



2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov



October 25, 2022

To: Hospital Chief Financial Officers
and Other Interested Parties

Re: Hospital Technical Letter No. 35

This is the 35th in a series of Hospital Technical Letters developed by the Department of Health Care Access and Information (HCAI), formerly the Office of Statewide Health Planning and Development (OSHPD), regarding our uniform accounting and reporting system requirements for California hospitals. The purpose of these letters is to provide timely information to assist you in meeting these requirements.

COVID-19 Worker Retention Pay

As part of the California State Budget for Fiscal Year 2022-23, a Hospital and Skilled Nursing COVID-19 Worker Retention Payment was added to Part 4.6 of Division 2 of the Labor Code (Sections 1490 – 1495). This legislation creates a program for certain facilities to receive money from the Department of Health Care Services (DHCS) for retention payments to certain workers with the potential for an additional amount to match retention payments paid by the facility.

Section 1495 of this legislation specifies that payments to workers are not to be considered wages as defined in Section 200 of the Labor Code as, “all amounts for labor performed by employees of every description, whether the amount is fixed or ascertained by the standard of time, task, piece, commission basis, or other method of calculation.” This definition is similar to the HCAI Accounting and Reporting Manual for California Hospitals, 2nd edition (Manual) definition of Salaries and Wages found in section 2440.1, as “all remuneration for services performed by an employee for the hospital employer payable in cash; and the fair market value of services donated to the hospital by persons performing under an employee relationship.” Therefore, the worker retention payments do not qualify as Salaries and Wages in accordance with the Manual.

Payments to qualifying employees of the facility should be accounted for as “other payroll related benefits” in subclassification .18 in each employee’s assigned cost center. Additional accounting entries for payroll taxes and potential withholding may

also be required. We recommend consulting with a payroll tax professional for any tax implications. Payments to physicians who are not employees of the facility should be accounted for as “other direct” expenses in subclassification .90 in the cost center which corresponds to any service they have provided in the facility. If this cannot be identified, the amount should be included in Hospital Administration (Account 8610).

Payments from DHCS should be reported as Other Operating Revenue (Account 5780) with amounts distributed in column 11 of pages 17 and 18 to the cost centers which include worker retention payment expenses. (See Manual Section 7020.3 for information on distributing to multiple cost centers.)

Quality Incentive Program (QIP)

Medi-Cal supplemental payments for the Quality Incentive Program (QIP) are tied to performance on designated performance metrics in four strategic categories: primary care, specialty care, inpatient care, and resource utilization. QIP payments are linked to delivery of services under Medi-Cal managed care plan contracts and increase the amount of funding tied to quality outcomes. To receive QIP payments, Designated Public Hospitals and University of California Medical Centers must achieve specified improvement targets which grow more difficult through year-over-year improvement or sustain high performance requirements. QIP payments are for patient care and should be recorded as a credit to Contractual Adjustments - Medi-Cal Managed Care (Account 5822).

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2022-23

The reporting requirements for the 48th year Hospital Annual Disclosure Report (HADR) cycle, which includes reporting periods ended June 30, 2022 through June 29, 2023, are the same as the previous year. The approved software (Version 48A) is:

<u>Vendor</u>	<u>Contact Person</u>	<u>Phone Number</u>	<u>Status</u>
Health Financial Systems	Becky Dolin	(916) 226-6269	Approved
Compu-Max	Jim David	(213) 433-3921	Approved

HADR Extension Policy: Hospitals may request 60 days on the initial HADR extension request. A second request must be submitted to use the remaining 30 days. The law prohibits HCAI from granting more than a total of 90 days.

QUARTERLY REPORTING for 2023

The reporting requirements for 2023 are the same as 2022. Hospitals use SIERA (System for Integrated Electronic Reporting and Auditing) to prepare and submit their Quarterly Financial and Utilization Reports (QFUR). Quarterly Reports are due 45 days after the end of each calendar quarter.

2023 Quarterly Report Periods and Due Dates

Quarter	Period Begins:	Period Ends:	Date Due
1st Quarter	January 1, 2023	March 31, 2023	May 15, 2023 (Mon.)
2nd Quarter	April 1, 2023	June 30, 2023	August 14, 2023 (Mon.)
3rd Quarter	July 1, 2023	September 30, 2023	November 14, 2023 (Tue.)
4th Quarter	October 1, 2023	December 31, 2023	February 14, 2024 (Wed.)

*Note: Reports due on a Saturday, Sunday, or State holiday may be submitted the next business day without penalty.

QFUR Extension Policy: One 30-day extension will be granted upon request. The law prohibits HCAI from granting more than 30 days.

Copies of previous Hospital Technical Letters are available on HCAI's web site. If you have any accounting or reporting questions, please call me at (916) 326-3838.

Sincerely,

Original Signed By

Tim Pasco
Acting Hospital Unit Supervisor