

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

114.5 CMR 8.00: CRITERIA AND PROCEDURES FOR AWARDING HARDSHIP RELIEF GRANTS

Section

- 8.01: General Provisions
- 8.02: Definitions
- 8.03: Grant Categories and Application Criteria
- 8.04: Application Procedure
- 8.05: Application Materials
- 8.06: Criteria for Awarding Grants
- 8.07: Review and Selection Procedure
- 8.08: Severability

8.01: General Provisions

(1) Scope, Purpose, and Effective Date. 114.5 CMR 8.00 governs the procedures and criteria used to award one-time hardship relief grants totaling \$7 million, authorized by St. 1999, c. 101. 114.5 CMR 8.00 is effective November 26, 1999.

(2) Authority. 114.5 CMR 8.00 is adopted pursuant to St. 1999, c.101, § 2A

8.02: Definitions

As used in 114.5 CMR 8.00, unless the context requires otherwise, the following terms have the following meanings.

Acute Care Hospital. Any Acute Care Hospital, licensed under M.G.L. c.111, § 51 and the teaching Acute Care Hospital of the University of Massachusetts Medical School, which contains a majority of medical-surgical, pediatric, obstetric, and maternity beds as defined by the Department of Public Health.

Allowable Free Care Costs. Costs reimbursable by the Uncompensated Care Pool, calculated by the Division pursuant to 114.6 CMR 11.00.

Charge. The uniform price for a specific service Charged by an Acute Care Hospital or Community Health Center.

Commissioner. The Commissioner of the Division of Health Care Finance and Policy or designee.

Committee. The grant review Committee established under 114.5 CMR 8.07(1).

Community Health Center. A freestanding Community Health Center or a Hospital-Based Community Health Center.

Division. The Division of Health Care Finance and Policy established under M.G.L. c. 118G.

Freestanding Community Health Center. A clinic which provides comprehensive ambulatory services and which:

- (a) is licensed as a freestanding clinic by the Massachusetts Department of Public Health pursuant to M.G.L. c.111, § 51;
- (b) enters into a provider agreement with the Division of Medical Assistance pursuant to 130 CMR 405.00;
- (c) operates in conformance with the requirements of 42 U.S.C. § 254b.; and
- (d) files cost reports as requested by the Division.

Grant Categories. The three categories under which an Applicant may request a grant under 114.5 CMR 8.00 are:

- (a) Negatively Impacted by Loan to the City of Quincy;

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

8.02: continued

- (b) Community Health Centers Experiencing Severe Financial Distress; and
- (c) Acute Care Hospitals Impacted by the Withdrawal of a Medicare HMO.

Hospital-Based Community Health Center. A clinic which provides comprehensive ambulatory services and which:

- (a) operates in conformance with the requirements of 42 U.S.C. § 254b.; and
- (b) is licensed, by the Massachusetts Department of Public Health, pursuant to M.G.L. c.111, § 51, as a clinic of an Acute Care Hospital, which:
 - 1. enters into a provider agreement with the Division of Medical Assistance pursuant to 130 CMR 405.00; and
 - 2. files cost reports as requested by the Division.

Medicaid. The Massachusetts Medicaid program administered by the Division of Medical Assistance.

Medicare HMO. A health maintenance organization licensed by the Division of Insurance under M.G.L. c.176G, which contracts with the federal Medicare program to provide health care services to Medicare beneficiaries.

Patient Care Costs. The total costs for providing medical services to patients, as reported on the DHCFP-403 hospital cost report or Community Health Center cost report.

Uncompensated Care Pool. The Uncompensated Care Pool established pursuant to M.G.L. c.118G, § 18.

8.03: Grant Categories and Application Criteria

There are three Grant Categories. Each grant category has specific application criteria. In each category, only entities that meet all of the conditions for that category may apply. The Division will not review applications that do not meet these minimum criteria.

(1) Negatively Impacted by Loan to the City of Quincy. An Acute Care Hospital negatively impacted by the loan to the City of Quincy may apply for a grant only if it meets all of the following criteria:

- (a) The Applicant must be an Acute Care Hospital currently participating in the Uncompensated Care Pool.
- (b) At least one of the top 15 zip codes from which the Applicant draws its patients must be adjacent to the city of Quincy. Zip codes that are adjacent to the city of Quincy are: 02122, 02124, 02184, 02186, 02187, 02191, and 02368.

(2) Community Health Centers Experiencing Severe Financial Distress. A Community Health Center experiencing severe financial distress may apply for a grant only if it meets all of the following criteria.

