FC 4881

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Region 10
2201 Sixth Avenue, MS/RX-43
Seattle, Washington 98121

June 23, 2010

Susan Dreyfus, Secretary
Department of Social and Health Services
Post Office Box 45010
Olympia, Washington 98504-5010

RE: Washington State Plan Amendment 09-008

Dear Ms. Dreyfus:

The Centers for Medicare & Medicaid Services (CMS) National Institutional Reimbursement Team (NIRT) recently approved Washington State Plan Amendment (SPA) 09-008.

Although 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 NIRT for your records.

If you have any questions or require any assistance concerning the Seattle Regional office role in the processing of this state plan amendment, please contact me, or have your staff contact Daphne Hicks at (206) 615-2400 or daphne.hicks@cms.hhs.gov.

Sincerely,

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

Enclosure

Cc: Douglas Porter, Assistant Secretary, Health and Recovery Services Administration
Ann Myers, State Plan Coordinator, Health and Recovery Services Administration
(electronic)

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: 09-008

2. STATE: Washington

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, 2009

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:
a. FFY 2009 $ ~~3,000,000~~ $3,400,000 (P&I)
b. FFY 2010 $ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A Part 1, pages 48, 49, 50, 51, 52, 53, 54, 55, 56, 57

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-A Part 1, pages 48, 49, 50, 51, 52, 53, 54, 55, 56, 57

10. SUBJECT OF AMENDMENT:
DSH Program

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: Susan N Dreyfus

13. TYPED NAME: Susan N. Dreyfus

14. TITLE: Secretary

15. DATE SUBMITTED: July 20, 2009

16. RETURN TO:
Ann Myers
Department of Social and Health Services
Health and Recovery Services Administration
626 8th Ave SE MS: 45504
Olympia, WA 98504-5504

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: JUL 20 2009

18. DATE APPROVED: JUN 23 2010

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2009

20. SIGNATURE OF REGIONAL OFFICIAL: Carol Peverly

21. TYPED NAME: Carol J.C. Peverly

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

23. REMARKS:
5/12/2010 State authorized pen and ink change.

FORM HCFA-179 (07-92)

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, M/S S2-26-12
Baltimore, MD 21244-1850

CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid , CHIP, and Survey & Certification

JUN 2 3 2010

Susan Dreyfus, Secretary
Department of Social and Health Services
PO Box 45010
Olympia, Washington 98504-5010

Re: Washington State Plan Amendment (SPA) Transmittal Number 09-008

Dear Ms Dreyfus:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan, submitted under transmittal number (TN) 09-008. This amendment updates the State plan by redistributing Disproportionate Share Hospital (DSH) payments between pools, eliminating State Fiscal Year (SFY) 2010 funding for the Small Rural Indigent Assistance DSH (SRIADSH) and Non-Rural Indigent Assistance DSH (NRIADSH) programs, adding an outpatient component to the General Assistance-Unemployable DSH (GAUDSH) payment calculation and quantifying total payment amounts for those DSH pools that are not distributed on a per-claim basis.

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 09-008 is approved effective July 1, 2009. We are enclosing the HCFA-179 and the amended pages.

If you have any questions concerning this State plan amendment, please call Joe Fico of the National Institutional Reimbursement Team at (206) 615-2380.

Sincerely,

Bill Lawrl

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

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: 09-008

2. STATE: Washington

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, 2009

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:
a. FFY 2009 $ ~~3,000,000~~ $3,400,000 (P&I)
b. FFY 2010 $ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
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10. SUBJECT OF AMENDMENT:
DSH Program

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: Susan N Dreyfus

13. TYPED NAME: Susan N. Dreyfus

14. TITLE: Secretary

15. DATE SUBMITTED: July 20, 2009

16. RETURN TO:
Ann Myers
Department of Social and Health Services
Health and Recovery Services Administration
626 8th Ave SE MS: 45504
Olympia, WA 98504-5504

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: JUL 20 2009

18. DATE APPROVED: 6-23-10

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL - 1 2009

20. SIGNATURE OF REGIONAL OFFICIAL: Bill Lasowski for CM

21. TYPED NAME: William Lasowski

22. TITLE: Deputy Director, CMCS

23. REMARKS:
5/12/2010 State authorized pen and ink change.

FORM HCFA-179 (07-92)

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 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 program, 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 following 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 388-550-4900 through 388-550-5400 in effect as of July 1, 2009.

