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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 51545@ Definitions

## 51545 Definitions

### (a)

The following definitions are applicable to Article 7.5 only unless otherwise specified in another section: (1) Administrative Adjustment (AA) means the adjustment to a provider's PIRL in response to a provider's administrative adjustment request (AAR). (2) Administrative Adjustment Request (AAR) means the provider's request for changes to the PIRL, which includes both the all-inclusive rate per discharge limitation (ARPD) and peer grouping rate per discharge limitation (PGRPDL). (3) Aligned ARPDs means the modified ARPDs which have been adjusted to estimate their value as of a common fiscal period ending for the purpose of computing the 60th percentile for the PGRPDL. (4) All-Inclusive Rate Per Discharge (ARPD) means the per discharge dollar limit on Medi-Cal reimbursable costs prior to the application of the peer grouping inpatient reimbursement limitation (PIRL). The ARPD excludes return on owner's equity, disproportionate share payments and reductions for third-party liability (TPL), as referenced in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (5) All-Inclusive Rate Per Discharge Limitation (ARPD) means a Medi-Cal inpatient reimbursement limit (MIRL) which is the all-inclusive rate per discharge (ARPD) multiplied by the number of Medi-Cal discharges. The ARPD excludes return on owner's equity, disproportionate share payments and reductions for TPL, as referenced in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (6) Allowable Rate

Per Discharge (ARPD) means all-inclusive rate per discharge (ARPD). (7) Atypical Case means Cost Outliers or Day Outliers. (8) Base Period shall be for fiscal periods which begin on or after the effective date of Sections 51545 through 51557, the FPE immediately prior to the settlement period. (9) Base Year means Base Period. (10) Burden of Going Forward means the responsibility of a party to be the first one to present its evidence with respect to a particular issue. (11) Burden of Proof means the responsibility of proving, by a preponderance of the evidence, the existence or nonexistence of each fact which is essential to demonstrate that a party's position regarding a disputed issue is correct. (12) Case Mix means the mix in terms of the diagnosis related groups (DRGs) of the Medi-Cal patients served by the provider. (13) Case Mix Index means an index that measures the average level of health care needed by a provider's Medi-Cal patients. (14) Charitable Research Hospital means a provider which accepts catastrophically ill patients by referral only, has over 33 percent of their Gross Operating Expense (GOE) as charity care, over 1 percent of their GOE for research and has no obstetrics or nursery. (15) Children's Hospital means in accordance with Section 14087.2 of the W&I Code, those hospitals where 30 percent of the infants and children served by the single institution qualify for Medi-Cal payment systems and the institution serves primarily children. (16) Contract Services Costs means costs related to services provided that are covered by a contract with the Department for care of Medi-Cal inpatients, per W&I Code Section 14081. (17) Contract Hospital means a provider that contracts with the Department, based on negotiations with the California Medical Assistance Commission (CMAC) in accordance with W&I Code Section 14081. (18) Cost Outliers means those patients who have extraordinarily higher inpatient costs as identified by the cost outlier formulas in Section 51551. (19) Cost Report means a report required by the

Department and completed by the provider to determine the Medi-Cal Program's share of the provider's reasonable costs in accordance with applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (20) County Appropriations means the amount appropriated to the provider from the county general fund or other county sources for operating deficits or other operating needs. If a county hospital repays the county any portion of the appropriations, the repayment must be abated against current fiscal period appropriations. (21) Customary Charges, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1, means those uniform charges allowed by Medi-Cal which are listed in a provider's established charge schedule which is in effect and applied consistently to most patients and recognized for program reimbursement. (22) Crossover Patients means hospital inpatients who are eligible for both Medi-Cal and Medicare. (23) Current Fiscal Settlement Period means the provider's accounting year for which a peer group inpatient reimbursement limitation (PIRL) is being determined. (24) Day Outliers means those patients whose stay in the hospital is extraordinarily longer as identified by the day outlier formulas in Section 51551. (25) Department means the California State Department of Health Services. (26) Depreciation and Amortization means those amounts which represent portions of the depreciable or amortizable asset's cost or other basis which is allocable to a period of operation. (27) Diagnosis Related Group (DRG) means a group identified by certain clinically coherent types of patients who should have similar resource consumption within each of the universe of DRGs used in the Medicare Prospective Payment System (PPS), in accordance with applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (28) Discharge means the termination of lodging and a formal release of an inpatient by a provider. Deaths are counted as inpatient discharges. See Medi-Cal Discharge. (29) Disproportionate Share Hospital means a provider

