



Office of Statewide Health Planning and Development

**Accounting and Reporting Systems Section**

400 R Street, Suite 250
 Sacramento, California 95811-6213
 (916) 326-3854
 Fax (916) 323-7675
 www.oshpd.ca.gov

October 2008

To: Hospital Chief Financial Officers
 and Other Interested Parties

Re: Hospital Technical Letter No. 19

This is the 19th in a series of Hospital Technical Letters developed by the Office of Statewide Health Planning and Development (OSHPD or Office) 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.

AB 774 HOSPITAL FAIR PRICING POLICIES

We are extremely pleased to announce the successful implementation of AB 774, Hospital Fair Pricing Policies, achieving a 100% submission rate from the 404 hospitals required to report. We would also like to especially thank those hospitals that participated in the testing process, whose invaluable input ensured that the on-line submission module would operate smoothly.

Summary Findings

The table below summarizes some initial findings about the 375 general acute care hospitals that provided fair pricing policy information:

Charity Care (Free Care)	No. of GAC Hospitals	Percent of Total
Eligibility: Less than 200% of FPL	95	25.3%
Eligibility: 200% of FPL	175	46.7%
Eligibility: 201% to 300% of FPL	69	18.4%
Eligibility: Greater than 300% of FPL	36	9.6%
Discount Payment Policies (Partial Charity Care)		
	No. of GAC Hospitals	Percent of Total
Reporting at least one discount payment policy	337	89.9%
Eligibility: Less than or equal to 350% of FPL	259	69.1%

Eligibility: Greater than 350% of FPL	78	20.8%
Expected payment based on Medicare	211	62.6%
Expected payment based on Medi-Cal	119	35.3%
Reporting second discount payment policy	116	30.9%
Reporting third discount payment policy	28	7.5%
Language Availability (excluding English)		
	No. of GAC Hospitals	Percent of Total
Spanish	294	78.4
Vietnamese	106	28.3
Chinese	94	25.1

Statewide AB 774 Data File Available

A statewide data file containing submitted information for each hospital is available at:
www.oshpd.ca.gov/HID/FairPricing/Fair_Pricing_Data_2008_Final.xls

Summary of Statutory and Regulatory Requirements

AB 774 (Chan, Chapter 755) was signed into law in September 2006. Per Section 127435 of the Health and Safety Code, each general acute care hospital, acute psychiatric hospital, and special hospital must provide OSHPD with a copy of the documents below. Psychiatric health facilities, chemical dependency recovery hospitals, and State-operated hospitals are exempt from implementing AB 774.

- Discount payment policy (partial charity care)
- Charity care policy (free care)
- Eligibility procedures for these policies
- Review process
- Application form for its charity care of discount payment programs

By law, the documents must be provided on January 1 and every other year thereafter, or whenever a significant change is made.

Regulations to implement AB 774 were approved by the Office of Administrative Law on August 8, 2007, and became effective September 7, 2007. Hospitals were required to submit their fair pricing policies on January 1, 2008.

System for Fair Price Hospital Reporting (SyFPHR)

SyFPHR was designed as a fast and simple on-line system that will allow hospitals to easily submit the required documents and for OSHPD to accurately track and process

documents for audit and dissemination. The SyFPHR web-site consists of two main parts: the consumer website and the submission website, and is located at:

<http://www.oshpd.ca.gov/fairpricing>

The consumer website was designed with the general public in mind, focusing on low-income and uninsured individuals who are seeking full or partial payment discounts for hospital care. The site includes a searchable map of California and a search engine that can identify either specific facilities using keywords, or produce a list of facilities within a specified radius of a specified location. From the search results, users can view summary information about each hospital's fair pricing policy and then view detailed information about an individual hospital, including its submitted fair pricing policies, procedures, and application form. The consumer site also includes a FPL table, search tips, FAQs, and a glossary. We encourage each hospital to visit the consumer site and review the information that OSHPD is making available from your submission.

The submission website is accessible from the consumer website (click on Submission Logon) and is where hospital management submits both information and electronic files to OSHPD. A login ID and password is required to access the submission website. After successful login, the user is required to enter contact information and basic information about its fair pricing policies, and then attach the two required electronic files. Prior to acceptance, SyFPHR performs basic edits and allows the user to revise submitted information and/or attached files. After a successful submission, SyFPHR displays a confirmation web-page and sends an email confirmation to the user and hospital administrator.

