

**Accounting and Reporting Systems Section**

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November 2009

To: Hospital Chief Financial Officers
and Other Interested Parties

Re: Hospital Technical Letter No. 20

This is the 20th 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

AB 774 (Chan, Chapter 755, Statutes of 2006) required each hospital to submit its fair pricing policies to OSHPD using our web-based System for Fair Price Hospital Reporting (SyFPHR) beginning on January 1, 2008, and every other year thereafter. The next fair pricing policy reporting cycle will begin on **January 1, 2010**. The following information pertaining to AB 774 and the 2008-2009 fair pricing reporting cycle is provided to assist facilities as they review their current fair pricing policies to ensure compliance with the State law.

Summary of Statutory and Regulatory Requirements

AB 774 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 initially required to submit their fair pricing policies on January 1, 2008; with the next required due date being **January 1, 2010**.

Significant Changes to Fair Pricing Policies

The law states that a revised fair pricing policy must be submitted whenever a significant change is made to any of the required documents. For the 2010 reporting cycle, if no significant change was made to the documents that were submitted in January 2008, you may notify OSHPD of the lack of change to meet the statutory requirements. As adopted in regulation, you must still use the SyFPHR application to notify OSHPD that there has been no significant change.

NOTE: If the hospital's fair pricing policy specifies family income amounts relative to the Federal Poverty Guidelines, which change annually, then a revised submission is required.

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 Public Health (DPH) is responsible for enforcement.

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 website 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 current (as of January 23, 2009) 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 form is the 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.

There are a few small changes to the submission website portion of SyFPHR for the 2010-2011 reporting cycle, including a few format changes to the Fair Pricing Policy and an additional Comments section. This new Comments section should be used to briefly summarize eligibility for payment discounts that may be based upon factors other than the FPL tables (i.e. cash payment discounts, etc.).

Statewide AB 774 Data File Available

A statewide data file containing submitted information from the 2008-2009 fair pricing policy reporting cycle for each hospital is available at:

www.oshpd.ca.gov/HID/FairPricing/Fair_Pricing_Data_2008_Final.xls

AB 774 Informational Website

Information about AB 774 is available on the OSHPD website. 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>

AB 774 Common Reporting Problems

OSHPD performs an initial review of each submission before the files are 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 DPH 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 SYFPHR 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.

2009 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. We are pleased to announce that we have received 100% of the documents we were required to collect from 413 hospitals for the 2009 Chargemaster reporting cycle.

During the 2008 Chargemaster reporting cycle, 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 potentially offensive words which subsequently resulted in some hospitals having to resubmit their files multiple times. For the 2009 Chargemaster reporting cycle, OSHPD implemented a different spam filter that was more flexible. The new spam filter appeared to work quite well, as there were no known technical problems with data submissions.

About 80% of the hospitals voluntarily submitted the standard reporting form for the list of average charges for 25 common outpatient procedures, which we initially developed for the 2007 reporting cycle at the request of many interested parties. We believe use of the form provides the public with more uniform and comparable pricing information regarding common outpatient procedures, and encourage its continued use. These forms, along with the chargemasters and gross revenue percentage calculations, are now available on the OSHPD website.

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 2009-10

The reporting requirements for the 35th year Hospital Annual Disclosure Report (HADR) cycle, which includes reporting periods ended June 30, 2009 through June 29, 2010, are the same as the previous year. OSHPD has approved the same vendors as last year to distribute HADR reporting software (Version 35A):

<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	Joseph Quinn	(818) 227-6972	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 2010

The reporting requirements for 2010 are the same as 2009. 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, 2010	March 31, 2010	May 15, 2010 (Sat.)*
2nd Quarter	April 1, 2010	June 30, 2010	August 14, 2010 (Sat.)*
3rd Quarter	July 1, 2010	September 30, 2010	November 14, 2010 (Sun.)*
4th Quarter	October 1, 2010	December 31, 2010	February 14, 2011 (Mon.)

Note: Quarterly Reports due on a Saturday or Sunday may be submitted the next business day without penalty. This policy includes due dates that fall on a State holiday or Furlough Friday, which currently occur on the first three Fridays of each month through June 30, 2010.