whose Medicaid inpatient utilization rate (as defined in Section 1923(b)(2) of the Social Security Act) is at least one standard deviation above the mean Medicaid inpatient utilization rate for providers receiving Medicaid payments in the State, or where the providers's low income utilization rate (as defined in Section 1923(b)(3) of the Social Security Act) exceeds 25 percent. (30) Economically and Efficiently Operated Providers means providers whose costs do not exceed the PIRL except for those costs that are otherwise found allowable by an AA or Formal Appeal process. (31) Employee Benefits means the direct operating costs related to employee benefits consisting of FICA; State Unemployment Insurance (SUI) and Federal Unemployment Insurance (FUI); vacation, holiday, and sick leave; group health insurance; group life insurance; pension and retirement; workers' compensation insurance; other payroll related employee benefits; and, other non-payroll related employee benefits. (32) Employee Benefits Index means the factor resulting from the adjusted comparison of settlement period employee benefits expense to prior period employee benefits expense. (33) Exempt Reimbursement means reimbursement not included in, or subject to limitation by the PIRL. These costs are limited to return on owner's equity and disproportionate share payments. (34) Extraordinary and Unusual Events means an event of a sudden, unexpected, or unusual nature; e.g., avalanche, floods, earthquakes or other similar events whose circumstances are unavoidable regardless of the level of prudence exercised by the provider. (35) Factor Input Price means the same as the Input Price Index. (36) Final Peer Group Inpatient Reimbursement Limitation (PIRL) Settlement means a Departmental determination of liabilities owed resulting from a PIRL calculation based upon data audited or otherwise considered true and correct by the Department for the final settlement fiscal period, pursuant to the W & I Code Section 14170. (37) Fiscal Period Ending (FPE) means the last day of a

provider's fiscal period. A fiscal period is an accounting period established by the provider. The fiscal period is generally a twelve (12) consecutive month period; however, in some instances may be less than or exceed twelve (12) months. (38) Fixed Costs means an operating expense or a class of operating expenses as a class, that does not vary with patient volume. Fixed costs are not fixed in the sense that they do not fluctuate or vary, but fluctuate or vary from causes independent of patient volume. (39) Food Service Expense means those expenses for services and supplies related to the food service categories of: kitchen, dietary, and cafeteria. (40) Formal Appeal means the provider's appeal of the Department's decision on an AAR concerning a final PIRL calculation. (41) Formula Relief means changes in the ARPD that will carry forward into the next fiscal period's ARPD calculation. (42) Gross Operating Expense (GOE) means the total operating expenses of the provider. This includes all expenses incurred in conducting the ordinary major activities of the provider inclusive of daily hospital services, ancillary services, research, education, general services, fiscal services and administrative services, including the physician professional component. (43) Initial Base Period means the last fiscal period for each provider ending prior to the effective date of Sections 51545 through 51557. (44) Input Price Index (IPI) means the weighted computation resulting in the reimbursable change in the prices of goods and services purchased by the providers (except for pass-throughs). The IPI shall consist of a market basket classification of goods and services purchased by providers, a corresponding set of market basket weights derived from each provider's own mix of purchased goods and services, and a related series of price indicators. (45) Interim Payment Rate means the rate paid to a provider, expressed as a percentage, derived by the PIRL divided by provider's charges. (46) Interest on Working Capital means a cost representing all interest incurred on borrowings

for working capital purposes or interest on an unpaid tax liability. (47) Interest, All Other means a cost representing all interest incurred for borrowings other than interest on working capital. (48) Leases and Rents Costs means costs representing lease and rental expenses relating to occupying or using buildings, leasehold improvements and fixed assets not owned by the provider and not directly assignable to another cost center. (49) Length of Stay Outliers means Day Outliers. (50) Licenses and Taxes Costs means costs representing all license expenses and all taxes (other than tax on income). (51) Malpractice Insurance (Hospital and Professional) Costs means costs representing liability insurance expenses, including premiums paid for physicians, the deductibles paid on claims, or the actuarially determined cost of self-insurance. (52) Maximum Inpatient Reimbursement Limitation (MIRL) means the lowest of the following: (A) Customary charges. (B) Allowable costs determined by the Department, in accordance with applicable Medicare standards and principles of cost based reimbursement, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (C) ARPD limitation. (53) Medi-Cal Discharges means those discharges where the inpatient services provided were covered by Medi-Cal for a Medi-Cal eligible beneficiary. This includes deaths, and eligible beneficiaries whose Medi-Cal covered services were paid in full or in part by third parties, if Medi-Cal was also billed for the services. Late paid claims where the patients' statistics were not included in the cost or audit report used to derive the PIRL and well newborns shall not be counted as Medi-Cal discharges. However, a well newborn whose mother is not eligible for Medi-Cal shall be counted as a discharge if the newborn is eligible for Medi-Cal. Medicare crossover patients are not counted as Medi-Cal discharges if Medi-Cal paid only for any applicable deductibles and copayments. (54) MIRL Reimbursement Rate Per Discharge means the per discharge

