

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

An example of both the eligibility and payment adjustment computations are attached.

6.3000 Allocation of DSH Funds

Effective for DSH calculations beginning July 1, 2007, total available DSH funds shall be distributed among DSH eligible facilities as defined in 6.10000 above based upon each facility's burden of uncompensated care costs relative to their peers. The calculation of the total available DSH funds and the DSH funding pools is contained at Section 6.3000 B. In addition, pools of DSH funding will be established for like groups of facilities to establish limitations on the available funding for each pool.

- A. Available DSH funds to the following types of hospitals will be limited as follows:
- a. Out-of-State hospitals – DSH eligible out-of-state hospitals will share in a pool of DSH funds. The pool of DSH funds available for DSH eligible out-of-state hospitals will be calculated each year and limited to no more than 10% of the Federal DSH allotment for the State of Kansas. The amount of the out-of-state DSH pool is displayed in the table at 6.3000 B.
 - b. State-owned or operated teaching facilities – DSH eligible hospitals that are state-owned or operated and provide graduate medical education programs will share in a pool of DSH funds. The pool of DSH funds available for DSH eligible state-owned or operated teaching hospitals will be calculated each year, and limited to no more than .25% of the Federal DSH allotment for the State of Kansas. The amount of the out-of-state DSH pool is displayed in the table at 6.3000 B.
 - c. In-state hospitals eligible for DSH payments that are not classified as institutes for mental disease (IMDs) and were not included in either of the pools of Section 6.3000 A. a. or b. above will be distributed the remaining DSH funds for non-IMD hospitals. The remaining DSH funds for distribution to this pool will consist of the Federal DSH allotment for the state of Kansas for non-IMD hospitals less the DSH payments calculated for DSH eligible hospitals included in Sections 6.3000 A. a. and 6.3000 A. b.
- B. Pools will be established in the following order:
1. IMD Pool
 2. Out-of-State Pool
 3. State-Owned/Operated Teaching Hospital Pool
 4. Other-in-state DSH Eligible Hospital Pool

The following table illustrates the total DSH funds available for federal fiscal year 2010 and the amounts allocated to each pool.

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	<u>Federal FY 2010</u>
Total Federal DSH Allotment	42,617,326
FMAP	<u>60.38%</u>
Total DSH Funds Available	70,581,858
Federal Limit on DSH for IMD's	<u>23,292,013</u>
DSH Funds for Non-IMD Hospitals	<u><u>47,289,845</u></u>
 Pools of Non-IMD DSH for Federal FY 2010	
Out of State Hospitals	4,728,985
State-Owned/Operated Teaching Hospitals	118,225
Other in-state DSH Eligible Hospitals	<u>42,442,635</u>
Total	<u><u>47,289,845</u></u>

- C. The initial allocation of DSH funds will be made to hospitals that lose eligibility in any given year, that were eligible for DSH funds in each of the preceding two years. These hospitals will be eligible to receive 50% of their previous year's payment in the year they initially lose eligibility. Hospitals eligible under this provision will receive the lesser of 50% of their previous year's payment, or their UCC as defined in 6.2000 B. In addition, to be eligible for any payment these hospitals must continue to meet the minimum eligibility criteria of 1% Medicaid utilization and the Federal obstetrician requirement.

- D. The allocation of DSH funds among eligible hospitals that are not IMD will distribute DSH funds proportionally to hospitals in each pool based upon each hospitals relative burden of uncompensated care costs to total facility expenses, as follows:
 - a. Hospital Burden: The hospital burden of each DSH eligible hospital is calculated to determine the percentage of the hospital's business that is related to providing uncompensated care. This burden is calculated by dividing the hospital's UCC as defined in Section 6.2000 B., by the hospital's total cost. For purposes of the hospital burden calculation, the total hospital costs will be determined from the

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6.3000 Allocation of DSH Funds (continued)

hospital's cost report as identified in Section 6.2000 B. The total hospital cost will be the total cost from Worksheet B Part I of the cost report less any costs associated with non-hospital services such as: Skilled Nursing Facilities (SNF), Nursing Facility (NF), Rural Health Clinics (RHC), and Federally Qualified Health Centers (FQHC). The hospital burden will be calculated as follows:

