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State/Territory Name: KS

State Plan Amendment (SPA) #: 19-0012

This file contains the following documents in the order listed:

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

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

Financial Management Group

December 2, 2019

Adam Proffitt, State Medicaid Director
Kansas Department of Health and Environment
Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

RE: Kansas SPA 19-0012

Dear Mr. Proffitt:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 19-0012. This amendment updates the State's Disproportionate Share Hospital allotment allocation and payment methodology.

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(g) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 19-0012 is approved effective October 1, 2019. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Tim Weidler at (816) 426-6429.

Sincerely,

Kristin Fan
Director

cc:
Heather Juhring
Tim Weidler

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: KS 19-0012

2. STATE: Kansas

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

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
October 1, 2019

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
42 CFR §447 Subpart E

7. FEDERAL BUDGET IMPACT
a. FFY 2020 $0
b. FFY 2021 $0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, Outline Pages i and iii, Page 4, Page 4a (new), Page 26, Page 26a, Page 27, Page 28, Page 29, Page 29a (new), Page 30, Page 30a (new), Page 30b (new), Page 31, Page 31a, Page 32.

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*

Attachment 4.19-A, Outline Pages i and iii, Page 4, Page 26, Page 26a, Page 27, Page 28, Page 29, Page 30, Page 31, Page 31a, Page 32.

10. SUBJECT OF AMENDMENT
Update the allocation methodology for the Medicaid Disproportionate Share Hospital (DSH) allotment.

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:
Adam Proffitt is the Governor's Designee

12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME
Adam Proffitt

14. TITLE
State Medicaid Director

15. DATE SUBMITTED
September 10, 2019

16. RETURN TO
Adam Proffitt, State Medicaid Director
KDHE, Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED

18. DATE APPROVED DEC 02 2019

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL OCT 01 2019

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME Kristin Fan

22. TITLE Director, FMG

23. REMARKS

FORM CMS-179 (07/92

Instructions on Back

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

1.0000 continued

z. "Readmission" means the subsequent admission of a recipient as an inpatient into a hospital within 15 days of discharge as an inpatient from the same or another hospital participating in the DRG reimbursement system.

aa. "Recalibration" means the adjustment of all DRG weights to reflect changes in relative resource use associated with all existing DRG categories and/or the creation or elimination of DRG categories.

bb. "Standard diagnosis related group DRG) amount" means the amount computed by multiplying the group reimbursement rate for the general hospital by the diagnosis related group weight.

cc. State-operated hospital' means an establishment operated by the State of Kansas with an organized medical staff of physicians, with permanent facilities that include inpatient beds, with medical services, including physician services and continuous registered professional nursing services for not less than 24 hours of every day, and which provides diagnosis and treatment for nonrelated patients.

dd. "Stay as an inpatient in a general hospital" means the period of time spent in a general hospital from admission to discharge.

ee. "Transfer" means the movement of an individual receiving hospital inpatient services from one hospital to another hospital for additional related inpatient care after admission to the previous hospital or hospitals.

ff. "Transferring hospital" means the hospital which transfers a recipient to another hospital. There may be more than one transferring hospital for the same recipient until discharge.

gg. "Critical Access Hospital": Hospitals that are certified as critical access hospitals by Medicare.

hh. "Border city children's hospital" is defined as a comprehensive pediatric medical center with 200 beds or more, a level I pediatric trauma center, and at least a level IIIc intensive care nursery. The border city children's hospital must be located in a Kansas border city. A Kansas border city means those communities outside of the state of Kansas, but within a 50-mile range of the state border.

ii. "Hospital located in a frontier county": A hospital located within a county where the population is fewer than 6.90 persons/sq. mi. The population density is taken from the 2010 Census.

jj. "Hospital located in a rural county": A hospital located within a county where the population is 6.0 – 19.9 person/sq. mi. The population density is taken from the 2010 Census.

kk. "Hospital located in a densely-settled rural county": A hospital located within a county where the population is 20.0 - 39.9 persons/sq. mi. The population density is taken from the 2010 Census.

ll. "Large Hospital" is defined as any hospital in the State of Kansas with 500 or more available beds, as reported on the Medicare cost report, defined in Section 6.2000 B.