The total of all DSH payments will not exceed the State's DSH allotment. To accomplish this goal, it is understood in this State Plan that the State intends to adjust their DSH payments to ensure that the costs incurred by Medicaid and uninsured patients are covered to the maximum extent permitted by the State's DSH allotment.

In accordance with the Omnibus Budget Reconciliation Act of 1993, the amounts paid under DSH programs to public hospitals will not exceed 100 percent of cost, except as allowed by subsequent federal guidelines.

Cost is established through prospective payment methods and is defined as the cost of services to Medicaid patients, less the amount paid by the State under the non-DSH payment provisions of the State Plan, plus the cost of services to uninsured patients, less any cash payments made by them.

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 PAYMENTS (cont)

The Department of Social and Health Services (DSHS) 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 DSHS DSH programs' payments are prospective payments, and these programs are: LIDSH, PIIDSH, GAUDSH including the ADATSA program, SRDSH, SRIADSH, NRIADSH, IMDDSH, and PHDSH. DSH is available only to acute care non-psychiatric hospitals with the exception of IMDDSH, which is distributed to psychiatric hospitals. The IMDDSH is appropriated separately and is in the Mental Health state plan amendment.

The following DSH programs are supplemental payments: PHDSH, LIDSH, SRDSH, SRIADSH, and NRIADSH. Two DSH programs are paid on a per claim basis: GAUDSH and PIIDSH. To adjust for these unknowns in the PIIDSH and GAUDSH, HRSA uses claims data and estimates what expected expenditures would be paid during the current state fiscal year. This estimate then becomes a part of the hospital's cost limit.

DSHS monitors payments monthly.

If a hospital reaches its DSH limit, payments will be stopped. DSHS will determine the extent to which and how each DSH program is funded. Any specific guidance that may be provided by the State legislature will be followed by DSHS.

If an individual hospital has been overpaid by a specified amount, the department 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, DSHS will recoup the DSH payments in the following program order: PHDSH, SRIADSH, SRDSH, NRIADSH, GAUDSH PIIDSH, IMDDSH, 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, DSHS will similarly make appropriate proportionate adjustments in the program order shown above.

The Medicaid Management Information System (MMIS) identifies expenditures paid to each hospital under the PIIDSH and GAUDSH programs. Once a hospital reaches its DSH limit or is found ineligible for DSH funds, the claims will be paid with state-only funds. Any adjustments to DSH funding will be reflected on the CMS-64.

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 PAYMENTS (cont)

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

Hospitals will be considered eligible for a LIDSH payment adjustment if funding is legislatively appropriated and 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 in Peer Group E (i.e., a certified public expenditure (CPE) hospital) or an Institution for Mental Disease (IMD).

Hospitals considered eligible under the above criteria will receive disproportionate share payment amounts that in total will equal the funding set by the State's appropriations act 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 Department divides the hospital's MIPUR by the average MIPUR of all LIDSH-eligible hospitals, then multiplies the result by the hospital's most recent DRG payment method Medicaid case mix index (CMI), and then by the hospital's base year Title XIX discharges. The Department 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 the hospital's Medicaid DRG-paid claims during the state fiscal year used as the base year for the DSH application.

Each hospital's disproportionate share payment is made periodically.

Total funding to the LIDSH program equals $17,204,000 in state fiscal year (SFY) 2010, $16,204,000 in SFY 2011, and $14,204,000 in SFY 2012 and thereafter.

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 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 funding is legislatively appropriated and 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. The payment is determined for each hospital by reducing the regular Medicaid payment by a ratable reduction factor.

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 PAYMENTS (cont.)

3. General Assistance Unemployable Disproportionate Share Hospital (GAUDSH) Payment

Effective July 1, 1994, hospitals will be considered eligible for a GAUDSH payment if funding is legislatively appropriated and if:

a. The hospital is an in-state (Washington) or border area hospital;

b. The hospital provides services to low-income, General Assistance Unemployable (GAU) patients. GAU persons are low-income individuals who are not eligible for any health coverage and who are encountering a medical condition; and,

c. The hospital qualifies under Section 1923 (d) of the Social Security Act.