- (a) The Applicant must be one of the following:
 - 1. A Freestanding Community Health Center currently participating in the Massachusetts Medicaid program; or
 - 2. A Hospital-Based Community Health Center currently participating in the Uncompensated Care Pool.
- (b) The Applicant must demonstrate one or more of the following:
 - 1. It is provisionally qualified or not qualified by the Department of Public Health to contract to provide services for the Commonwealth.
 - 2. It has a Fiscal Year 1999 operating deficit.
 - 3. It has a Fiscal Year 1999 negative fund balance.

(3) Acute Care Hospitals Impacted by the Withdrawal of a Medicare HMO. An Acute Care Hospital substantially impacted by the recent or imminent withdrawal of a Medicare health maintenance organization from its service delivery area may apply for a grant only if it meets all of the following criteria.

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

8.03: continued

- (a) The Applicant must be an Acute Care Hospital currently participating in the Uncompensated Care Pool.
- (b) The Applicant must be located in a service delivery area from which a Medicare HMO withdrew during Calendar Year 1999, or from which a Medicare HMO announced, during Calendar Year 1999, a date by which it will withdraw.

8.04: Application Procedure

- (1) The Division will hold an Applicants' Conference on December 8, 1999 from 10:00A.M. – 12:00 noon at the Division of Health Care Finance and Policy, 5th floor, 2 Boylston Street, Boston, MA 02116. The Division will answer questions posed at the Applicants' Conference. The Division will also accept written questions until December 10, 1999. Answers to questions posed at the Applicants' Conference or in writing will be made available by December 16, 1999 and will be posted on the Division's website at www.state.ma.us/dhcfp as soon as possible.
- (2) The Division requests Applicants to submit a letter of intent by December 20, 1999. The letter should state the Grant Category for which the Applicant intends to apply. A letter of intent is not required in order to receive a grant.
- (3) Application Deadline. The Division must receive ten paper copies, plus one copy on diskette in Word version 6.0 or higher, of the table of contents and narrative described in 114.5 CMR 8.05(1)(a) and (b) and 114.5 CMR 8.05(2), and five copies of the attachments described in 114.5 CMR 8.05(1)(c), by 4:00 P.M., Monday, January 3, 2000. The review Committee will not consider Applications received after that date and time. Applications must be submitted to the Division's offices at 2 Boylston Street, 5th floor, Boston, MA 02116.
- (4) Special Extended Process. There is an extended filing deadline for Applicants applying for the Negatively Impacted by the Loan to the City of Quincy Grant Category only. The Division must receive a letter of intent from Applicants wishing to apply under this extension by 4:00 P.M. Wednesday, January 12, 2000. The letter of intent must state the amount of grant funds the Applicant plans to request. The Division must receive ten paper copies, plus one copy on diskette in Word version 6.0 or higher, of the table of contents and narrative described in 114.5 CMR 8.05(1)(a) and (b) and 114.5 CMR 8.05(2), and five copies of the attachments described in 114.5 CMR 8.05(1)(c), by 4:00 P.M. Thursday, January 27, 2000. The review Committee will not consider incomplete Applications or Applications received after that date and time. Applications must be submitted to the Division's offices at 2 Boylston Street, 5th floor, Boston, MA 02116.

8.05: Application Materials

All Applicants must submit the materials required in 114.5 CMR 8.05.

- (1) Materials to be Submitted by All Applicants. Applicants must submit the following materials for all three Grant Categories.
 - (a) Table of Contents listing at least all of the items required in 114.5 CMR 8.05.
 - (b) Narrative. The narrative may not exceed 20 pages, and must include the following items.
 - 1. General overview briefly describing the current situation of the Applicant, the Grant Category for which it is applying, and how the grant money will be used.
 - 2. Explanation of the source or cause of the Applicant's financial hardship.
 - 3. Description of the financial problem.
 - 4. Description of intended use of funds and how these funds would help resolve the problem.
 - 5. Detailed justification for the amount of funds needed, including how these funds would be used in conjunction with other funds from the Commonwealth, a parent corporation, other grants, or other revenue sources, or why no other funds are available.
 - 6. Description of current management practices, including systems for accountability and internal control.

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

8.05: continued

- (c) Attachments. The following attachments must be included in the application.
1. A complete set of Fiscal Year 1998 and Fiscal Year 1999 audited financial statements. Financial statements approved by the board as truly representing the financial situation of the institution may be substituted for years in which audited financial statements are not yet available.
 2. Internal management letter from independent auditor.
 3. Minutes of the Board meeting where the Applicant's independent auditor presented its financial statements to the Board.
 4. Projected Fiscal Year 2000 budget (revenues, expenses and underlying assumptions).
 5. Projected Fiscal Year 2000 monthly cash flows.
 6. Unduplicated census count (registered patients plus number of walk-ins) for Fiscal Years 1997, 1998 and 1999.
 7. Minutes of the Board meeting where the Board approved this application for relief.

