

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

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 / 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. $P^L = \text{Proportion of Rank-Adjusted DSH Limit Covered} - P^L$ 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. $P^H = \text{Maximum Percentage Rank}$ (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.

F. Reallocation of DSH Funds: Upon completion of the certified DSH audit for the audited period, the State will re-run the entire DSH distribution formula for the audited period as outlined in Section 6.3000.D, using the corrected levels of uncompensated care (for the audited period). The DSH allocation for the audited period will be used for the re-run and redistribution. The redistribution will result in a neutral transaction for State and Federal funds. The transaction will be identified using a reason code in MMIS called "Prior Period DSH Adjustment".

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The redistribution will be performed if the following thresholds are met. The reopening threshold is a change of 8% (positive or negative) of the original DSH amount for any (single) hospital, or if an adjustment to any single hospital is greater or equal to \$30,000 (positive or negative).

Interim Audit Adjustment: Upon completion of the audit review of the survey data period utilized for the initial (original) DSH distribution, the state may update the original (interim) DSH distribution to audited amounts if it is believed that the adjustment will materially change the original distribution. The initial DSH distribution is based on survey data described at 6.3000.D. This adjustment would effectively be an interim adjustment to-be-settled. The final DSH distribution is based on the certified DSH audit results, which utilizes provider data that is contemporary with the audited DSH period. The materiality threshold utilized for this interim adjustment is as follows is the same as noted for the final redistribution

- G. **Provider Payment Adjustment:** If a provider Medicaid non-DSH payment (claims, supplemental, etc) is adjusted in a subsequent period and the amount previously was included in the calculation of the provider's uncompensated care, the claims payment adjustment impact on uncompensated care for DSH will be reflected in the period of adjustment (repayment). As such, the transaction will be treated prospectively and prior year DSH payments will not be adjusted.

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:

OS Notification

State/Title/Plan Number: Kansas 10-018

Type of Action: SPA Approval

Required Date for State Notification: 06/16/2011

Fiscal Impact: FFY 11 \$-0- FFY 12 \$-0-

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: No or Decrease: No

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Detail:

Effective December 17, 2010, this amendment modifies the Disproportionate Share Hospital (DSH) payment methodology to comply with the DSH Auditing and Reporting final rule that became effective on January 19, 2009. Provisions are being added to allow for an interim reconciliation to allowable costs and to provide for a recoupment and redistribution process for any DSH overpayments identified during the DSH audit.

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. Tribal consultation was not required for this amendment.

CMS Contact:

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