It is important to note that the regulations require the submission of two electronic files to OSHPD. The policy file is submitted as one electronic file, formatted in Microsoft Word (.doc) and should contain following documents: the discount payment policy, charity care policy, eligibility procedures, and review process. The electronic file must contain a separate and distinct section for each of the four documents listed above. The application file is other required electronic file that may be formatted in either Microsoft Word (.doc) or Portable Document Format (.pdf) and contains the application form(s) that are used to apply for free care or discounted payments.

Common Reporting Problems

OSHPD has performed an initial review of each submission before the files were released to the public. A more detailed review will be performed to ensure that each submission complies with the statutes and regulatory reporting requirements. OSHPD will contact the submitter, as needed, to clarify reported information or to request revised documents. OSHPD will notify DHCS of those general acute care hospitals that are determined to be non-compliant.

Some of the common problems that were noted during the initial review process include:

- Mismatch of the policy information entered on the web application that was not in agreement with what was stated in the policies.
- There was not a clear, distinct separation between the four required documents.
- Some of the required documents were not submitted.
- The Federal Poverty Level (FPL) income level percentage was not clearly stated for patients that may qualify for free care.
- The discount percentages that were determined using sliding scales were not clear.
- Applications were imbedded within the policy files.
- Two policy files were submitted rather than one policy file and one application file.

SyFPHR Web-site Survey

An email was sent to all hospital administrators on September 24, 2008 in which OSHPD is requesting participation in a survey of the SyFPHR application. A second email was sent on October 9, 2008 to all individuals who completed an AB 774 submission. Completing the survey will provide the necessary feedback to assist us in making future adjustments to the application. We would greatly appreciate that the surveys be completed by October 31, 2008.

AB 774 Informational Web-site

Information about AB 774 is available on the OSHPD web-site. You can obtain a copy of the statute, regulations, lists of exempt hospitals, FAQs, and more, at:

<http://www.oshpd.ca.gov/HID/Products/Hospitals/FairPricing/index.html>

Compliance: Condition of Licensure

As provided by Section 127401 of the Health and Safety Code, each general acute care hospital licensed under Section 1250 (a) must comply with the requirements of AB 774 as a condition of licensure. The State Department of Health Care Services (DHCS) is responsible for enforcement.

2008 CHARGEMASTER AND RELATED PRICING INFORMATION

AB 1627 (Statutes of 2003) and AB 1045 (Statutes of 2005) established and amended, respectively, the Payers' Bill of Rights and requires each hospital to submit a copy of its chargemaster, the average charge for 25 common outpatient procedures, and the estimated percent change in gross revenue due to price changes every July 1. As of October 10, over 99% of the hospitals (412 of 414) have submitted the required documents.

Since last year, OSHPD installed a new spam filter to our e-mail system. Unfortunately, this new filter was also overly restrictive in that it was removing submitted files that

contained any potentially offensive wording. Some of the medical terminology included with many of the submitted chargemasters triggered our spam filter and removed the files, which subsequently resulted in some hospitals having to resubmit their files multiple times. We apologize for this inconvenience and want to thank you for your patience and understanding in this matter. We have since implemented changes and believe the problem has been corrected, but we are also considering alternate methods of submission for future reporting.

About 80% of the hospitals voluntarily submitted the standard reporting form for the list of average charges for 25 common outpatient procedures, which we developed at the request of many interested parties. We believe use of the form will provide the public with more uniform and comparable pricing information regarding common outpatient procedures, and will provide a more predictable report for hospitals. We encourage its continued use. These forms, along with the chargemasters and gross revenue percentage calculations, are being prepared for placement on the OSHPD web-site. We will analyze the information reported on the optional reporting forms for 2008 to determine if they need to be revised for the 2009 reporting cycle.

HOSPITAL ANNUAL FINANCIAL DISCLOSURE REPORTS AVAILABLE ON-LINE

OSHPD has developed a website from which you can view or download detailed annual financial disclosure reports submitted by California's 450 hospitals and 1,250 long-term care facilities. This site is updated each Wednesday and Friday morning, and includes reports as originally submitted by each health facility and as audited by OSHPD, beginning with report periods ended in 2002 to present. If a report is in process of being desk audited, only the submitted report is available. To view a report, Adobe Reader is required.

Detailed instructions and FAQs are located on the web-site, which can be accessed from the following link: www.oshpd.ca.gov/afpdfs

Hardcopy reports are still available for report periods ending before 2002 at a cost of \$7.50 per hospital report and \$6.00 per LTC facility report. If you have any questions about this site or want to order hardcopy reports, contact our Healthcare Information Resource Center at (916) 326-3802.