(2) Materials Required for Specific Grant Categories. In addition to the materials required in 114.5 CMR 8.05(1), Applicants must submit the specific materials described under the Grant Category for which they are applying.

- (a) Negatively Impacted by Loan to the City of Quincy. Applicants for relief under 114.5 CMR 8.05(2) must include in the Narrative, required under 114.5 CMR 8.05(1)(b), an explanation of the impact of the City of Quincy relief on the Applicant.
- (b) Community Health Centers Experiencing Severe Financial Distress. Applicants for relief under 114.5 CMR 8.05(2)(c) must include in the Narrative, required under 114.5 CMR 8.05(1)(b), a description of the populations served by the center, and the ability of these populations to receive services elsewhere.
- (c) Acute Care Hospitals Impacted by the Withdrawal of a Medicare HMO. Applicants for relief under 114.5 CMR 8.05(2) must include in the Narrative, required under 114.5 CMR 8.05(1)(b), a description of the impact of the withdrawal of the Medicare HMO on the Acute Care Hospital, as well as the impact on members (or former members) of the Medicare HMO.

8.06: Criteria for Awarding Grants

The grant review Committee will evaluate all applications for Grant Categories using the criteria in 114.5 CMR 8.06(1). In addition, the Committee will evaluate the request for a grant under a specific Grant Category using the relevant criteria in 114.5 CMR 8.06(2).

(1) General Criteria for All Grants. Applicants for grants under all three subsections must meet all of the following general criteria.

- (a) Financial Hardship. If an Applicant is a department of a larger entity, *i.e.* if the Applicant's costs and revenues are reported only as part of a larger entity's cost reports and financial statements, financial data for the larger entity will be used to determine financial hardship. The following indicators will be used to measure the degree of an Applicant's financial hardship.
1. Low Fiscal Year 1998 and Fiscal Year 1999 operating and total margins.
 2. High Fiscal Year 1998 allowable free care Charges as a percent of total Charges (Acute Care Hospitals) or Fiscal Years 1998 and 1999 Uncompensated Care Pool revenues as a percent of total revenues (Community Health Centers).
 3. High Fiscal Year 1999 Debt to Equity Ratio.
 4. Low Fiscal Year 1999 Current Ratio.
 5. Low Fiscal Year 1999 Days Cash on Hand.
- (b) Need for One-Time Grant.
1. Funding must be applied toward resolving a clearly identified problem.
 2. Resolving the problem must be reasonably expected to alleviate any recurring need for such grants.
 3. If the problem has not yet been resolved, the Applicant must have a well-defined plan for resolving the problem, and the funding must be necessary for the implementation of the plan.

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

8.06: continued

4. If the problem has already been resolved, the funding may be used to retire debt that was taken on in order to resolve the problem. The Applicant must provide evidence that the problem was resolved and that the debt was clearly related to the problem.
 5. Funding from other sources is not available or is insufficient to resolve this problem, including previous relief from the Commonwealth, a parent corporation and other sources.
 6. One-time hardship relief grants may not be used to fund ongoing service delivery costs or program expansions, unless there is a well-defined revenue source that will replace the grant.
 - (c) Strong Management Practices. Applicants shall demonstrate adherence to, or an ability and willingness to develop, the following practices, which are intended to alleviate any recurring need for hardship relief. The Applicant must:
 1. Operate in compliance with all federal, state and local laws and regulations. If a government agency has required the Applicant to change its procedures as the result of an audit or other review, the Applicant must currently:
 - a. be in compliance with the agency's policies; or
 - b. must be in compliance with a plan, approved by the agency, to come into compliance over time.
 2. Provide high quality patient care that meets or exceeds industry norms. If there are outstanding state licensure issues, the Applicant must be in compliance with a plan, approved by the Department of Public Health, to resolve these issues.
 3. Document a monthly practice of comparing actual revenues and costs to budgeted revenues and costs, and identifying the cause of variances.
 4. Document monthly financial reports to the Applicant's board.
 5. Document that it has a process for board review of audited financial statements.
 6. Document that it has accountability and internal control systems appropriate for the size of the facility.
 7. Be moving toward meeting or exceeding industry norms for productivity and efficiency, such as: days in accounts receivable, days payable, asset turnover, and cost efficiency.
 8. Have adjusted its operations to reflect any changes in its consumer base and utilization.
- (2) Specific Criteria for Grant Categories. Applicants must meet all the criteria under one of the three Grant Categories. One entity may receive a grant under only one of the Grant Categories.
- (a) Negatively Impacted by Loan to the City of Quincy.
 1. The Applicant must be an Acute Care Hospital currently participating in the Uncompensated Care Pool.
 2. The Applicant must be negatively impacted as a direct result of the loan to the City of Quincy.
 3. One of the top 15 zip codes from which the Applicant draws its patients must be adjacent to the city of Quincy. Zip codes that are adjacent to the city of Quincy are: 02122, 02124, 02184, 02186, 02187, 02191, and 02368.
 4. The Applicant incurs among the highest uncompensated care costs of Acute Care Hospitals in the Commonwealth, as measured by Allowable Free Care Charges as a percentage of Gross Patient Service Revenue.
 - (b) Community Health Centers Experiencing Severe Financial Distress.
 1. The Applicant must be one of the following:
 - a. a Freestanding Community Health Center currently participating in the Massachusetts Medicaid program; or
 - b. a Hospital-Based Community Health Center currently participating in the Uncompensated Care Pool.
 2. The Applicant must be experiencing severe financial distress, as demonstrated by the combined effects of several of the following:
 - a. Substantial operating deficits in Fiscal Year 1998 or Fiscal Year 1999.
 - b. Negative or extremely low fund balance in Fiscal Year 1998 or Fiscal Year 1999.
 - c. High Fiscal Year 1999 Debt to Equity Ratio.
 - d. Low Fiscal Year 1999 Current Ratio.

