

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations, CMSO

AUG 13 2009

Mr. Michael T. Hales, Director
Division of Health Care Financing
Utah Department of Health
P.O. Box 143101
Salt Lake City, UT 84114-3101

Re: Utah 08-013

Dear Mr. Hales:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 08-013. Effective for services on or after October 1, 2008, this amendment updates the reimbursement methodology for Disproportionate Share Hospital (DSH) Program payments for rural government-owned hospitals.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act (the Act) and the regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 08-013 is approved effective October 1, 2008. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Christine Storey at (303) 844-7044.

Sincerely,

Cindy Mann
Director
Center for Medicaid and State Operations

cc: Craig Devashrayee, UT DOH

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:
08-013-UT

2. STATE:
Utah

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTHCARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
October 1, 2008

5. TYPE OF PLAN MATERIAL (Check One)

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

Section 1902(a)(13)(A) of the SSA

7. FEDERAL BUDGET IMPACT:

a. FFY 2009 \$0
b. FFY 2010 \$0

BeB

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Page 10 of Attachment 4.19-A
Page 10.1 of Attachment 4.19-A
Page 11 of Attachment 4.19-A
Page 11.1 of Attachment 4.19-A
Page 11(a)(1) of Attachment 4.19-A

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Page 10 of Attachment 4.19-A
Page 11 of Attachment 4.19-A
Page 11.1 of Attachment 4.19-A
Page 11(a)(1) of Attachment 4.19-A

10. SUBJECT OF AMENDMENT:

Rural Disproportionate Share Hospital Payment (DSH)

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

David N. Sundwall, MD

14. TITLE:

Executive Director, Utah Department of Health

15. DATE SUBMITTED:

December 31, 2008

16.

16. RETURN TO:

Craig Devashrayee, Manager
Technical Writing Unit
Utah Department of Health
PO Box 143102
Salt Lake City, UT 84114-3102

17. DATE RECEIVED:

18. DATE APPROVED:

8-13-09

FOR REGIONAL USE ONLY

19. EFFECTIVE DATE OF APPROVED MATERIAL:

OCT - 1 2008

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

William Lasowski

22. TITLE:

Deputy Director, CMSO

23. REMARKS:

PLAN APPROVED - ONE COPY ATTACHED

INPATIENT HOSPITAL
Section 400 Adjustments for Disproportionate Share Hospitals

409 Introduction -- This section establishes criteria for identifying and paying disproportionate share hospitals (DSH). For the purpose of paying disproportionate share hospitals, there are six types of hospitals: first, private hospitals licensed as general acute hospitals located in urban counties; second, general acute hospitals located in rural counties; third, the State Psychiatric Hospital; fourth, the State Teaching Hospital; fifth, children's hospital; and sixth, frontier county hospitals in economically depressed areas. DSH funds not otherwise paid to qualifying hospitals shall be available, subject to the uncompensated care cost limits, to the State Teaching Hospital. DSH payments will not exceed the federal allotment and match amounts for any given period.

If any payments made under this section are disallowed in future periods, those disallowed amounts will be redistributed to other qualifying facilities. The redistribution of those payments will be based on the amount of remaining uncompensated care costs in the period of the disallowance and paid proportionally to the amounts previously paid for the period. Redistributions will not be counted against a facility's current year uncompensated care costs, unless the disallowance was for the current year.

410 Definitions -- For purposes of this section, the following definitions apply:

- A. Medicaid Inpatient Utilization Rate (MIUR) is the percentage derived by dividing Medicaid hospital Inpatient days (including Medicaid managed care inpatient days) by total inpatient days.
- B. Low Income Utilization Rate (LIUR) is the percentage derived by dividing total Medicaid revenues (including Medicaid managed care revenues) plus PCN revenues by total revenues and adding that percentage to the percentage derived from dividing total charges for charity care by total charges.
- C. Indigent patient days is the total of Medicaid patient days (including managed care days) plus PCN (see description in Section D which follows) patient days and other documented charity care days.
- D. PCN is a term used to describe the Utah Primary Care Network plan operated for low income recipients. The PCN became effective on July 1, 2002.
- E. Uncompensated Care means the amount of non-reimbursed costs written-off as non-recoverable for services rendered to the uninsured and includes the difference between the cost of providing services to those eligible for medical assistance under the State Plan and the payment for those services by the State, by Medicaid, or any other payer. (Uninsured is defined as any individual who does not have any credible third-party coverage for hospital services covered in this section. Qualifying hospitals should make every reasonable effort to determine if an individual has credible third-party coverage. The hospitals are the definitive source for uninsured information).