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2008-09

The reporting requirements for the 34th year Hospital Annual Disclosure Report (HADR) cycle, which includes reporting periods ended June 30, 2008 through June 29, 2009, are the same as the previous year. OSHPD has approved the same vendors as last year to distribute HADR reporting software (Version 34A):

<u>Vendor</u>	<u>Contact Person</u>	<u>Phone Number</u>	<u>Status</u>
Health Financial Systems	Charles Briggs	(916) 686-8152	Approved
CDL Data Solutions, Inc.	Lanny Hawkinson	(714) 525-1907	Approved
KPMG	Cathie Kincheloe	(213) 955-8992	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.

QUARTERLY REPORTING for 2009

The reporting requirements for 2009 are the same as 2008. All hospitals are still required to use OSHPD's Internet Hospital Quarterly Reporting System (IHQRS) to prepare and submit their Quarterly Financial and Utilization Reports (QFUR). Quarterly Reports are due 45 days after the end of each calendar quarter.

2009 Quarterly Report Periods and Due Dates

Quarter	Period Begins:	Period Ends:	Date Due
1st Quarter	January 1, 2009	March 31, 2009	May 15, 2009 (Fri.)
2nd Quarter	April 1, 2009	June 30, 2009	August 14, 2009 (Fri.)
3rd Quarter	July 1, 2009	September 30, 2009	November 14, 2009 (Sat.)
4th Quarter	October 1, 2009	December 31, 2009	February 15, 2010 (Mon.)

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

IHQRS Enrollment Form: If you are a new IHQRS user or want to change your User ID or Password, you must submit an IHQRS Enrollment Form. The User ID and Password must be five to 12 characters in length and are not case sensitive. Passwords must contain at least one alpha and one numeric character. Do not use any special characters (e.g., @, #, \$ etc.). You can download the Enrollment Form from the IHQRS Home Page located at: <http://ihqrs.oshpd.state.ca.us/>

QFUR Charity Care Reporting Under AB 774

AB 774 became effective on January 1, 2007, requiring each general acute care (GAC) hospital, acute psychiatric hospital, and special hospital to provide full or partial charity care to patients whose family income is at or below 350% of the Federal Poverty Level (FPL). As adopted in regulation, free care (full charity care) and payment discounts (partial charity care) are both reported as charity care. Because AB 774 went into effect during the 1st calendar quarter of 2007, it was expected that the amount of reported charity care and number of hospitals providing charity care would show a substantial increase over the 4th calendar quarter of 2006. We also expected a similar increase during the 1st quarter of 2008, in conjunction with the required submission of hospital fair pricing policies to OSHPD.

According to data submitted for the 1st calendar quarter of 2008, this expectation was not met. Compared to the 1st calendar quarter of 2007, the amount of charity care provided by GAC hospitals increased from \$759.8 million to \$804.4 million, or by \$44.6 million; while charity care as a percentage of gross revenue actually decreased from 1.40% to 1.35%. The percent of GAC hospitals that reported charity care increased from 72.1% to 77.5%, the result of sixteen more hospitals reporting charity care and six fewer hospitals submitting reports. These results are summarized in the table below:

Comparison of Charity Care Reporting

ALL GAC Hospitals *	1st Quarter of 2007	1st Quarter of 2008
Charity Care	\$759.8 million	\$804.4 million
Charity % of Gross Revenue	1.40%	1.35%
No. of Hospitals	384	378
No. of Hospitals Reporting Charity Care	277	293
% of Hospitals Reporting Charity Care	72.1%	77.5%

* Note: Includes rural hospitals and excludes Kaiser hospitals.

To validate these results, OSHPD will be focusing on charity care reporting during our routine desk audits, with a special emphasis on GAC hospitals. The audit scope includes a comparative analysis of data submitted on the QFUR and HADR, and verification that the Other Indigent payer category is being used for indigent patients that are not the responsibility of a county. For those hospitals not reporting any charity care, the audit scope will entail a review of the hospital's charity care and discount payment policies. More information on the distinction between Other Indigent and Other Payers is located in Technical Letters No. 9 and 10.

AB 915 REPORTING ISSUES

AB 915 (Chapter 747, Statutes of 2002) expands an existing reimbursement mechanism to allow local public agencies and public health facilities to leverage federal funds for supplemental Medi-Cal reimbursement for adult day health services and hospital outpatient services provided to Medi-Cal patients. We have noticed several instances where AB 915 funds received are being reported incorrectly as Other Operating Revenue. Please report all funds received from AB 915 as a credit to contractual adjustments for Medi-Cal.

Copies of previous Hospital Technical Letters are available on the OSHPD web-site. If you have any accounting or reporting questions, please call me at (916) 326-3832.

Sincerely,

Original Signed By

Kyle Rowert
Hospital Unit Supervisor