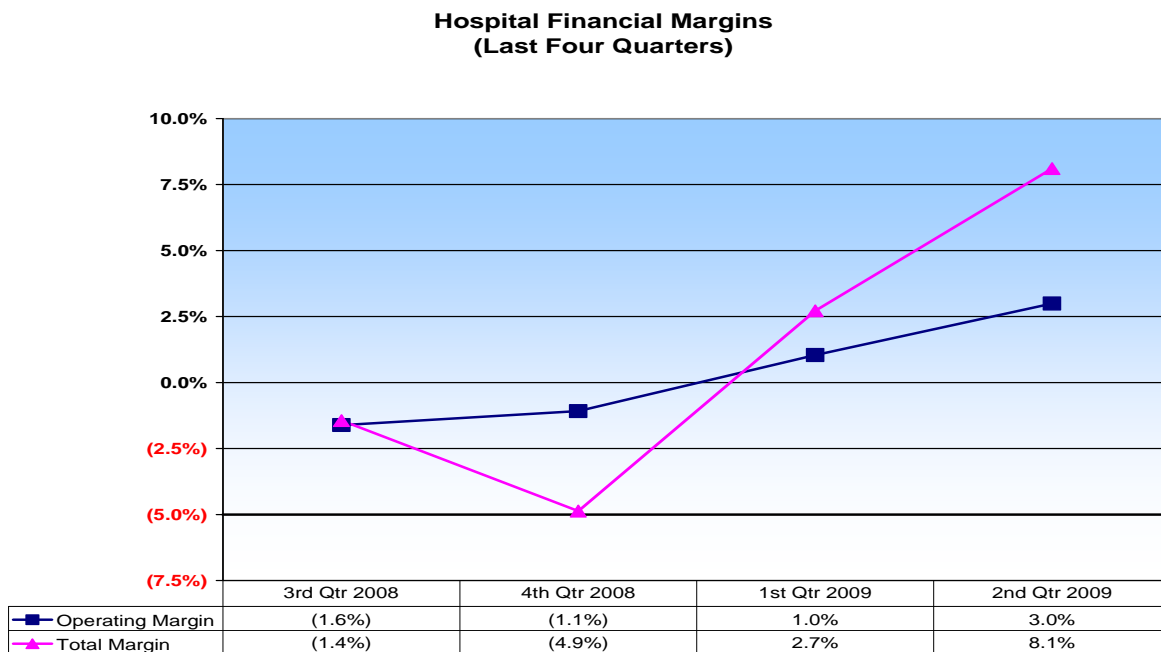
QFUR Extension Policy. One 30-day extension will be granted upon request. The law prohibits OSHPD from granting more than 30 days.

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/>

HOSPITAL FINANCIAL PERFORMANCE – new data on the website

Due to numerous inquiries we’ve had about how hospitals are doing financially, we’ve developed a new web site which tracks statewide Hospital Financial Performance for the last four quarters based on the Operating Margin and Total Margin (see below). This chart will be updated each quarter. We also developed some 5-year charts that compare operating margin vs. total margin, net from operations vs. net income, sources of non-operating revenue, and percent of hospitals operating at a loss. These charts will be updated annually. The new financial performance charts are available from the OSHPD Home page (www.oshpd.ca.gov) and by following the website links.

Hospital Financial Performance for the Past Four Quarters



Operating Margin is defined as net from operations (total operating revenue less total operating expenses) divided by total operating revenue. Total Margin, which includes revenue from non-operating sources, is defined as net income divided by total operating revenue.

Since this data will be highly visible and used frequently and derived from both Quarterly and Annual data, it is imperative to make sure you report both Quarterly and Annual data as accurately as possible.

REPORTING MATERNITY DATA

It appears many facilities are still having difficulty in correctly report maternity data. One rule to keep in mind is that a mother giving birth can never have more than one delivery, regardless of how many infants are delivered. A mother that gives birth to triplets in a traditional Labor and Delivery room would be counted as only one delivery on page 4, column 1, line 230 of the Annual Disclosure report. However, you would report three live births on page 4, line 600 (column 7 if it was natural birth, or column 13 if it was a c-section). A stillborn infant would count as one delivery and zero live births.

IMPACT OF FURLOUGH FRIDAYS

Please keep in mind that we are still being impacted by Furlough Fridays. The Office is closed on the first three Fridays of every month and will continue to be until told otherwise. Since we are missing almost 15% of our working time, it may take a little longer to release data products as well as respond in a more timely manner than we otherwise would be able to. Any due date that falls on a Furlough Friday will be treated as if it were a Saturday, Sunday or holiday where the due date would be considered the next work day.

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