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

2.0000 Reimbursement for Inpatient General Hospital Services According to Diagnosis Related Groups (DRGs)

2.1000 Hospital Participation Effective Date

Effective with services provided on or after October 1, 2000, general hospitals will be paid in accordance with the Kansas Medicaid/MediKan Diagnosis Related Groups (DRG) Reimbursement System described in 2.0000 and 3.0000. This does not include state-operated hospitals. State-operated hospitals are discussed in 4.0000.

2.2000 Billing Requirements

This section describes variations in how billings should be made by hospitals.

2.2100 General Billing

Under the DRG Reimbursement System a hospital may bill only upon discharge of the recipient except as noted in subsections 2.2200 and 2.2300.

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

5.0000 Reimbursement for NF Services (Swing Beds) in General Hospitals

Reimbursement for NF services (swing beds) provided in general hospitals (swing bed hospitals) shall be pursuant to 42 CFR 447.280.

6.0000 Disproportionate Share Payment Adjustment

The Kansas Medical Assistance Program shall make a reimbursement adjustment for disproportionate share hospitals which are either located in the State of Kansas or located outside of the State of Kansas but operate a hospital that is located within the State of Kansas. The reimbursement adjustment for disproportionate share hospitals shall be made for hospitals eligible under criteria contained in 6.1000 below. The calculated reimbursement adjustment will be made in quarterly installments to DSH eligible hospitals.

For hospitals to be eligible under 6.1000, they must have at least 2 obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services under the State Plan, except where the hospital serves predominantly individuals under 18 years of age, or where non-emergency obstetric services to the general population were not offered as of July 1, 1988. In rural areas the term "obstetrician" includes any physician with staff privileges at the hospital to perform non-emergency obstetric procedures. Please see section 6.5000 for additional instructions.

All references in the Disproportionate Share sections to Medicaid payments and days refer to both fee for service and managed care.

6.1000 Eligibility for DSH Payment

Eligibility for Disproportionate Share Hospital (DSH) payments shall be determined if:

(A) The hospital's Medicaid inpatient utilization rate exceeds the lesser of one standard deviation above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments in the State or 25 percent; or

(B) The hospital's low-income utilization rate exceeds 25 percent.

(C) For purposes of paragraph (A), the term "Medicaid inpatient utilization rate" means, for a hospital, a fraction (expressed as a percentage), the numerator of which is the hospital's number of inpatient days attributable to patients who (for such days) were eligible for medical assistance under a State plan approved under this title in a period (regardless of whether such patients receive medical assistance on a fee-for-services basis or through a managed care entity), and the denominator of which is the total number of the hospital's inpatient days in that period. In this paragraph, the term "inpatient day" includes each day in which an individual (including a newborn) is an inpatient in the hospital, whether or not the individual is in a specialized ward and whether or not the individual remains in the hospital for lack of suitable placement elsewhere.

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

6.1000 Eligibility for DSH Payment (continued)

(D) For purposes of paragraph (B), the term "low-income utilization rate" means, for a hospital, the sum of –

(1) the fraction (expressed as a percentage) –
   a. the numerator of which is the sum (for a period) of (I) the total revenues paid the hospital for patient services under a State plan approved under this title (regardless of whether the services were furnished on a fee-for-service basis or through a managed care entity) and (II) the amount of the cash subsidies for patient services received directly from State and local governments, and
   b. the denominator of which is the total amount of net inpatient revenues of the hospital for patient services in the period; and

(2) a fraction (expressed as a percentage) –
   a. the numerator of which is the total amount of the hospital's charges for inpatient and outpatient hospital services which are attributable to charity care in a period less the portion of any cash subsidies described in (1) a. in the period reasonably attributable to inpatient hospital services, and
   b. the denominator of which is the total amount of the hospital's charges for inpatient hospital services in the period.

(E) Hospitals will be deemed disproportionate share hospitals in accordance with 42 U.S.C. §1396r-4(b).

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

6.2000 Limitation on DSH Payments

A. Limitation on Total DSH Funds Allocated
The allocation of DSH funds is structured so as not to exceed the allotment determined by Centers for Medicare & Medicaid Services (CMS) in accordance with section 1923(f)(3) of the Social Security Act. As the DSH payment methodology described in subsequent sections allocates only available DSH funding, in no case shall allocated DSH funds exceed the Kansas federal allotment.