reimbursement amount under the MIRL, which has not been reduced for third-party liability, excluding any one-time relief, return on owner's equity and any disproportionate share payments. It is calculated by dividing the MIRL by the number of Medi-Cal discharges. (55) New Hospital means any hospital: (A) Which has a complete new physical plant that is less than three years of age and is not on the same or an adjacent property as the old physical plant; or (B) Under new ownership, or resuming operations for the first time after a 12-month period (i.e. was closed for at least 12 months prior to being reopened under new ownership); or (C) Which has operated under present and all previous ownerships for less than three years. (56) New Service means an additional service developed and implemented by a Medi-Cal provider, to furnish and maintain quality inpatient hospital care to a patient population inclusive of Medi-Cal recipients. (57) Newborn means an infant born in the hospital or delivered outside the hospital and admitted to the hospital shortly after birth. (58) Noncontract Hospital means a provider that does not have a negotiated contract with the Department to provide medical care for Medi-Cal beneficiaries, pursuant to W & I Code Section 14081. (59) Noncontract Service Costs means costs related to services provided to Medi-Cal inpatients, which are excluded from the provider's contract with the Department. (60) Non-Pass-Through Costs means costs which are subject to the hospital cost index, as found in Section 51549. (61) OSHPD means the Office of Statewide Health Planning and Development. (62) One-Time Relief means changes in the ARPD L which only affect the settlement period and are not carried forward into the next settlement period ARPD L. (63) OSHPD Accounting and Disclosure System means a uniform accounting and disclosure system designed by OSHPD. (64) Outliers means Cost Outliers and Day Outliers. (65) Partial Period Contracting Hospital means a contract hospital with a contract which covers only a partial fiscal period. (66)

Partially Contracting Hospital means a contract hospital with a contract that does not include all Medi-Cal covered services. (67) Pass-Through Costs means cost categories for purposes of the ARPD that are not subject to the hospital cost index. The categories are limited to: depreciation, rents, leases, interest, property tax, license fees, utilities and malpractice insurance, as defined in Section 51549. (68) Per Diem means a daily rate paid for hospital services provided to Medi-Cal beneficiaries. (69) Peer Group means a group of hospitals with similar characteristics that are grouped together for purposes of determining reimbursement limitations. (70) Peer Grouping Inpatient Reimbursement Limitation (PIRL) means the lowest of the following: (A) Customary charges. (B) Allowable costs determined by the Department, in accordance with applicable Medicare standards and principles of cost based reimbursement, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (C) ARPD. (D) PGRPD. If a provider is exempt from the peer group limits, the Medi-Cal reimbursement limitation will be the lowest of (A), (B) or (C), identified above. All references to PIRL include MIRL. (71) Peer Grouping Rate Per Discharge Limitation (PGRPD) means a Medi-Cal inpatient reimbursement limit. The PGRPD excludes return on owner's equity, disproportionate share payments and reductions for third-party liability. The PGRPD is the 60th percentile ARPD of each provider's peer group multiplied by the provider's number of Medi-Cal discharges. (72) Pharmacy Expense means those expenses for services and supplies related to the pharmacy. The cost of drugs dispensed to inpatients are also included in this category. (73) Primary Health Service Hospital means a provider that is either (1) located outside of a standard metropolitan statistical area, and located at least 15 miles from another licensed acute care hospital, and has 60 or fewer acute care beds; or (2) is located at least 20 miles from any other licensed acute care hospital, and has 60 or fewer