Hospitals qualifying for GAUDSH payments will receive a per claim payment for both inpatient and outpatient claims. For all hospitals, except public hospitals located in the State of Washington that are owned by public hospital districts and are not Department-approved and DOH-certified as a Critical Access Hospital (CAH), the Harborview Medical Center, and the University of Washington Medical Center, the inpatient payment is determined for each hospital by reducing the regular Medicaid payment by a ratable reduction factor and equivalency factor adjustment. The outpatient payment is determined for each hospital using the regular Medicaid payment rate.

The ratable reduction is inversely proportional to the percent of a hospital's gross revenue for Medicare, Medicaid, Labor and Industries, and charity. The equivalency factor reduction is a budget neutral adjustment applied to all hospitals. For the excepted hospitals, the payment equals "full cost" using the Medicaid RCC to determine cost for the medically necessary care. The equivalency factor ensures that GAUDSH payments will equal the State's estimated GAUDSH appropriation level.

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 PAYMENTS (cont.)

4. Small Rural Disproportionate Share Hospital (SRDSH) Payment

Effective July 1, 2007, hospitals will be considered eligible for a SRDSH payment if funding is legislatively appropriated and 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 in Peer Group E (i.e., a certified public expenditure (CPE) hospital) or an Institution for Mental Disease (IMD).

Hospitals qualifying for SRDSH payments are paid from a legislatively appropriated pool. The apportionment formula is based on each SRDSH 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 Department will calculate each hospital's net operating margin based on the hospital's base year data and audited financial statements from the hospital.

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 PAYMENTS (cont.)

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

Each hospital's total DSH payments will not exceed a ceiling of 100 percent of the projected cost of care, except as allowed by federal guidelines.

Cost is defined as the cost of services to Medicaid patients, less the amount paid by the State under the non-DSH payment provision of the State Plan, plus the cost of services to uninsured patients, less any cash payments made by them. 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.

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 PAYMENTS (cont.)

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

Effective July 1, 2007, hospitals will be considered eligible for a SRIADSH payment if funding is legislatively appropriated and 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;
d. Effective July 1, 2007, the hospital provided services to charity patients during the calculation base year; and
e. The hospital is not in Peer Group E (i.e., a certified public expenditure (CPE) hospital) or an institution for Mental Disease (IMD).

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

Payments for SRIADSH will be made in conjunction with payments for SRDSH.

Each hospital's total DSH payments will not exceed a ceiling of 100 percent of the projected cost of care, except as allowed by federal guidelines. Cost is defined as the cost of services to Medicaid patients, less the amount paid by the State under the non-DSH payment provision of the State Plan, plus the cost of services to uninsured patients, less any case payments made by them. 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 $2,215,000 per state fiscal year (SFY) beginning SFY 2011. This program is not funded in SFY 2010.

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

H. DISPROPORTIONATE SHARE 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 funding is legislatively appropriated and 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 in Peer Group E (i.e., a certified public expenditure (CPE) hospital) or an Institution for Mental Disease (IMD); 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 Department 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. HRSA 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 a ceiling of 100 percent of the projected cost of care, except as allowed by federal guidelines. Cost is defined as the cost of services to Medicaid patients, less the amount paid by the State under the non-DSH payment provision of the State Plan, plus the cost of services to uninsured patients, less any cash payments made by them.

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 $19,683,000 per state fiscal year (SFY) beginning SFY 2011. This program is not funded in SFY 2010.

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. DSH PAYMENTS (cont.)

7. Public Hospital Disproportionate Share Hospital (PHDSH) Payment

Effective July 1, 2005, hospitals will be considered eligible for a PHDSH payment if funding is legislatively appropriated and 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 owned by public hospital districts);

b. The hospital qualifies under section 1923 (d) of the Social Security Act; and

c. The hospital is not Department-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 DSH payment will be based on expenditures certified by the hospital in an amount as specified in the preceding paragraph.