



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

January 2014

To: Hospital Chief Financial Officers
 and Other Interested Parties

Re: REVISED - Hospital Technical Letter No. 26

This is the 26th 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 for both Annual Financial Disclosure Reports (AFDR) and Quarterly Financial Disclosure Reports (QFDR).

SB 335 - Reporting Instructions for Managed Care Fees and payments

A law enacted in 2011, SB 335 (Chapter 286, Statutes of 2011), extended the Hospital Quality Assurance Fee (QAF) Program to December 31, 2013. The Program had been set by AB 1383 (Chapter 627, Statutes of 2009) to originally end July 1, 2011. After careful consideration of feedback received from hospitals, we felt the need to revise our reporting instructions for the managed care portion of the QAF Program.

Private hospitals:

Since the managed care payments may be received months after the managed care portion of the Quality Assurance Fee (QAF) is paid, we are now instructing hospitals to report the managed care portion of the QAF and the related managed care payment in the same quarter that the managed care fee was paid. This will allow a better match of revenue and expense for the managed care portion of the QAF Program.

| <u>Managed Care Service Period</u> | <u>Managed Care QA Fee</u> | <u>Managed Care Payment</u> | <u>OSHPD Reporting Period</u> |
|---|-----------------------------------|------------------------------------|--|
| Period 1 | May 2013 | June 2013 | Report both fee paid and related payment in qtr fee was paid |
| Period 2 | Sept 2013 | Oct 2013 | Report both fee paid and related payment in qtr fee was paid |
| Period 3 | TBD | TBD | Report both fee paid and related payment in qtr fee was paid |

Public hospitals:

Public hospitals must follow General Accepted Accounting Principles as well as Government Accounting and Auditing Standards, which require accrual of the hospital fee amounts at the end of the year if the payment amounts are known and the timing of the payments is known. However, if either of these conditions is not met, then the payment must be reported in the period it was paid. Public hospitals should report the managed care portions of the fee to OSHPD consistent with how the amounts were reported in their financial statements.

For both private and public hospitals, please revise previous reports if you did not report according to the instructions mentioned above so that the data will be comparable for all hospitals.

Medi-Cal California Children's Services (CCS) vs. State CCS

Currently our instructions have hospitals report certain state indigent programs, such as California Children's Services (CCS), Genetically Handicapped Persons Program (GHPP), Family PACT, and Breast and the Cervical Cancer Early Detection Program under the "Other 3rd Party Traditional" payer category.

We are now aware that some state indigent programs are funded primarily by Medi-Cal, such as the above mentioned, and should be reported under the Medi-Cal Traditional payer category, while other state indigent programs, such as non Medi-Cal CCS, should be reported under the "Other 3rd Party Traditional" payer category.

Medi-Cal Short Doyle is still to be reported under the "Other 3rd Party Traditional" payer category since the hospital is being paid by the Mental Health Plan (MHP) for this program.

Delivery System Reform Incentive Pool (DSRIP) payments

Initially, we instructed hospitals to report Delivery System Reform Incentive Pool (DSRIP) on a cash basis. Now that the reimbursement amounts are known at the time of the expenditure, please report any Delivery System Reform Incentive Pool (DSRIP) payments on an accrual basis as "Other Operating Revenue, Part III", on the other lines 200-215 on the annual report. Use "DSRIP" as the description for the amount.

Report the IGT amount used to draw down the DSRIP in "Dispro. Share Funds Transferred to Public Entity." We realize that the reference to "Dispro. Share Funds" is outdated, and plan to change it in a future Accounting and Reporting Manual update to read "Intergovernmental Transfers."

Electronic Health Record (EHR) – Meaningful Use payments

Please report any Electronic Health Record (EHR) – Meaningful Use payments on an accrual basis as "Other Operating Revenue, Part III", on the other lines 200-215 on the annual report. Use "EHR" as the description for the amount.

Other Deductions – Policy Discounts and Administrative Adjustments

Many hospitals are not separately reporting Policy Discounts and Administrative Adjustments on page 8 of the annual report. Please be sure to separately report “Policy Discounts” on page 8, line 375 and “Administrative Adjustments” on page 8, line 380 of the annual report. Including “Policy Discounts” and “Administrative Adjustments” on line 385, Other Deductions from Revenue, is unacceptable.