B. All Hospitals are limited to no more than their Uncompensated Care Costs (UCC). UCC is the uncompensated cost of care to the Kansas portion of uninsured and the uncompensated cost of care to Medicaid participants. The data to be used in the calculating of each hospital's UCC will be obtained from several sources including a hospital DSH survey, Medicaid paid claims data, and the hospital's Medicare cost report. The period of the data to be utilized will coincide with the period of the Medicare cost report, filed with Medicare, for each hospital that is available no later than four months prior to the start of the state fiscal year (SFY) for which payments are being made. This limitation is computed by Medicaid below.

B1. UCC Uninsured Inpatients - For purposes of the DSH calculation the uninsured are defined as those individuals who lack third party coverage for eligible services received. Hospitals are required to submit on their annual DSH survey the amount of uninsured days, charges, and payments attributable to inpatient hospital services. These uninsured days and charges will be grouped by cost center and multiplied by the hospital's inpatient per diems and cost-to-charge ratios, as calculated from their Medicare cost report, to arrive at total inpatient uninsured costs. The total inpatient payments received from the uninsured will be subtracted from the costs to arrive at the uncompensated uninsured inpatient costs. The reported uninsured charges and payments should exclude non-hospital services such as: Skilled Nursing Facilities (SNF), Nursing Facility (NF), Rural Health Clinics (RHC), Federally Qualified Health Centers (FQHC), as well as physician charges.

B2. UCC Uninsured Outpatients – For purposes of the DSH calculation the uninsured are defined as those individuals who lack third party coverage for eligible services received. Hospitals are required to submit on their annual DSH survey the amount of uninsured charges and payments attributable to outpatient hospital services. These uninsured charges will be grouped by cost center and multiplied by the hospital's outpatient (ancillary) cost to charge ratios, as calculated from their Medicare cost report, to arrive at total outpatient uninsured costs. The total outpatient payments received from the uninsured will be subtracted from the costs to arrive at the uncompensated uninsured outpatient costs. The reported uninsured charges and payments should exclude non-hospital services such as: Skilled Nursing Facilities (SNF), Nursing Facility (NF), Rural Health Clinics (RHC), Federally Qualified Health Centers (FQHC), as well as physician charges.

B3. Kansas Medicaid Inpatient Days in last available fiscal year of hospital. The Kansas Medicaid Inpatient Days will be obtained from paid claims data for the period of the hospital's cost report used in the DSH calculation as identified in Section 6.2000 B.

B4. All Medicaid Inpatient Days in last available fiscal year of hospital. All Medicaid inpatient days are the total of Kansas inpatient Medicaid days obtained from the paid claims summary, and the hospitals out-of-state Medicaid inpatient days obtained from the hospital DSH survey. The service period for accumulating these days will coincide with the cost reporting period identified in 6.2000 B.

B5. Kansas portion of Medicaid inpatient days (B3 / B4).

B6. Kansas portion of Uninsured Inpatient Uncompensated Cost (B1 x B5).

B7. Kansas portion of Uninsured Outpatient Uncompensated Cost (B2 x B5).

B8. UCC Kansas Medicaid Inpatients – The UCC related to Kansas Medicaid inpatients is calculated by multiplying the Kansas Medicaid inpatient days and charges, as obtained from the paid claims summary, times the inpatient per diems and cost-to-charge ratios by cost center, as determined from the hospital's cost report, to arrive at calculated Medicaid inpatient costs. Total Kansas inpatient Medicaid payments, including any supplemental or enhanced payments, are then subtracted from the calculated Medicaid inpatient costs to arrive at the UCC for Kansas inpatient Medicaid services. If the result of this calculation is a negative, or gain, this amount is used to reduce the hospital's overall UCC.

B9. UCC Kansas Medicaid Outpatients – The UCC related to Kansas Medicaid outpatients is calculated by multiplying the Kansas Medicaid outpatient charges, as obtained from the paid claims summary, times the outpatient (ancillary) cost-to-charge ratios by cost center, as determined from the hospital's cost report, to arrive at calculated Medicaid outpatient costs. Total Kansas Outpatient Medicaid payments, including any supplemental or enhanced payments, are then subtracted from the calculated Medicaid outpatient costs to arrive at the UCC for Kansas outpatient Medicaid services. If the result of this calculation is a negative, or gain, this amount is used to reduce the hospital's overall UCC.

B10. Total Hospital-Specific DSH Limitation ("DSH limit") = (B6 + B7 + B8 + B9). The calculated DSH limit will be annualized if a cost report period less than 12 months is used in the calculations.