- i. F = Facility's Burden ($UCC / \text{Total Costs}$)
The term "Total Costs" as used in this section is referring to the total hospital related costs, excluding any SNF, NF, clinics, etc.
- ii. F^L = Lowest % Burden of DSH Eligible Facilities
- iii. F^H = The Average of the Three Highest % Burdens of DSH Eligible Hospitals
- b. Range of DSH Proportion:
 - i. $P = \text{Percentage Rank} = (F - F^L) / (F^H - F^L)$
 - ii. P^L = Proportion of Rank-Adjusted DSH Limit Covered – P^L represents the proportion of the percentage rank-adjusted UCC cost that will be covered for the hospital. The proportion P^L is the same for each hospital and cannot exceed 100%. The Proportion of Rank-Adjusted DSH Limit Covered is one of the final elements calculated in the DSH methodology and is incrementally raised or lowered until the entire Federal DSH allotment for the State of Kansas has been allocated.
 - iii. P^H = Maximum Percentage Rank (P^H is fixed at 100% to ensure that each facility's UCC is not exceeded).
 - iv. D = Facility's UCC
- c. Formula for DSH Payment:
 - i. If $P > P^H$ then $P^L \times (P^H \times D)$ else $P^L \times (P \times D)$

E. Eligible hospitals that are defined as Institutes for Mental Disease (IMD) will receive an allocation of DSH funds from the allotted IMD pool as defined in 6.3000 B above. The allocation to DSH eligible IMD hospitals will be calculated by dividing each eligible IMD hospital's UCC by the total UCC for all DSH eligible IMD hospitals. The percentage calculated will then be multiplied times the total allotment for IMD hospitals as defined in section 6.3000 B above. Each IMD hospital will receive the lower of the calculated amount or their UCC as defined in 6.2000 B.

6.4000 Transition Provisions

The following transition provisions are provided to allow hospitals that experience a significant change in their allocated DSH funds due to the new methodology, a gradual change in their DSH reimbursement. The base period for transition calculations will be the DSH payments that were calculated for fiscal year 2007. The transition provisions vary among the critical access hospitals (CAH), and the non-CAH. The transition provisions will be applied to the computed DSH payments in the following order:

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6.4000 Transition Provisions (continued)

- A. Transition for CAH will be accomplished as follows:
 - a. CAH that experience an increase in their allocated DSH funds will receive 100% of that increase.
 - b. CAH that experience a decrease in their allocated DSH funds will receive the lesser of their 2007 payment or their facility specific DSH limit so long as they continue to meet the minimum eligibility criteria of 1% Medicaid utilization and the Federal obstetrician requirement.

- B. Transition for non-CAH will be accomplished over a three year transition period as follows:
 - a. Non-CAH that experience a decrease in their allocated DSH funds will receive a reduction of 1/3 of the difference between the 2007 DSH funds and current allocation in SFY 2008, a reduction of 2/3 of the difference between 2007 DSH funds and the current allocation in SFY 2009, and will receive the calculated allocation for 2010. The hospital will receive the lesser of the transition amount calculated or the hospital's UCC.
 - b. Non-CAH that experience an increase in their calculated DSH reimbursement will receive a percentage, determined annually by Medicaid, of their calculated amount. This percentage will be calculated after the other DSH calculations and transition provisions have been calculated. The percentage will start at 100% and be incrementally lowered until the result of the DSH allocation is equal to the Federal DSH allotment for the state of Kansas.

6.5000 Request for Review

If a hospital is not determined eligible for disproportionate share payment adjustment according to 6.1000, a hospital may request in writing a review of the determination within 15 days from the notification of the final payment adjustment amount. Any data supporting the redetermination of eligibility must be provided with the written request.

- A. Appeals rights are limited to errors in the DSH formula and errors that may result in material overstatement of DSH based on data submitted in the provider's DSH form.

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OS Notification

State/Title/Plan Number: Kansas 09-010

Type of Action: SPA Approval

Required Date for State Notification: 2/04/2010

Fiscal Impact: FFY 10 \$1,198,750 FFY 11 \$1,198,750

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

Number of Potential Newly Eligible People: 0

or

Eligibility Simplification: No

Provider Payment Increase: Yes or Decrease: No

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Detail:

Effective November 4, 2009, this amendment modifies the methodology for Disproportionate Share Hospital payments. Specifically, this amendment updates the plan to allocate the State's Federal fiscal year 2010 DSH allotment to the 4 payment pools, and adjusts the payment formula to ensure that all qualifying DSH hospitals receive a proportionate payment relative to its uncompensated care level.

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:

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National Institutional Reimbursement Team