



COMMONWEALTH OF PENNSYLVANIA  
**DEPARTMENT OF PUBLIC WELFARE**  
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**KEVIN T. CASEY**  
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July 16, 2009

Dear ODP Provider:

For dates of service July 1, 2009 and forward, the Office of Developmental Programs (ODP) waiver providers will be receiving their payments for services rendered from the Pennsylvania Treasury. In order for the providers to maintain stability in their revenue during the transition to the new cost-based Prospective Payment System (PPS), ODP has put in place five safeguards which will serve to protect providers' cash flow for waiver services rendered during Fiscal Years 2009-2010 and 2010-2011. Consumers, providers and Administrative Entities (AE)/county stakeholders participated in the development of these processes and provided valuable input that was integrated into each of the following processes.

1. STANDARDIZED SERVICE DEFINITIONS AND RATES

As a condition of approving renewal of the waivers, the Centers for Medicare & Medicaid Services (CMS) directed the Department of Public Welfare (DPW) to develop a statewide rate-setting methodology for the Consolidated and Person Family Directed Support (P/FDS) waivers. After seeking input from consumer, provider and AE/county stakeholders, DPW determined to use a PPS, which is a payment methodology in which provider rates are established on a prospective basis for a specified period and are not cost settled at the end of the specified period.

Rates calculated using the PPS will be adjusted each fiscal year based on the prior fiscal year cost report submission. By adjusting the rates annually, the intended result is that each provider's cost of rendering services to ODP individuals, as identified in the cost report, will be aligned with the appropriate reimbursement rate per unit. ODP recognizes that changes may occur in the type of service and volume of services rendered during a current fiscal year as compared to the prior fiscal year. As a result, the Revenue Reconciliation process was developed to provide further protection to a provider's financial health.

Please note that Fiscal Year 2009-2010 rates issued to providers beginning in May 2009 are interim rates. Final rates will not be issued until the final budget is enacted by the General Assembly. Once the rates are final, providers will have an ability to appeal the rates through DPW's Bureau of Hearings and Appeals (BHA).

## 2. REVENUE RECONCILIATION:

The second mechanism that ODP has established to protect cash flow is called the Revenue Reconciliation process. This process was explained in detail in my earlier letter dated May 15, 2009. This letter asked for provider input to determine revenue targets for Fiscal Year 2009–2010.

Revenue Reconciliation is a process intended to maintain stability in a provider's revenue during the transition to PPS. In addition, Revenue Reconciliation serves to balance any rate deviations that may have resulted from the provider specific rate determination process. Each quarter, specific data will be collected and an algorithm will be used to calculate whether an underpayment, when a providers revenue is less than the expected revenue, or an overpayment, when a provider's revenue is more than the expected revenue, has occurred during the prior quarter. These adjustments will be based on a revenue target established by DPW. If an underpayment has occurred, ODP will provide supplemental payments to the provider. If an overpayment has occurred, ODP will initiate recoupment against the provider. The supplemental payments or recoupments will be issued after the first and third quarters of Fiscal Years 2009-2010 and 2010-2011, with the first payment or recoupment targeted to be issued at the beginning of November 2009. Supplemental payments and recoupments are processed using gross adjustments. Gross adjustments are payments or recoupments made by DPW to the provider that will be applied to one or more of the provider's active service locations, each identified by a nine digit Master Provider Index (MPI) number and a four digit service location code.

ODP has established initial revenue targets and will update these targets before any quarterly payments and recoupments are made to reflect changes in a provider's costs based on changes in the needs of individuals served, new services or service expansion, actual changes in capacity, and new initiatives.

## 3. MITIGATING GROSS ADJUSTMENTS:

On May 8, 2009, the "Protocol for Gross Adjustments For Providers of Waiver Services" was issued by ODP, which accompanied the Provider Rate Letters. DPW has developed a mitigating gross adjustment protocol to help ensure the continued financial health of community providers, relating to cash flow, during the transition to the new PPS.

DPW will issue mitigating gross cash adjustments to providers as necessary during the transition to the PPS. Providers experiencing cash flow issues may submit a formal gross adjustment request to their respective ODP regional office for consideration. The request must be made on the Gross Adjustment Template and in accordance with the Gross Adjustment Protocol, which were widely distributed but are attached to this letter. The request should include, at a minimum, a description of the need to be addressed and the requested payback period. The provider will

need to demonstrate that a good faith effort was made toward attempting to use the new payment system. DPW will review the request and make a determination based on the following:

1. Is the health and safety of waiver participants affected?
2. Is the provider prevented from fulfilling the requirements of an Individual Support Plan (ISP)?
3. Is the provider's ability to pay staff salaries or vendors impaired?
4. Is the request related to a billing issue?
5. Will the provider need to increase short-term borrowing above historical levels?

After the provider's request is reviewed, a determination will be made whether to provide a mitigating gross adjustment for any situation that meets the criteria established by DPW as warranting a gross adjustment.

#### 4. PROVIDER EXEMPTION FROM PRUDENT PAY

ODP providers who render services found in the approved Consolidated and P/FDS waivers are exempt from the Prudent Payment of Claims policy for a period of two fiscal years. The decision to exempt ODP waiver providers from prudent pay was made in order to give ODP waiver providers time to adapt to the new prospective cost based system and to ensure their cash flow is maintained by allowing payments to be made weekly for clean claims. Although Federal regulation, 42 CFR Part 447 – Payment for services § 447.45(d), sets forth that states are permitted to hold payments for the prudent management of taxpayer's money, DPW will not be holding ODP waiver provider payments for clean claims during Fiscal Years 2009-2010 and 2010-2011, with the exception of Targeted Services Management (TSM), which is billed under procedure code T1017.

TSM services will continue to be subject to the Prudent Payment of Claims policy for Fiscal Year 2009-2010 and forward. Supports Coordination services (procedure code W7210), which are waiver services, will be exempt from prudent pay until July 2011.

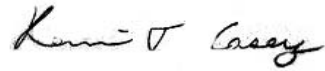
Please note, beginning July 1, 2011, ODP waiver providers will be subject to the Prudent Payment of Claims policy detailed in Bulletin number 99-06-04.

#### 5. PROVIDER APPEAL PROCESS

The fifth level of protection available to providers is the appeal process. Effective July 1, 2009, Consolidated and P/FDS waiver service providers have the right to file an appeal of DPW actions directly with BHA in accordance with 55 Pa. Code Chapter 41, Medical Assistance Provider Appeal Procedures.

Please note, appeals relating to services funded through the Base-Funded MR Program should continue to follow 55 Pa. Code Chapter 4300 regulations. In addition, provider challenges to any actions prior to July 1, 2009, shall continue to follow the appeal process outlined in 55 Pa. Code Chapter 4300 regulations.

Sincerely,

A handwritten signature in cursive script that reads "Kevin T. Casey".

Kevin T. Casey