

**Accounting and Reporting Systems Section**

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To: Hospital Chief Financial Officers
and Other Interested Parties

Re: Hospital Technical Letter No. 24

This is the 24th 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.

SECTION 1115 WAIVER PAYMENTS – SAFETY NET CARE POOL

We have received many calls asking how to report the different programs under the Section 1115 Waiver Program and have put together reporting instructions for them below.

State Programs

The Department of Health Care Services (DHCS) administers several non-Medi-Cal payment programs. Any payment received under these programs (e.g., Genetically Handicapped Persons Program (GHPP), AIDS Drug Assistance Program (ADAP), California Children's Services Program (CCS), etc.) should be reported as Other Third Party Traditional net patient revenue, via a credit to contractual adjustments. The majority of these programs are considered Traditional Other Government (Other Third Party Traditional) for our reporting purposes.

Uncompensated Care Pool

Any payments received from the Uncompensated Care Pool should be reported as Restricted Donations and Subsidies for Indigent Care (Account 5880) since the payment is related to providing patient care for low-income patients who could be classified under County Indigent Programs, Other Indigent or Other Payers, or a mixture of all three payers. Note that on Report Page 12, line 435, these payments must be reported by payer category.

Delivery System Reform Incentive Payments (DSRIP)

Public hospitals may receive DSRIP funds to improve the quality of care they provide and the health of the population they serve. DSRIP funds can be used for infrastructure development, innovation and redesign, population-focused improvement, and urgent improvement in care. These funds should be reported as Other Operating Revenue

since they are considered reimbursement of costs for specific qualifying expenditures that must be approved by DHCS, rather than direct patient care.

Low Income Health Program (LIHP)

LIHP is made up of several programs that extend coverage to low-income adults at the option of each county, including Medicaid Coverage Expansion (MCE), Healthcare Coverage Initiative (HCCI) and Path2Health (CMS counties only). Since the eligibility requirements state the patient has to be low-income, not eligible for Medi-Cal, and a county resident, all payments received under the LIHP umbrella (MCE, HCCI, and Path2Health) should be reported as net patient revenue under County Indigent Programs - Managed Care via a credit to contractual adjustments. Any LIHP patient formally admitted should also be reported under the County Indigent Managed Care payer category as well.

OTHER TYPES OF PAYMENTS

Electronic Health Record (EHR) – Meaningful Use Payments

The Centers for Medicare & Medicaid Services (CMS) provides incentive payments for the meaningful use or certified EHR technology, with the intent of reforming the healthcare system and improving healthcare quality, efficiency, and patient safety. Report payments received for implementing EHR technology as Other Operating Revenue since the payments offset the cost of implementing EHR technology. If you need to set-up a receivable for the EHR payment, use Pledges and Other Receivables (Accounts 1060-1069), since the payments are not directly related to patient care services.

Medi-Cal Administrative Activities (MAA)

The MAA program is funded by federal and local funds to obtain federal reimbursement related to the cost of certain administrative activities associated with the Medi-Cal program. Payments received for MAA could include Medi-Cal outreach, facilitating the Medi-Cal application, non-emergency & non-medical transportation of Medi-Cal eligible individuals to Medi-Cal covered services, contracting for Medi-Cal services, program planning and policy development, and MAA coordination and claims administration. MAA payments are considered cost reimbursements for non-patient care activities and should be reported as Other Operating Revenue.

Targeted Case Management (TCM)

The TCM program is an optional Medi-Cal program funded by federal and local funds, and provides specialized case management services to Medi-Cal eligible individuals in a defined target population, including needs assessment, development of an individual service plan, assistance with service access, and crisis assistance planning. Payments from TCM are considered cost reimbursements and should be reported as Other Operating Revenue.