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

6.3000 Allocation of DSH Funds

Effective for DSH calculations beginning with federal fiscal year (FFY) 2020, total available DSH funds shall be distributed among DSH-eligible hospitals as defined in Section 6.1000 above based upon each hospital's burden of UCC (DSH limit) relative to their peers within the pools established below. The calculations of the total available DSH funds and the DSH funding pools is contained in Sections 6.3000 A and B. The State will expend its annual DSH allotment. If CMS changes the DSH allotment for a prior year, the State will adjust the expenditures based on Sections 6.3000 A, B, C, and D. In addition, pools of DSH funding will be established for like groups of hospitals to establish limitations on the available funding for each pool.

A. Available DSH funds to the following types of hospitals will be established as follows:
   1. The Institutes for Mental Disease (IMD) Pool - Will be equal to the Federal IMD DSH allotment for the State of Kansas.

   2. Out-of-State Hospital Maximum Pool – DSH-eligible out-of-state hospitals will share up to a maximum 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 the lesser of 10 percent of the non-IMD Federal DSH allotment for the State of Kansas or the amount calculated in Sections 6.3000 C and D.

   3. State-Owned or Operated Teaching Hospital Maximum Pool – DSH-eligible hospitals that are state-owned or operated and provide graduate medical education programs will share up to a maximum 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 .25 percent of the non-IMD Federal DSH allotment for the State of Kansas.

   4. Large Hospital Pool – Large hospitals will share a pool of DSH funds. Large hospitals are defined as all DSH-eligible, non-IMD, non-state hospitals, in the state of Kansas, with 500 or more available hospital beds, as reported on the Medicare cost report, defined in Section 6.2000 B.
      a. Initial large hospital pool determination is as follows:
         i. For the initial year (FFY 2020), the available DSH funds for the large hospital pool will initially be equal to $18,677,107.
            1. For purposes of the initial year (FFY 2020) only, references to the prior year DSH payments or allotments in this section are referencing FFY 2018.
         ii. For FFY 2021 and after, the large hospital pool will initially be equal to the prior year large hospital pool excluding any IMD allotment reclassified in the prior year to the large hospital pool, in accordance with Section 6.3000 B.1.a.
      b. Adjust for the change in the hospitals qualifying under the large hospital pool.
         i. A reduction to the large hospital pool will be made equal to the hospital's prior year DSH payment, if the hospital is no longer eligible for the large hospital pool but was included in the prior year. The prior year DSH payment will exclude pool reclassifications from the IMD pool defined under 6.3000 A.1.
         ii. An increase to the large hospital pool will be made equal to the hospital's prior year DSH payment, if the hospital is newly eligible for the large hospital pool but was not included in the prior year. The prior year DSH payment will exclude pool reclassifications from the IMD pool defined under 6.3000 A.1.

c. Take the lesser of:
   i. The sum of Sections 6.3000 A.4.a and b, above, multiplied by the percentage change in the current year Kansas non-IMD federal DSH allotment, compared to the Kansas non-IMD federal DSH allotment used in the prior year's DSH calculations.
   ii. The sum of all large hospital DSH limits calculated under Section 6.2000 B in the current year DSH payment calculation.

d. Prior year federal DSH allotment changes will only be recognized in the large pool when the allotment for the specific DSH payment year is determined to be final by CMS and the State. If the change in allotment is for a prior year but impacts the specific DSH year indirectly, no change will be made to the indirectly impacted DSH year until that DSH year allotment is also deemed final by CMS and the State.

5. Other In-State DSH-Eligible Hospital Pool – Hospitals eligible for DSH payments that are not classified as IMDs and were not included in any of the pools under Section 6.3000 A, above, will be distributed the remaining DSH funds from the non-IMD federal DSH allotment. The remaining DSH funds for distribution to this pool will consist of the non-IMD federal DSH allotment for the State of Kansas less the DSH payments calculated for DSH-eligible hospitals included in all other pools under Section 6.3000 A, above.

B. Funds available will be established in the following order:
   1. IMD Hospital Pool
      a. Any IMD allotment not able to be used by the IMD hospital pool, due to DSH limits, under Section 6.2000 B, may be reclassified, to all non-IMD hospital pools under Section 6.3000 A, based on each pool's initial calculated proportion of the total non-IMD pool.