New Hospital Quarterly Report System: SIERA

The Office is in the process of updating Section 8000 of the *Accounting and Reporting Manual for California Hospitals* with new instructions for submitting original and revised quarterly financial and utilization reports. The OSHPD Internet Hospital Quarterly Reporting System (IHQRS) will no longer be available effective July 8, 2013. To submit your quarterly reports, go to our System for Integrated Electronic Reporting and Auditing, a.k.a. SIERA, website located at siera.oshpd.ca.gov/. Just click on the red “**Submit Reports**” tab at the top of the page once you login, then choose the “Hospital Quarterly Reports” tab. Locate your report from the list and click the “**Submit Reports**” icon. If you are not yet a user in SIERA, or your facility does not appear on the “Submit Reports” tab, you may call our SIERA Help Desk at (916) 326-3899 or email siera@oshpd.ca.gov so that we can set up your user account to access your facility.

Disproportionate Share (DSH) Payments – Public and Private

All Disproportionate Share (DSH) Payments, both the DSH payments made under the authority of Section 1923 of the Social Security Act and those received as supplemental payments by private hospitals under the authority of the Welfare and Institutions Code Section 14166.11 (sometimes referred to as real and virtual DSH) should be reported under “Disproportionate Share Payments for Medi-Cal Patient Days (SB 855) (credit balance)” on page 12, line 426 of the annual report. We realize that the reference to “SB 855” is outdated, and plan to change it in a future Accounting and Reporting Manual update to read “Disproportionate Share Payments—public and private (Credit Balance)”.

Intergovernmental Transfers (IGT)

All Intergovernmental Transfers (IGT), including IGT’s from DSRIP, AB 113, etc. should be reported under “Dispro. Share Funds Transferred to Public Entity” on page 7, line 105 of the annual report. We realize that the reference to “Dispro. Share Funds” is outdated, and plan to change it in a future Accounting and Reporting Manual update to read “Intergovernmental Transfers”.

SB 239 Reporting Instructions

A law enacted in 2013, SB 239 (Chapter 657, Statutes of 2013), extended the Hospital Quality Assurance Fee (QAF) Program to December 31, 2016. The Program had been set by SB 335 (Chapter 286, Statutes of 2011) to originally end December 31, 2013.

Hospitals may recognize the QAF Program Fee-for-Service (FFS) fees paid and FFS payments upon CMS approval only of the FFS payments. Managed care supplemental

Medi-Cal Payments and Managed Care fees paid can be recognized once CMS approves the managed care portion.

Since the provisions of SB 239 (2013) cover more than one Fiscal Year, it is extremely important that each hospital recognizes the payments and fees paid in the same quarterly and annual reporting periods when submitting its Annual Financial Disclosure Report and Quarterly Financial and Utilization Reports. One reason for this is that the Department of Health Care Services (DHCS) uses OSHPD annual financial data to determine eligibility for and payment amounts related to the Disproportionate Share Hospital program, and will use the OSHPD guidelines to make necessary data adjustments to its calculations under the assumption data are being properly reported. Also, many OSHPD data users rely on quarterly data since they are more recent than annual data and users may question the data validity unless they are consistently reported in each quarter.

Because the managed care payments may be received months after the managed care portion of the QAF is paid, hospitals should report the managed care portion of the QAF and the related managed care payment in the same quarter that the managed care fee was paid once CMS approval is given. This will allow a better match of revenue and expense for the managed care portion of the QAF Program.

Public hospitals should report the managed care portion of the payment consistent with the instructions from earlier in this technical letter under SB 335.

