:
 - (i) Are based on historical data;
 - (ii) Include payments from the agency; and
 - (iii) Include payments reported on the encounter data supplied by the managed care plans.
- b. Divides the total Medicaid payments made to each SCDSH hospitals (as identified above) during the most currently available state fiscal year by the sum of the Medicaid payments amounts for all qualifying hospitals during the same period to determine the hospital's percentage. The percentage is then applied to the total dollars in the pool to determine each hospital's payment subject to hospital-specific DSH limits.

Each hospital's total DSH payments will not exceed its DSH limit. The hospital-specific DSH payment limit is defined as the uncompensated cost of furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals with no insurance or any other creditable third party coverage, in accordance with federal regulations.

Dollars not allocated due to a hospital reaching the DSH limit are reallocated to the remaining hospitals in the SCDSH pool. The payments are made periodically. SCH payments are subject to federal regulations and payment limits.

Total funding to the SCDSH program equals \$800,000 per state fiscal year (SFY) beginning SFY 2014.