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

8.06: continued

- e. Low Fiscal Year 1999 Days Cash on Hand.
- f. High uncompensated care costs (Allowable Free Care Charges as a percentage of total Gross Patient Service Revenue for Acute Care Hospital-based Community Health Centers, Uncompensated Care Pool revenues as a percentage of total operating revenues for freestanding Community Health Centers).
- 3. The Applicant must serve vulnerable population(s) for whom similar services are not available elsewhere.
- 4. If the Applicant is a Hospital-Based Community Health Center, its Allowable Free Care Charges as a percentage of total Gross Patient Service Revenue must be above the 75th percentile of all Acute Care Hospitals in Massachusetts in Fiscal Year 1998.
- (c) Acute Care Hospitals Impacted by the Withdrawal of a Medicare HMO.
 - 1. The Applicant must be an Acute Care Hospital currently participating in the Uncompensated Care Pool.
 - 2. The Applicant must be located in a service delivery area from which a Medicare HMO withdrew during Calendar Year 1999, or from which a Medicare HMO announced, during Calendar Year 1999, a date by which it will withdraw.
 - 3. The Applicant must be substantially impacted by the withdrawal of the Medicare HMO because:
 - a. Significant numbers of patients lost their Medicare HMO coverage; and
 - b. Patients have no or severely limited remaining Medicare HMO coverage options.
 - 4. Use of the relief funds must be directly related to continuation of services for Medicare HMO patients.

8.07: Review and Selection Procedure

- (1) The Division will establish a grant review Committee, comprised of state agency staff. The Committee will review all required application materials submitted by all entities eligible to apply for grants under 114.5 CMR 8.03.
- (2) The Committee will review the applications in accordance with the award criteria in 114.5 CMR 8.06. The Committee may request an Applicant to submit any additional information it deems necessary to complete its review, including an oral presentation. The Division must receive all requested additional materials within five business days of the Committee's request in order for the Committee to consider the additional materials.
- (3) The Committee will recommend to the Commissioner Applicants to receive grants, the amounts to be awarded, and any additional steps the Applicants must take in order to demonstrate strong management practices. The Committee must make awards in all three Grant Categories, unless no Applicant meets all the criteria required for a Grant Category. One entity may not receive an award in more than one Grant Category. The Committee may make multiple awards in each Grant Category.
- (4) The Committee may award an amount higher or lower than that requested by the Applicant. Awards will be made based on the availability of funds, the degree to which an Applicant meets the criteria in 114.5 CMR 8.06, and the degree to which the grant meets the Applicant's need for such funding. The total amount of the grants awarded will be \$7 million.
- (5) The Commissioner will make the final award decisions based on the recommendations of the Committee and the criteria in 114.5 CMR 8.06. The Commissioner's decisions are final and not subject to appeal.
- (6) The Division will notify all Applicants of their selection or non-selection for an grant.
- (7) All Applicants selected to receive a grant must execute contracts with the Division, as required by 815 CMR 2.05, in order to receive payment.

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

8.08: Severability

The provisions of 114.5 CMR 8.00 are severable. If any provisions or the application of any provision to any Acute Care Hospital or Community Health Center or circumstances is held invalid or unconstitutional, and such invalidity shall not be construed to affect the validity or constitutionality of any remaining provisions of 114.5 CMR 8.00 or the application of such provisions to Acute Care Hospitals or Community Health Centers or circumstances other than those held invalid.

REGULATORY AUTHORITY

114.5 CMR 8.00: St.1999, c.101, § 2A.

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY
ADMINISTRATIVE SERVICES

NON-TEXT PAGE