acute care beds; or (3) be the only licensed acute care hospital in the county, and has fewer than 100 acute care beds as defined by Health and Safety Code Section 1339.9. (74) Prior Fiscal Period means the most recent fiscal period ending prior to the period in which a PIRL is being determined. (75) Productive Hours means the total paid hours less hours not on the job. Hours not on the job include: vacation time; sick time; holidays; and other paid time off. (76) Productive Salaries means the total direct payroll costs for productive hours related to a given classification. (77) Professional Fees means fees for professional services consisting of medical (therapist and others); consulting and management fees; legal; audits; registry nurses and contracted services. (78) Provider means an institution in California that furnishes inpatient hospital services to Medi-Cal beneficiaries. (79) Purchased Services means costs related to services purchased from outside contractors. (80) Rate Per Discharge means ARPD. (81) Reasonable Costs means reimbursable costs as defined by 42 CFR, Part 413 and HCFA Publication 15-1. (82) Recalculated Final PIRL Settlement means a final PIRL settlement which has been recalculated. (83) Reimbursable Costs means those costs that are reimbursed as determined by the PIRL. (84) Replacement Service means a newly implemented service which replaces another service in whole or in part. (85) Rural Hospitals means consistent with Section 1188.855 of the Health and Safety Code, an acute care hospital which meets the criteria within peer group six (rural hospitals) as defined in the report entitled, "Hospital Peer Grouping for Efficiency Comparison" dated December 20, 1982. (86) Salaries and Wages means the direct operating costs related to salaries and wages, consisting of: management and supervision; technicians and specialists; registered nurses; licensed vocational nurses; aides and orderlies; clerical and other administrative; environmental and food services; non-physician medical practitioners; and other salaries and wages. Those salaries and wages

related to students from the medical education centers as well as physicians are not included here. (87) Salary and Wage Index means the factor which is defined as part of the calculations in Section 51549(b)(2)(A)1. (88) Second Level Appeal means Formal Appeal. (89) Service Intensity means changes in the character of the services provided to each patient including but not limited to: changes in applicable technology; qualitative and quantitative changes in: personnel; supplies; drugs; and other materials. Service intensity does not include changes in the types of patients and illnesses treated. (90) Settlement Fiscal Period means the provider's accounting period for which a PIRL settlement is being or has been conducted. (91) Sixtieth Percentile means the point at which sixty percent (60%) will be below in any given group arrayed in order. (92) Sixtieth Percentile ARPD means the maximum reimbursement per discharge under the PGRPDL system. It is the sixtieth percentile rate per discharge for each peer group. (93) Sole Community Hospital is defined in 42 USC, Section 1395ww(d)(5)(C)(iii). (94) Student and Physician Professional Fees means fees charged for the professional services provided to patients by hospital-based physicians and students. These do not include those fees related to the education, research and administrative duties performed by the hospital-based physicians. (95) Student and Physician Salaries and Wages means the compensation (exclusive of in-service education), of students in teaching programs and physicians including such items as research, education program activities, general hospital administration, patient care and supervision. (96) Tentative PIRL Settlement means the Department's determination of liabilities owed, resulting from a PIRL or MIRL calculation using unaudited cost report data provided by a provider. (97) Third-Party Liability (TPL) means amount owed for hospital inpatient services on behalf of a Medi-Cal eligible beneficiary by any payor other than Medi-Cal. (98) Total Hospital Gross Revenue

means the amount of total charges for services rendered to all patients. (99) Total Medi-Cal Gross Revenue means the amount of charges to Medi-Cal for services rendered to Medi-Cal eligible patients. (100) Total Paid Hours means the sum of the productive hours and the vacation time, sick time, holidays, and other paid time off for all employee classes related to daily hospital services, ancillary services, general services; fiscal services; and administrative services. (101) Utilities means the direct expenses, excluding telephone and telegraph expenses, incurred in the operation of the hospital plant and equipment, such as, but not limited to: electricity, gas and water. (102) Variable Costs means operating costs that vary or fluctuate with changes in patient volume. (103) Volume Adjustment means the adjustment for changes in patient volume that applies to the provider specific all-inclusive rate per discharge for a given fiscal period. (104) Well Newborn means those newborns who have no major medical problems who are not counted as Medi-Cal discharges. This includes newborns classified in Medicare PPS DRGs 372 and 373. (105) Working Capital means the difference between total current assets and total current liabilities.

**(1)**

Administrative Adjustment (AA) means the adjustment to a provider's PIRL in response to a provider's administrative adjustment request (AAR).

**(2)**

Administrative Adjustment Request (AAR) means the provider's request for changes to the PIRL, which includes both the all-inclusive rate per discharge limitation (ARPD) and peer grouping rate per discharge limitation (PGRPDL).

**(3)**

Aligned ARPDs means the modified ARPDs which have been adjusted to estimate their value as of a common fiscal period ending for the purpose of computing the 60th

percentile for the PGRPDL.

**(4)**

All-Inclusive Rate Per Discharge (ARPD) means the per discharge dollar limit on Medi-Cal reimbursable costs prior to the application of the peer grouping inpatient reimbursement limitation (PIRL). The ARPD excludes return on owner's equity, disproportionate share payments and reductions for third-party liability (TPL), as referenced in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1.