Summary of Reporting Requirements - before CMS approvals have been made

The following table indicates where to report QA Fee transactions on the Hospital Annual Financial Disclosure Report and the Hospital Quarterly Financial and Utilization Report before CMS approvals have been made.

| Hospital Fee Program | Annual Financial Disclosure Report | Quarterly Financial and Utilization Report |
|-----------------------------------|------------------------------------|--|
| QA Fees | Page 5, column 1, line 50 | Not reported |
| FFS Supplemental Payments | Page 5, column 3, line 70 | Not reported |
| Health Plan Supplemental Payments | Page 5, column 3, line 70 | Not reported |
| Direct Grants | Page 5, column 3, line 75 | Not reported |

Summary of Reporting Requirements - after CMS approval has been made

The following table indicates where to report QA Fee transactions on the Hospital Annual Financial Disclosure Report and the Hospital Quarterly Financial and Utilization Report after CMS approval has been made. Other fields exist in the Annual Disclosure Report where the reported amount is automatically included in sub-totals and totals.

| Hospital Fee Program | Annual Financial Disclosure Report | Quarterly Financial and Utilization Report |
|----------------------|------------------------------------|--|
| QA Fees | Page 18, column 9, line 205 | Line 830 |
| FFS Supplemental | Page 8, column 1, line 315; | Lines 560 and 760 |

| | | |
|-----------------------------------|--|-------------------|
| Payments | Page 12, column 5, line 425 | |
| Health Plan Supplemental Payments | Page 8, column 1, line 320; Page 12, column 7, line 425 | Lines 565 and 765 |
| Direct Grants | Page 8, column 1, line 510 | Line 840 |

Once DHCS provides a fee schedule, we will post in the next Technical Letter to provide further instruction for the quarters in which to report the fees and payments.

Covered California

Soon after the passage of national health care reform through the Patient Protection and Affordable Care Act of 2010 (ACA), California became the first state to enact legislation to establish a qualified health benefit exchange. (California Government Code § 100500 et seq.; Chapter 655, Statutes of 2010-Perez and Chapter 659, Statutes of 2010-Alquist.) The California state law is referred to as the California Patient Protection and Affordable Care Act (CA-ACA). Effective January 1, 2014, the California Health Benefit Exchange will be offering a statewide health insurance exchange to make it easier for individuals and small businesses to compare plans and buy health insurance in the private market, with enrollment beginning in fall 2013. Covered California patients should be reported under Other 3rd Party Managed Care if their services are covered under an HMO, PPO, or EPO through the Exchange, otherwise report as Other 3rd Party Traditional.

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2013-14

The reporting requirements for the 39th year Hospital Annual Disclosure Report (HADR) cycle, which includes reporting periods ended June 30, 2013 through June 29, 2014, are the same as the previous year. All vendors have been approved to distribute HADR reporting software (Version 39A):

| <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 2014

The reporting requirements for 2014 have changed from what was initially posted for 2013. All hospitals are required to use OSHPD’s System for Integrated Electronic Reporting and Auditing (SIERA) to prepare and submit their Quarterly Financial and Utilization Reports (QFUR). Quarterly Reports are due 45 days after the end of each calendar quarter. You can access SIERA from this link: <http://siera.oshpd.ca.gov/> .

SIERA should be used for revising previous quarterly data as well. Please be sure to include your name, phone number, and e-mail address when filing revised quarterly reports.

If you are not a SIERA user ask another SIERA user to add you via the “Add a User” page in SIERA, or contact the SIERA Help Desk at (916) 326-3899 or siera@oshpd.ca.gov for assistance.

2014 Quarterly Report Periods and Due Dates

| Quarter | Period Begins: | Period Ends: | Date Due |
|----------------|-----------------------|---------------------|---------------------------|
| 1st Quarter | January 1, 2014 | March 31, 2014 | May 15, 2014 (Thu.) |
| 2nd Quarter | April 1, 2014 | June 30, 2014 | August 14, 2014 (Thu.) |
| 3rd Quarter | July 1, 2014 | September 30, 2014 | November 14, 2014 (Fri.) |
| 4th Quarter | October 1, 2014 | December 31, 2014 | February 17, 2015 (Tue.)* |

*Note: Quarterly 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 by using SIERA. Click on the "Request Extension" tab once you logon. The law prohibits OSHPD from granting more than 30 days.

Since Pat Burritt has retired, please address all future correspondence to:

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400 R Street, Suite 250
Sacramento, California 95811-6213

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