T.N. No. 08-013

Approval Date AUG 13 2009

Supersedes T.N. # 03-014

Effective Date 10-1-08

INPATIENT HOSPITAL
Section 400 Adjustments for Disproportionate Share Hospitals

410.1 Uncompensated Care Cost (UCC) Calculation — For each qualifying hospital, the Department will calculate UCC by applying the provider-specific cost-to-charge ratios to charges for services provided to Title XIX and uninsured patients, and subtracting applicable payments from the costs of those services. For purposes of the cost-to-charge ratio calculation, the Department will use the then most recently filed and available provider-specific cost report ratio information.

411 Obstetrical Services Requirement — Hospitals offering non-emergency obstetrical services must have at least two obstetricians providing such services. For rural hospitals, an “obstetrician” is defined to include any physician with staff privileges who performs non-emergency obstetrical services at the hospital. This requirement does not apply to children’s hospitals nor to hospitals which did not offer non-emergency obstetrical services as of December 22, 1987.

412 Minimum Utilization Rate — All DSH hospitals must maintain a minimum of 1% Medicaid Inpatient Utilization Rate.

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INPATIENT HOSPITAL
Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

413 Hospitals Deemed Disproportionate Share -- A hospital is deemed a disproportionate share provider if, in addition to meeting the obstetrical (Section 411) and the minimum utilization rate requirements (Section 412), it meets at least one of the following five conditions:

- A. The hospital's MIUR is at least one standard deviation above the mean MIUR. The disproportionate share computed percentage is based on the number of percentage points that an individual hospital indigent patient days exceeds the statewide average plus one standard deviation.
- B. The hospital's LIUR rate exceeds 25 percent.
- C. The hospital's MIUR exceeds 14 percent.
- D. The hospital's PCN participation is at least 10 percent of the total of all Utah hospitals PCN patient care charges.
- E. Hospitals located in rural counties qualify because they are sole community hospitals. A sole community hospital is defined as a hospital that is located more than 29 miles from another hospital.

414 Payment Adjustment for General Acute Urban (excluding State Teaching Hospital and Childrens' Hospital) -- General Acute Urban Hospitals (Paid by DRGs) and meeting the qualifying DSH criteria are paid a DSH amount on each inpatient claim. The DSH Factor is derived by dividing the indigent inpatient days by the total general acute days for each hospital and multiplying by a "ceiling factor". The "ceiling factor" is an artificial factor assigned to ensure that DSH payments do not exceed federal DSH limits. The resulting percentage (DSH Factor) is rounded to the nearest whole percent. The DSH payment amount is the product of the Medicaid DRG payment times the DSH factor.

415 Payment Adjustment for General Acute Rural -- General Acute Rural Hospitals are paid at a DSH payment amount on each inpatient claim. The hospital must qualify based on the criteria shown in section 413 above. The DSH factor is derived by dividing the indigent patient days by the total general acute days for each hospital and multiplying by a "ceiling factor". The "ceiling factor" is an artificial factor assigned to ensure that DSH payments do not exceed federal DSH limits. The resulting percentage (DSH factor) is rounded to the nearest whole percent. The DSH payment amount is the product of the Medicaid payment times the DSH factor. Qualifying rural hospitals will be allowed to participate in a special DSH allotment set aside for government-owned rural hospitals.

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INPATIENT HOSPITAL
Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

This additional DSH payment will be based on the lesser of \$862,000 per federal fiscal year per hospital or the hospital's uncompensated care. Annually, the additional DSH payment will be adjusted proportionally to reflect increases or decreases in the DSH allotment provided by the Centers for Medicare and Medicaid Services to the Department.

Any government-owned hospital that can demonstrate a level of uncompensated care that is a minimum equal to these amounts may qualify. The exception to this is any hospital that has previously qualified for additional DSH payments under Section 419 of the State Plan.

The actual yearly amounts available to each hospital will vary depending on the Federal Medical Assistance Percentages (FMAP) rate in effect for the period involved and the amount of DSH funding available.