**(5)**

All-Inclusive Rate Per Discharge Limitation (ARPDL) means a Medi-Cal inpatient reimbursement limit (MIRL) which is the all-inclusive rate per discharge (ARPD) multiplied by the number of Medi-Cal discharges. The ARPDL excludes return on owner's equity, disproportionate share payments and reductions for TPL, as referenced in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1.

**(6)**

Allowable Rate Per Discharge (ARPD) means all-inclusive rate per discharge (ARPD).

**(7)**

Atypical Case means Cost Outliers or Day Outliers.

**(8)**

Base Period shall be for fiscal periods which begin on or after the effective date of Sections 51545 through 51557, the FPE immediately prior to the settlement period.

**(9)**

Base Year means Base Period.

**(10)**

Burden of Going Forward means the responsibility of a party to be the first one to present its evidence with respect to a particular issue.

**(11)**

Burden of Proof means the responsibility of proving, by a preponderance of the evidence, the existence or nonexistence of each fact which is essential to demonstrate that a party's position regarding a disputed issue is correct.

**(12)**

Case Mix means the mix in terms of the diagnosis related groups (DRGs) of the Medi-Cal patients served by the provider.

**(13)**

Case Mix Index means an index that measures the average level of health care needed by a provider's Medi-Cal patients.

**(14)**

Charitable Research Hospital means a provider which accepts catastrophically ill patients by referral only, has over 33 percent of their Gross Operating Expense (GOE) as charity care, over 1 percent of their GOE for research and has no obstetrics or nursery.

**(15)**

Children's Hospital means in accordance with Section 14087.2 of the W&I Code, those hospitals where 30 percent of the infants and children served by the single institution qualify for Medi-Cal payment systems and the institution serves primarily children.

**(16)**

Contract Services Costs means costs related to services provided that are covered by a contract with the Department for care of Medi-Cal inpatients, per W&I Code Section 14081.

**(17)**

Contract Hospital means a provider that contracts with the Department, based on negotiations with the California Medical Assistance Commission (CMAC) in accordance with W&I Code Section 14081.

**(18)**

Cost Outliers means those patients who have extraordinarily higher inpatient costs as identified by the cost outlier formulas in Section 51551.

**(19)**

Cost Report means a report required by the Department and completed by the provider to determine the Medi-Cal Program's share of the provider's reasonable costs in accordance with applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1.

**(20)**

County Appropriations means the amount appropriated to the provider from the county general fund or other county sources for operating deficits or other operating needs. If a county hospital repays the county any portion of the appropriations, the repayment must be abated against current fiscal period appropriations.

**(21)**

Customary Charges, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1, means those uniform charges allowed by Medi-Cal which are listed in a provider's established charge schedule which is in effect and applied consistently to most patients and recognized for program reimbursement.

**(22)**

Crossover Patients means hospital inpatients who are eligible for both Medi-Cal and Medicare.

**(23)**

Current Fiscal Settlement Period means the provider's accounting year for which a peer group inpatient reimbursement limitation (PIRL) is being determined.

**(24)**

Day Outliers means those patients whose stay in the hospital is extraordinarily longer as identified by the day outlier formulas in Section 51551.

**(25)**

Department means the California State Department of Health Services.

**(26)**

Depreciation and Amortization means those amounts which represent portions of the depreciable or amortizable asset's cost or other basis which is allocable to a period of operation.

**(27)**

Diagnosis Related Group (DRG) means a group identified by certain clinically coherent types of patients who should have similar resource consumption within each of the universe of DRGs used in the Medicare Prospective Payment System (PPS), in accordance with applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1.

**(28)**

Discharge means the termination of lodging and a formal release of an inpatient by a provider. Deaths are counted as inpatient discharges. See Medi-Cal Discharge.

**(29)**

Disproportionate Share Hospital means a provider whose Medicaid inpatient utilization rate (as defined in Section 1923(b)(2) of the Social Security Act) is at least one standard deviation above the mean Medicaid inpatient utilization rate for providers receiving Medicaid payments in the State, or where the providers's low income utilization rate (as defined in Section 1923(b)(3) of the Social Security Act) exceeds 25 percent.

**(30)**

Economically and Efficiently Operated Providers means providers whose costs do not exceed the PIRL except for those costs that are otherwise found allowable by an AA or Formal Appeal process.

**(31)**

Employee Benefits means the direct operating costs related to employee benefits

consisting of FICA; State Unemployment Insurance (SUI) and Federal Unemployment Insurance (FUI); vacation, holiday, and sick leave; group health insurance; group life insurance; pension and retirement; workers' compensation insurance; other payroll related employee benefits; and, other non-payroll related employee benefits.