Staffed Beds vs Licensed and Available Beds

We have noticed that staffed beds may be incorrectly reported by hospitals that report to us. More than 70% of hospitals reported staffed beds that were greater than 10% of

their average daily census. We also saw that more than 50% of hospitals reported staffed beds being equal to available beds and 40% reported staffed beds equal to both licensed and available beds, which should not be the case. **Licensed beds** are defined as the number of licensed beds at the end of the reporting period. **Available beds** are defined as beds that are physically existing and actually available for overnight use, regardless of staffing levels. Available beds would include beds that can be placed back into service within 24 hours. **Staffed beds** are calculated using a monthly average of beds that are set up, staffed, equipped and in all respects ready for use by patients remaining in the hospital overnight. Hospitals typically staff for those beds currently occupied by inpatients, plus an increment for unanticipated admissions so they should be slightly higher than the hospital's average daily census. It is imperative to report the correct number of staffed beds as they can be used for reimbursement calculations, such as the Fee-for-Service IGT payment distribution for district hospitals and future reimbursement programs.

QUARTERLY VS. ANNUAL REPORT REVIEW – STILL MANY DIFFERENCES

While performing our Quarterly Financial Utilization Report vs. Hospital Annual Disclosure Report review, we have noticed that many hospitals have material differences between most categories on the Quarterly and Annual reports (days, discharges, visits, gross revenue, deductions, etc.). The most common reply is that the annual data is correct and that the quarterly reports will be revised at a later date. In many cases, these revisions are never made. While we do expect there to be some minor differences due to timing issues, they shouldn't be material amounts. Many of our data users rely on both annual and quarterly data for various purposes and when they see large differences they start to question the quality of the data being reported to us. We want to make sure that each hospital is given the opportunity to correct the data so our users will continue to be confident that it is as accurate as can be.

Revisions to Quarterly Data

Revising the quarterly reports to match the submitted annual report is preferred; however, dividing the annual amounts by four to obtain the new quarterly report numbers is not appropriate. In order to properly revise the quarterly reports, amounts should be revised in the quarter in which the discrepancy occurred, or when patient services were rendered once the final payer category is known. This would mean revising the related days, discharges, visits, revenue, and/or deductions on the quarterly reports for each quarter to the actual amounts determined. This will take more work than simply dividing each quarter equally, but will yield more accurate and transparent data.

There are several reasons why it is important to revise your quarterly data. Many of our data users rely on the quarterly data since it is more timely, accessible, and simpler than the annual data. They may download the quarterly data files on our website (e.g., the rolling four quarter file) once the calendar year is complete or use OSHPD's web-based query tool (Individual Hospital Profile Characteristics) with the understanding that many hospitals revise the previous quarters to tie to their annual reports. If our data users see large, material differences between the quarterly and annual report, they may question the validity of the data. These users can be other hospitals, labor unions,

government agencies such as DHCS, consultants, researchers, as well as the media (several articles have been written using our quarterly data since it is more recent than the annual data).

NEW ON-LINE FINANCIAL REPORTING PROGRAM

OSHPD is in the process of developing an application that would allow facilities to submit annual financial disclosure reports on-line. The new application is called SIERA (System for Integrated Electronic Reporting and Auditing). Facilities would still continue to use third-party vendor software to prepare annual financial reports, but would submit the “transfer file” over the Internet instead of by email or on electronic media. Some of the features of SIERA include the ability to:

- Associate multiple users to a facility who are authorized to use SIERA
- Submit reports and request extensions on-line and receive immediate confirmation
- Validate a report against OSHPD edits and make corrections before report is formally submitted
- Track the status of associated reports from pre-submission to completion
- Attach Certification and Transmittal Form

As we approach the SIERA release date, OSHPD will be contacting facilities to identify a primary contact, an individual who is designated and responsible for receiving electronic correspondence and mail from OSHPD. The next step will be to set-up the initial user accounts and associated facilities. The initial user accounts will be for report preparers who work at the facility or a related health system. These individuals will be authorized to grant access to external users, such as consultants, for their associated facilities. SIERA is being designed such that an external user can add another user to his/her associated facilities.

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