The method and timing of the payment of this additional DSH will be according to the following:

1. Each qualifying hospital must submit a "Rural Uncompensated Care and DSH Survey" documenting the level of uncompensated care they provided. This survey is developed and communicated by the Utah Department of Health and is available on the Medicaid website at <http://health.utah.gov/medicaid>. Qualifying hospitals may submit their surveys monthly, quarterly, semi-annually, annually, or any combination thereof. Qualifying hospitals may also amend previously submitted data, in the fiscal period, to reflect updated information in that period. The final, or annual survey if elected, must be submitted to the Department within sixty (60) days of the end of the federal fiscal period. A final payment for the federal fiscal period just ended will then be made.
2. These DSH payments will not exceed the total allowed for each facility. A facility may, however, reach its maximum payout prior to the end of the federal fiscal year if there is adequate, documented uncompensated care in early quarters. Payments will be made following the receipt of the qualifying facility's uncompensated care survey, as such, this may be monthly, quarterly, semi-annually, annually, or any combination thereof. Once a facility has reached the annual allotment maximum, no additional payments will be made.

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INPATIENT HOSPITAL
Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

419 Depressed Frontier County Hospitals - Rural government owned hospitals, which can establish that they meet all of the following conditions, will qualify for additional DSH payments:

- Is in an economically depressed area as determined by State and Federal definitions;
- Is a sole community provider as defined in "413" of State Plan of Utah;
- Has less than 30 acute (not including nursery) licensed beds (based on current licenser);
- Has a Medicaid census that totals a minimum of 33% of all patient (non nursery) days of service provided (based on last completed hospital fiscal year);
- Exhibits a population density of one-third of the population density qualification level necessary to qualify as a frontier area (that is, an area with fewer than two* residents per square mile based on the latest population data published by the Bureau of the Census) or in an area that meets the criteria for a remote location adopted by the State in its rural health care plan, and approved by CMS, under section 1820(b) of the Act.

Payment of this additional DSH payment will be \$1,000,000 per year (including both state and federal share and the uncompensated care (UC) that the hospital experiences, whichever is less. Annually, the additional DSH payment will be adjusted proportionally to reflect increases or decreases in the DSH allotment provided by the Centers for Medicare and Medicaid Services to the Department. Any participating hospital(s) will be entitled to its pro rata share of this amount depending on its relative percentage of documented UC when compared to all applying hospitals on a relative basis.

For example: Hospital A and Hospital B meet all qualifying criteria as mentioned above. Hospital A has \$600,000 in UC and Hospital B has \$400,000 in UC. These two hospitals will therefore share the allocated DSH of \$1,000,000 according to the following:

	<u>UC</u>	<u>UC %</u>	<u>Share of Augmented DSH</u>
Hospital A	\$600,000	60%	\$600,000 (60% of \$1,000,000)
Hospital B	\$400,000	40%	\$400,000 (40% of \$1,000,000)

*Population density to qualify as a frontier area is currently at 6 persons/sq. mile. One third of this is 2 persons/sq. mile.

T.N. No. 08-013

Approval Date AUG 13 2009

Supersedes T.N. # 03-014

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OS Notification

State/Title/Plan Number: Utah 08-013
Type of Action: SPA Approval
Required Date for State Notification: September 2, 2009
Fiscal Impact: FFY 2009 \$0

Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0

Number of Potential Newly Eligible People: 0

Eligibility Simplification: No

Provider Payment Increase: No

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: No

Reduces Benefits: No

Detail: This amendment increases the pool amount of available DSH funds for a special DSH allotment that is set aside for qualifying government owned rural hospitals. The plan language is revised from the current amount of \$611,294 to \$862,000, or the provider's uncompensated care cost limit, whichever is less. There is no FFP impact associated with the amendment, as the increase in this pool amount is offset from the urban provider DSH pool. There are 7 qualifying facilities. The source on non-Federal share is from a long-standing IGT mechanism (i.e., City and County). CMS has no funding concerns at this time, specific to this amendment or otherwise.

Other Considerations: This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor. This OSN has been reviewed in the context of the ARRA and approval of the OSN is not in violation of ARRA provisions.

CMS

Contact: Christine Storey, (303) 844-7044
National Institutional Reimbursement Team