**(32)**

Employee Benefits Index means the factor resulting from the adjusted comparison of settlement period employee benefits expense to prior period employee benefits expense.

**(33)**

Exempt Reimbursement means reimbursement not included in, or subject to limitation by the PIRL. These costs are limited to return on owner's equity and disproportionate share payments.

**(34)**

Extraordinary and Unusual Events means an event of a sudden, unexpected, or unusual nature; e.g., avalanche, floods, earthquakes or other similar events whose circumstances are unavoidable regardless of the level of prudence exercised by the provider.

**(35)**

Factor Input Price means the same as the Input Price Index.

**(36)**

Final Peer Group Inpatient Reimbursement Limitation (PIRL) Settlement means a Departmental determination of liabilities owed resulting from a PIRL calculation based upon data audited or otherwise considered true and correct by the Department for the final settlement fiscal period, pursuant to the W & I Code Section 14170.

**(37)**

Fiscal Period Ending (FPE) means the last day of a provider's fiscal period. A fiscal



period is an accounting period established by the provider. The fiscal period is generally a twelve (12) consecutive month period; however, in some instances may be less than or exceed twelve (12) months.

**(38)**

Fixed Costs means an operating expense or a class of operating expenses as a class, that does not vary with patient volume. Fixed costs are not fixed in the sense that they do not fluctuate or vary, but fluctuate or vary from causes independent of patient volume.

**(39)**

Food Service Expense means those expenses for services and supplies related to the food service categories of: kitchen, dietary, and cafeteria.

**(40)**

Formal Appeal means the provider's appeal of the Department's decision on an AAR concerning a final PIRL calculation.

**(41)**

Formula Relief means changes in the ARPD that will carry forward into the next fiscal period's ARPD calculation.

**(42)**

Gross Operating Expense (GOE) means the total operating expenses of the provider. This includes all expenses incurred in conducting the ordinary major activities of the provider inclusive of daily hospital services, ancillary services, research, education, general services, fiscal services and administrative services, including the physician professional component.

**(43)**

Initial Base Period means the last fiscal period for each provider ending prior to the effective date of Sections 51545 through 51557.

**(44)**

Input Price Index (IPI) means the weighted computation resulting in the reimbursable change in the prices of goods and services purchased by the providers (except for pass-throughs). The IPI shall consist of a market basket classification of goods and services purchased by providers, a corresponding set of market basket weights derived from each provider's own mix of purchased goods and services, and a related series of price indicators.

**(45)**

Interim Payment Rate means the rate paid to a provider, expressed as a percentage, derived by the PIRL divided by provider's charges.

**(46)**

Interest on Working Capital means a cost representing all interest incurred on borrowings for working capital purposes or interest on an unpaid tax liability.

**(47)**

Interest, All Other means a cost representing all interest incurred for borrowings other than interest on working capital.

**(48)**

Leases and Rents Costs means costs representing lease and rental expenses relating to occupying or using buildings, leasehold improvements and fixed assets not owned by the provider and not directly assignable to another cost center.

**(49)**

Length of Stay Outliers means Day Outliers.

**(50)**

Licenses and Taxes Costs means costs representing all license expenses and all taxes (other than tax on income).

**(51)**

Malpractice Insurance (Hospital and Professional) Costs means costs representing liability insurance expenses, including premiums paid for physicians, the deductibles paid on claims, or the actuarially determined cost of self-insurance.

**(52)**

Maximum Inpatient Reimbursement Limitation (MIRL) means the lowest of the following:

(A) Customary charges. (B) Allowable costs determined by the Department, in accordance with applicable Medicare standards and principles of cost based reimbursement, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (C) ARPD limitation.

**(A)**

Customary charges.

**(B)**

Allowable costs determined by the Department, in accordance with applicable Medicare standards and principles of cost based reimbursement, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1.

**(C)**

ARPD limitation.

**(53)**

Medi-Cal Discharges means those discharges where the inpatient services provided were covered by Medi-Cal for a Medi-Cal eligible beneficiary. This includes deaths, and eligible beneficiaries whose Medi-Cal covered services were paid in full or in part by third parties, if Medi-Cal was also billed for the services. Late paid claims where the patients' statistics were not included in the cost or audit report used to derive the PIRL and well newborns shall not be counted as Medi-Cal discharges. However, a well newborn whose mother is not eligible for Medi-Cal shall be counted as a discharge if the newborn is eligible for Medi-Cal. Medicare crossover patients are not counted as

Medi-Cal discharges if Medi-Cal paid only for any applicable deductibles and copayments.

