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Title 22@ Social Security

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Division 3@ Health Care Services

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Subdivision 1@ California Medical Assistance Program

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Chapter 3@ Health Care Services

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Article 7.5@ HOSPITAL INPATIENT SERVICES REIMBURSEMENT SECTION

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Section 51539@ Hospital Reimbursement for Inpatient Hospital Services

51539 Hospital Reimbursement for Inpatient Hospital Services

(a)

Reimbursement to hospitals for inpatient hospital services rendered to Medi-Cal program beneficiaries shall be determined in accordance with Sections 51536 and 51537, except as modified by this section.

(b)

Hospital reimbursement shall, unless exempted from or modified by the provisions of this section, be payable at no more than the 60th percentile rate per discharge of the peer group to which the hospital is assigned by the Department. The peer groups shall be based on a classification of hospitals that combines individual hospitals in a unit on the basis of similar or common characteristics. (1) The following peer group classifications adapted from the California Health Facilities Commission's report "Hospital Peer Grouping for Efficiency Comparison" (1982) will be used: (A) University Teaching Hospitals (B) Large (Non-university) Teaching Hospitals (C) Large Complex Hospitals (D) Moderate Sized Hospitals (E) Small Urban Hospitals (F) Rural Hospitals (G) Urban, Skilled Nursing Emphasis Hospitals (H) Rural, Skilled Nursing Emphasis Hospitals (I) Alcohol--Drug Rehabilitation Hospitals (J) Moderate Psychiatric Emphasis Hospitals (K) Acute Psychiatric Hospitals (L) Miscellaneous Long-term Psychiatric Hospitals (M) Miscellaneous Large Skilled Nursing Hospitals (N) Miscellaneous Large Prepaid Health Plans (O)

Miscellaneous Student Health Centers (P) Miscellaneous Children's Specialty Hospitals (Q) Miscellaneous Rehabilitation Hospitals (R) Miscellaneous Large Rehabilitation Emphasis Hospitals (S) Miscellaneous Respiratory Specialty Hospitals (2) The Department shall review the peer grouping system and the placement of individual hospitals as a basis for Medi-Cal reimbursement at least annually. (3) Hospitals exempted from this section shall consist of new hospitals, rural hospitals, sole community hospitals, children's hospitals, charitable research hospitals, and hospitals in peer groups with less than five hospitals with adequate data to compute percentiles.

(1)

The following peer group classifications adapted from the California Health Facilities Commission's report "Hospital Peer Grouping for Efficiency Comparison" (1982) will be used: (A) University Teaching Hospitals (B) Large (Non-university) Teaching Hospitals (C) Large Complex Hospitals (D) Moderate Sized Hospitals (E) Small Urban Hospitals (F) Rural Hospitals (G) Urban, Skilled Nursing Emphasis Hospitals (H) Rural, Skilled Nursing Emphasis Hospitals (I) Alcohol--Drug Rehabilitation Hospitals (J) Moderate Psychiatric Emphasis Hospitals (K) Acute Psychiatric Hospitals (L) Miscellaneous Long-term Psychiatric Hospitals (M) Miscellaneous Large Skilled Nursing Hospitals (N) Miscellaneous Large Prepaid Health Plans (O) Miscellaneous Student Health Centers (P) Miscellaneous Children's Specialty Hospitals (Q) Miscellaneous Rehabilitation Hospitals (R) Miscellaneous Large Rehabilitation Emphasis Hospitals (S) Miscellaneous Respiratory Specialty Hospitals

(A)

University Teaching Hospitals

(B)

Large (Non-university) Teaching Hospitals

(C)

Large Complex Hospitals

(D)

Moderate Sized Hospitals

(E)

Small Urban Hospitals

(F)

Rural Hospitals

(G)

Urban, Skilled Nursing Emphasis Hospitals

(H)

Rural, Skilled Nursing Emphasis Hospitals

(I)

Alcohol--Drug Rehabilitation Hospitals

(J)

Moderate Psychiatric Emphasis Hospitals

(K)

Acute Psychiatric Hospitals

(L)

Miscellaneous Long-term Psychiatric Hospitals

(M)

Miscellaneous Large Skilled Nursing Hospitals

(N)

Miscellaneous Large Prepaid Health Plans

(O)

Miscellaneous Student Health Centers

(P)

Miscellaneous Children's Specialty Hospitals

(Q)

Miscellaneous Rehabilitation Hospitals

(R)

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(S)

Miscellaneous Respiratory Specialty Hospitals

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The Department shall review the peer grouping system and the placement of individual hospitals as a basis for Medi-Cal reimbursement at least annually.

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Hospitals exempted from this section shall consist of new hospitals, rural hospitals, sole community hospitals, children's hospitals, charitable research hospitals, and hospitals in peer groups with less than five hospitals with adequate data to compute percentiles.

