

Healthcare Information Division

Accounting and Reporting Systems Section
818 K Street, Room 400
Sacramento, California 95814
(916) 323-7685
Fax (916) 323-7675
www.oshpd.ca.gov/hid

August 2007

To: Hospital Chief Financial Officers
and Other Interested Parties

Re: Hospital Technical Letter No. 18

This is the 18th 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.

REGULATION UPDATE: AB 774 HOSPITAL FAIR PRICING POLICIES

Regulations to implement AB 774 (Chan, Chapter 755, Statutes of 2006) were approved by the Office of Administrative Law on August 8, 2007, and will become effective September 7, 2007. A copy of the final regulations is available on OSHPD's web-site at: <http://www.oshpd.ca.gov/HID/Products/Hospitals/FairPricing/index.html>

Per Section 127435 of the Health and Safety Code, each general acute care hospital, acute psychiatric hospital, and specialty hospital must provide OSHPD with a copy of the documents below.

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

By law, the documents must be filed on January 1 and every other year thereafter, or whenever a significant change is made. Psychiatric health facilities, chemical dependency recovery hospitals, and State-operated hospitals are exempt from implementing AB 774.

Summary of Final Regulatory Reporting Requirements

Below are some of the key reporting requirements for AB 774. For complete information, we suggest that you review the complete regulatory reporting requirements provided in the link above.



- The discount payment policy, charity care policy, eligibility procedures, and review process must be submitted as one electronic file, formatted in Microsoft Word (.doc). The electronic file must contain a separate and distinct section for each of the four areas listed above.
- The application form must be submitted as one electronic file, formatted in either Microsoft Word (.doc) or Portable Document Format (.pdf).
- These documents, both originals and and revised documents you subsequently adopt must be submitted using OSHPD's web-based System for Fair Price Hospital Reporting, which requires use of Microsoft Internet Explorer. We are currently building the system, and expect to have it available a month prior to when submissions are required.
- Documents will be initially due January 1, 2008, and every other year thereafter, or whenever a significant change is made.
- Modifications to the required format for reporting must be submitted in writing, specifying the nature of and reason for the alternative format, and will be considered on a case-by-case basis.

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.

Submission Process Using System for Fair Price Hospital Reporting

The reporting module is being designed as a simple and secure web-based system that will allow hospitals to electronically submit the required documents and for OSHPD to accurately track and process documents for audit and publication. The web-site will include a user's guide, links to statutory and regulatory requirements, a link to the AB 774 informational web-site, and FAQs.

A login ID and password will be sent by certified mail to each hospital administrator in early November 2007. In early December 2007, the reporting system will be available for submitting the required documents. The hospital administrator will assign AB 774 reporting responsibility as appropriate. After successful login, the user will be required to enter contact information and basic information about the hospital's fair pricing policies, and then attach the two required electronic files. Prior to acceptance, the system will perform basic edits and allow the user to revise submitted information and/or attached files. After a successful submission, a confirmation web page will display and send an email confirmation to the user and hospital administrator.

Any hospital that has not submitted its fair pricing polices and related application form to OSHPD will be considered delinquent. DHCS will be notified of this delinquency.

OSHPD Review of Fair Pricing Policies

OSHPD auditors will perform an initial review of each submission before the files are released to the public. Revised documents will be requested if the submission is clearly non-compliant. A more detailed review will follow 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.

Public Access to Fair Pricing Policies

The publishing module is being designed as a user-friendly system that provides quick access to hospital fair pricing policies. Users will be able to search for hospitals by name, city, county, or zip code; or by using maps (GIS location). Once a hospital is selected, users can view summary information about each hospital's fair pricing policies and/or view the submitted fair pricing policies and application form. We expect to make the public site operational in January, 2008.

AB 774 Informational Web-site

Information about AB 774 is currently 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>

2007 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 August 23, over 94% of the hospitals (390 of 414) have submitted the required documents.

In July, OSHPD installed a new spam filter to our e-mail system. Unfortunately, the new filter was so restrictive when implemented that it prevented many hospitals from e-mailing the required documents. 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.

About 80% of the hospitals voluntarily submitted the new reporting form for the list of average charges for 25 common outpatient procedures 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. These forms, along with the chargemasters and gross revenue percentage calculations, are being prepared for placement on the OSHPD web-site.

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2007-08

The reporting requirements for the 33rd year Hospital Annual Disclosure Report (HADR) cycle, which includes reporting periods ended June 30, 2007 through June 29, 2008, are the same as the previous year.

OSHPD has approved the same vendors as last year to distribute HADR reporting software (Version 33A):

<u>Vendor</u>	<u>Contact Person</u>	<u>Phone Number</u>	<u>Status</u>
Health Financial Systems	Charles Briggs	(916) 686-8152	Approved
Hospital Management Services	Lanny Hawkinson	(714) 992-1525	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 2008

The reporting requirements for 2008 are the same as 2007. 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.

2008 Quarterly Report Periods and Due Dates

Quarter	Period Begins:	Period Ends:	Date Due
1st Quarter	January 1, 2008	March 31, 2008	May 15, 2008 (Thur.)
2nd Quarter	April 1, 2008	June 30, 2008	August 14, 2008 (Thur.)
3rd Quarter	July 1, 2008	September 30, 2008	November 14, 2008 (Fri.)
4th Quarter	October 1, 2008	December 31, 2008	February 14, 2009 (Thur.)

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.

According to data submitted for the 1st calendar quarter of 2007, this expectation was not met. Compared to the 4th calendar quarter of 2006, the amount of charity care provided by GAC hospitals increased from \$711.8 million to \$721.1 million, or by \$9.3 million; while charity care as a percentage of gross revenue actually decreased from 1.40% to 1.34%. The percent of GAC hospitals that reported charity care increased from 74.9% to 76.3%, the result of one more hospital reporting charity care and five fewer hospitals submitting reports. These results are summarized in the table below:

Comparison of Charity Care Reporting

ALL GAC Hospitals *	1st Quarter of 2006	4th Quarter of 2006	1st Quarter of 2007
Charity Care	\$630.2 million	\$711.8 million	\$721.1 million
Charity % of Gross Revenue	1.27%	1.40%	1.34%
No. of Hospitals	353	359	354
No. of Hospitals Reporting Charity Care	274	269	270
% of Hospitals Reporting Charity Care	77.6%	74.9%	76.3%

* 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. More information on the distinction between Other Indigent and Other Payers is located in Technical Letters No. 9 and 10.

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) 323-7681.

Sincerely,

Original Signed By

Kenrick J. Kwong
Section Manager