**(54)**

MIRL Reimbursement Rate Per Discharge means the per discharge reimbursement amount under the MIRL, which has not been reduced for third-party liability, excluding any one-time relief, return on owner's equity and any disproportionate share payments. It is calculated by dividing the MIRL by the number of Medi-Cal discharges.

**(55)**

New Hospital means any hospital: (A) Which has a complete new physical plant that is less than three years of age and is not on the same or an adjacent property as the old physical plant; or (B) Under new ownership, or resuming operations for the first time after a 12-month period (i.e. was closed for at least 12 months prior to being reopened under new ownership); or (C) Which has operated under present and all previous ownerships for less than three years.

**(A)**

Which has a complete new physical plant that is less than three years of age and is not on the same or an adjacent property as the old physical plant; or

**(B)**

Under new ownership, or resuming operations for the first time after a 12-month period (i.e. was closed for at least 12 months prior to being reopened under new ownership); or

**(C)**

Which has operated under present and all previous ownerships for less than three years.

**(56)**

New Service means an additional service developed and implemented by a Medi-Cal provider, to furnish and maintain quality inpatient hospital care to a patient population inclusive of Medi-Cal recipients.

**(57)**

Newborn means an infant born in the hospital or delivered outside the hospital and admitted to the hospital shortly after birth.

**(58)**

Noncontract Hospital means a provider that does not have a negotiated contract with the Department to provide medical care for Medi-Cal beneficiaries, pursuant to W & I Code Section 14081.

**(59)**

Noncontract Service Costs means costs related to services provided to Medi-Cal inpatients, which are excluded from the provider's contract with the Department.

**(60)**

Non-Pass-Through Costs means costs which are subject to the hospital cost index, as found in Section 51549.

**(61)**

OSHPD means the Office of Statewide Health Planning and Development.

**(62)**

One-Time Relief means changes in the ARPD L which only affect the settlement period and are not carried forward into the next settlement period ARPD L.

**(63)**

OSHPD Accounting and Disclosure System means a uniform accounting and disclosure system designed by OSHPD.

**(64)**

Outliers means Cost Outliers and Day Outliers.

**(65)**

Partial Period Contracting Hospital means a contract hospital with a contract which covers only a partial fiscal period.

**(66)**

Partially Contracting Hospital means a contract hospital with a contract that does not include all Medi-Cal covered services.

**(67)**

Pass-Through Costs means cost categories for purposes of the ARPD L that are not subject to the hospital cost index. The categories are limited to: depreciation, rents, leases, interest, property tax, license fees, utilities and malpractice insurance, as defined in Section 51549.

**(68)**

Per Diem means a daily rate paid for hospital services provided to Medi-Cal beneficiaries.

**(69)**

Peer Group means a group of hospitals with similar characteristics that are grouped together for purposes of determining reimbursement limitations.

**(70)**

Peer Grouping Inpatient Reimbursement Limitation (PIRL) means the lowest of the following: (A) Customary charges. (B) Allowable costs determined by the Department, in accordance with applicable Medicare standards and principles of cost based reimbursement, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1. (C) ARPD L. (D) PGRPD L. If a provider is exempt from the peer group limits, the Medi-Cal reimbursement limitation will be the lowest of (A), (B) or (C), identified above. All references to PIRL include MIRL.

**(A)**

Customary charges.

**(B)**

Allowable costs determined by the Department, in accordance with applicable Medicare

standards and principles of cost based reimbursement, as specified in applicable parts of 42 CFR, Part 413 and HCFA Publication 15-1.

**(C)**

ARPD.

**(D)**

PGRPDL. If a provider is exempt from the peer group limits, the Medi-Cal reimbursement limitation will be the lowest of (A), (B) or (C), identified above. All references to PIRL include MIRL.

**(71)**

Peer Grouping Rate Per Discharge Limitation (PGRPDL) means a Medi-Cal inpatient reimbursement limit. The PGRPDL excludes return on owner's equity, disproportionate share payments and reductions for third-party liability. The PGRPDL is the 60th percentile ARPD of each provider's peer group multiplied by the provider's number of Medi-Cal discharges.

**(72)**

Pharmacy Expense means those expenses for services and supplies related to the pharmacy. The cost of drugs dispensed to inpatients are also included in this category.

**(73)**

Primary Health Service Hospital means a provider that is either (1) located outside of a standard metropolitan statistical area, and located at least 15 miles from another licensed acute care hospital, and has 60 or fewer acute care beds; or (2) is located at least 20 miles from any other licensed acute care hospital, and has 60 or fewer acute care beds; or (3) be the only licensed acute care hospital in the county, and has fewer than 100 acute care beds as defined by Health and Safety Code Section 1339.9.