(c)

In addition to the reimbursement pursuant to (b), disproportionate share hospitals, whose all inclusive rate per discharge exceeds the peer group 60th percentile rate per discharge, shall be reimbursed a percent of the difference between the peer group 60th percentile rate per discharge and the hospital's all inclusive rate per discharge.(1) A hospital is defined as having a disproportionate share of low income patients with special needs if its proportion of low income patient revenue is greater than 31 percent of the total gross revenues reported by that hospital to the California Health Facilities Commission. (2) Low income patients with special needs are defined and measured for this purpose by using Medi-Cal gross revenues as reported to the California Health Facilities Commission. Consideration

will also be given to public revenue from sources other than Medi-Cal. Medicare revenue is specifically excluded from such consideration. (3) Additional reimbursement for disproportionate share hospitals with rates per discharge above the peer group 60th percentile will be determined as follows: If the disproportionate share is: The additional reimbursement % applied to the amount above the 60th percentile is: 95% - 100% 50% 88% - 94% 45% 81% - 87% 40% 74% - 80% 35% 67% - 73% 30% 60% - 66% 25% 53% - 59% 20% 46% - 52% 15% 39% - 45% 10% 32% - 38% 5%

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(d)

(1) A hospital may request an administrative adjustment of the reimbursement limits specified in this section at the time of tentative settlement. The request shall be made within 60 days after notification of the reimbursement limits on tentative settlement and shall be made in accordance with the procedures specified in Section 51536(h). (2) The following items will not be subject to an administrative adjustment: (A) The use of hospital peer groups. (B) The use of the 60th percentiles and the methods used to compute them. (3) A hospital may appeal the Department's decision on the administrative adjustment in accordance with Section 51536(i). On appeal, a hospital with costs in excess of the limits established in this section shall be granted additional reimbursement for costs which it must incur to efficiently and economically provide covered services in conformity with applicable state and federal law, regulations, and quality and safety standards. Factors relevant to determining whether additional reimbursement shall be granted include, but are not limited to: (A) Differences in case mix between the hospital and other hospitals in its peer group; (B) Differences in labor costs, caused by factors such as differences in location, between the hospital and other hospitals in its peer group; (C) Differences in capital costs between the hospital and other hospitals in its peer group. Approval by the Office of Statewide Health Planning and Development of a capital expenditure shall be evidence of the need for the capital expenditure; however, such approval shall not, per se, compel additional reimbursement; (D) Differences in the type, nature or scope of items or services furnished between the hospital and other hospitals in its peer group; (E) Differences in costs between the hospital and other hospitals in its peer group due to extraordinary circumstances beyond the hospital's control such as strikes, fire, earthquake, flood, or similar unusual occurrences with substantial cost effects; (F) The addition of new and necessary

services to the hospital; (G) Changes in the case mix of the hospital; or (H) Other items or circumstances affecting hospital costs. Any additional reimbursement granted pursuant to this section shall not result in a recalculation of the 60th percentile limit under (b).

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The following items will not be subject to an administrative adjustment: (A) The use of hospital peer groups. (B) The use of the 60th percentiles and the methods used to compute them.

(A)

The use of hospital peer groups.

(B)

The use of the 60th percentiles and the methods used to compute them.

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A hospital may appeal the Department's decision on the administrative adjustment in accordance with Section 51536(i). On appeal, a hospital with costs in excess of the limits established in this section shall be granted additional reimbursement for costs which it must incur to efficiently and economically provide covered services in conformity with applicable state and federal law, regulations, and quality and safety standards. Factors relevant to determining whether additional reimbursement shall be granted include, but are not limited to: (A) Differences in case mix between the hospital and other hospitals in its peer group; (B) Differences in labor costs, caused by

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(A)

Differences in case mix between the hospital and other hospitals in its peer group;

(B)

Differences in labor costs, caused by factors such as differences in location, between the hospital and other hospitals in its peer group;

(C)

Differences in capital costs between the hospital and other hospitals in its peer group.

Approval by the Office of Statewide Health Planning and Development of a capital expenditure shall be evidence of the need for the capital expenditure; however, such approval shall not, per se, compel additional reimbursement;

(D)

Differences in the type, nature or scope of items or services furnished between the hospital

and other hospitals in its peer group;

(E)

Differences in costs between the hospital and other hospitals in its peer group due to extraordinary circumstances beyond the hospital's control such as strikes, fire, earthquake, flood, or similar unusual occurrences with substantial cost effects;

(F)

The addition of new and necessary services to the hospital;

(G)

Changes in the case mix of the hospital; or

(H)

Other items or circumstances affecting hospital costs. Any additional reimbursement granted pursuant to this section shall not result in a recalculation of the 60th percentile limit under (b).

(e)

(1) The Department shall take one or more of the following actions if it has reason to believe that a hospital's rate per discharge will exceed the peer 60th percentile:

(A) Reduce the hospital's interim payment percentage. (B) Prohibit increases in the accommodation rates charged by the hospital. (2) Actions taken by the Department under (1) shall not be subject to administrative adjustment or administrative appeal. (3) The Department shall notify the hospital of any action taken under (1) and give the hospital an opportunity to submit written evidence that the hospital's rate per discharge is unlikely to exceed the peer group 60th percentile. The Department may reconsider its action on the basis of the written evidence.

(1)

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believe that a hospital's rate per discharge will exceed the peer 60th percentile: (A) Reduce the hospital's interim payment percentage. (B) Prohibit increases in the accommodation rates charged by the hospital.

(A)

Reduce the hospital's interim payment percentage.

(B)

Prohibit increases in the accommodation rates charged by the hospital.

(2)

Actions taken by the Department under (1) shall not be subject to administrative adjustment or administrative appeal.

(3)

The Department shall notify the hospital of any action taken under (1) and give the hospital an opportunity to submit written evidence that the hospital's rate per discharge is unlikely to exceed the peer group 60th percentile. The Department may reconsider its action on the basis of the written evidence.

(f)

For hospital fiscal periods beginning on or after the effective date of Sections 51545 through 51557, reimbursement for hospital inpatient services shall be in accordance with Sections 51545 through 51557. Section 51539 will cease to be effective for fiscal periods subject to Sections 51545 through 51557.