**(74)**

Prior Fiscal Period means the most recent fiscal period ending prior to the period in

which a PIRL is being determined.

**(75)**

Productive Hours means the total paid hours less hours not on the job. Hours not on the job include: vacation time; sick time; holidays; and other paid time off.

**(76)**

Productive Salaries means the total direct payroll costs for productive hours related to a given classification.

**(77)**

Professional Fees means fees for professional services consisting of medical (therapist and others); consulting and management fees; legal; audits; registry nurses and contracted services.

**(78)**

Provider means an institution in California that furnishes inpatient hospital services to Medi-Cal beneficiaries.

**(79)**

Purchased Services means costs related to services purchased from outside contractors.

**(80)**

Rate Per Discharge means ARPD.

**(81)**

Reasonable Costs means reimbursable costs as defined by 42 CFR, Part 413 and HCFA Publication 15-1.

**(82)**

Recalculated Final PIRL Settlement means a final PIRL settlement which has been recalculated.

**(83)**



Reimbursable Costs means those costs that are reimbursed as determined by the PIRL.

**(84)**

Replacement Service means a newly implemented service which replaces another service in whole or in part.

**(85)**

Rural Hospitals means consistent with Section 1188.855 of the Health and Safety Code, an acute care hospital which meets the criteria within peer group six (rural hospitals) as defined in the report entitled, "Hospital Peer Grouping for Efficiency Comparison" dated December 20, 1982.

**(86)**

Salaries and Wages means the direct operating costs related to salaries and wages, consisting of: management and supervision; technicians and specialists; registered nurses; licensed vocational nurses; aides and orderlies; clerical and other administrative; environmental and food services; non-physician medical practitioners; and other salaries and wages. Those salaries and wages related to students from the medical education centers as well as physicians are not included here.

**(87)**

Salary and Wage Index means the factor which is defined as part of the calculations in Section 51549(b)(2)(A)1.

**(88)**

Second Level Appeal means Formal Appeal.

**(89)**

Service Intensity means changes in the character of the services provided to each patient including but not limited to: changes in applicable technology; qualitative and quantitative changes in: personnel; supplies; drugs; and other materials. Service intensity does not include changes in the types of patients and illnesses treated.

**(90)**

Settlement Fiscal Period means the provider's accounting period for which a PIRL settlement is being or has been conducted.

**(91)**

Sixtieth Percentile means the point at which sixty percent (60%) will be below in any given group arrayed in order.

**(92)**

Sixtieth Percentile ARPD means the maximum reimbursement per discharge under the PGRPDL system. It is the sixtieth percentile rate per discharge for each peer group.

**(93)**

Sole Community Hospital is defined in 42 USC, Section 1395ww(d)(5)(C)(iii).

**(94)**

Student and Physician Professional Fees means fees charged for the professional services provided to patients by hospital-based physicians and students. These do not include those fees related to the education, research and administrative duties performed by the hospital-based physicians.

**(95)**

Student and Physician Salaries and Wages means the compensation (exclusive of in-service education), of students in teaching programs and physicians including such items as research, education program activities, general hospital administration, patient care and supervision.

**(96)**

Tentative PIRL Settlement means the Department's determination of liabilities owed, resulting from a PIRL or MIRL calculation using unaudited cost report data provided by a provider.

**(97)**

Third-Party Liability (TPL) means amount owed for hospital inpatient services on behalf of a Medi-Cal eligible beneficiary by any payor other than Medi-Cal.

**(98)**

Total Hospital Gross Revenue means the amount of total charges for services rendered to all patients.

**(99)**

Total Medi-Cal Gross Revenue means the amount of charges to Medi-Cal for services rendered to Medi-Cal eligible patients.

**(100)**

Total Paid Hours means the sum of the productive hours and the vacation time, sick time, holidays, and other paid time off for all employee classes related to daily hospital services, ancillary services, general services; fiscal services; and administrative services.

**(101)**

Utilities means the direct expenses, excluding telephone and telegraph expenses, incurred in the operation of the hospital plant and equipment, such as, but not limited to: electricity, gas and water.

**(102)**

Variable Costs means operating costs that vary or fluctuate with changes in patient volume.

**(103)**

Volume Adjustment means the adjustment for changes in patient volume that applies to the provider specific all-inclusive rate per discharge for a given fiscal period.

**(104)**

Well Newborn means those newborns who have no major medical problems who are not counted as Medi-Cal discharges. This includes newborns classified in Medicare PPS

DRGs 372 and 373.

**(105)**

Working Capital means the difference between total current assets and total current liabilities.