   2. Non-IMD Pools
      a. Out-of-State Hospital Maximum Pool
      b. State-Owned/Operated Teaching Hospital Maximum Pool
      c. Large Hospital Pool
      d. Other in-State DSH-Eligible Hospital Pool

   i. Unused DSH funds from any non-IMD pool will be reclassified to the "Other in-State DSH-Eligible Hospital Pool".

The following table illustrates the methodology used to calculate the total DSH funds available and the amounts allocated to each pool. The amounts are for example purposes only and will not be used in the actual DSH payment calculations.

EXAMPLE Large Hospital Pool Calculations

Prior Year Final Adjusted Large Hospital Pool		$ 21,485,362
Less Prior Year IMD Pool Reclassifications to the Large Hospital Pool		$ (3,740,476)
Reductions for Large Hospitals No Longer Eligible for the Pool (Prior Year DSH Payment excluding IMD Pool Reclassifications)		$ -
Increase for Newly Eligible Large Hospitals (Prior Year DSH Payment excluding IMD Pool Reclassifications)		$ -
Sub-total Large Hospital Pool		$ 17,744,886
Prior Year Kansas Non-IMD Federal Allotment	$53,916,268	
Current Year Kansas Non-IMD Federal Allotment	$56,748,739	
Percentage Change in Non-IMD Federal Allotment		5.25%
Sub-total Large Hospital Pool		$18,677,107
Sum of All Large Hospital DSH Limits For Current DSH Payment Year		$65,506,030
Total Large Hospital Pool (Lesser of)		$18,677,107

EXAMPLE Adjusted DSH Pool Calculations:

Description	Initial Pool	Proportional % of Non-IMD Pool	Pool Reclassifications for Unused Pool Funds	Adjusted Pool
Total Federal DSH Allotment	$ 46,364,567			
FMAP	54.74%			
Total DSH Funds Available	$ 84,699,611			
IMD Pool of DSH Funds (Published by CMS)	$ 27,950,872		$ (14,905,997)	$ 13,044,875
Non-IMD Pool of DSH Funds	$ 56,748,739	100.00%	$ 14,905,997	$ 71,654,736
Out-of-State Hospitals (10% of Non-IMD Pool)	$ 5,674,874	10.00%	$ 1,490,600	$ 7,165,474
State-Owned/Operated Teaching Hospitals (.25% of Non-IMD Pool)	$ 141,872	0.25%	$ 37,265	$ 179,137
Large Hospital Pool (Calculated above)	$ 18,677,107	32.91%	$ 4,905,564	$ 23,582,671
Non-IMD Pool Sub-Total	$ 24,493,853	43.16%	$ 6,433,429	$ 30,927,282
Remaining Non-IMD Allotment for Other In-State DSH-Eligible Hospital Pool	**$ 32,254,886**	**56.84%**	**$ 8,472,569**	**$ 40,727,455**

C. The allocation of DSH funds among eligible hospitals that are not IMDs will distribute DSH funds proportionally to hospitals in each pool based upon each hospital's relative burden of Kansas UCC (DSH limit) to their total hospital cost, as follows:

1. **Three-Year Rolling Average 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 Kansas uncompensated care. This burden is calculated by dividing the hospital's DSH limit, as defined in Section 6.2000 B., by the hospital's total cost. For purposes of the hospital burden calculation, the total hospital cost will be determined from the 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 Facilities (NF), Rural Health Clinics (RHC), Home Health Agencies (HHA), and Federally Qualified Health Centers (FQHC). Total hospital cost will be annualized if the cost report period is less than 12 months. A three-year rolling average of the hospital burden will be used for the allocation of the DSH funds. The three-year rolling average of the hospital burden will be calculated as follows:
   a. U = hospital-specific DSH limit calculated under Section 6.2000 B.
   b. C = hospital-specific total costs as determined in this section, excluding non-hospital services.
   c. Hospital-specific burden: B = U/C
   d. F^{A} = three-year rolling average hospital burden. The average of the current year and two previous DSH years' hospital-specific burden, if available. If no burden was calculated in either of the previous two years, the applicable years will not be used in the average. If a burden was calculated in the previous two years for DSH payment eligibility, even if it was zero, it will be used in the three-year rolling average hospital burden.

2. **Hospital Scaling Factor** - All rural hospitals will have a scaling factor of 150 percent applied to the hospital-specific DSH limit calculated under Section 6.2000 B. The term "rural hospitals", as used in this section, refers to all critical access hospitals, rural hospitals, frontier hospitals, and densely settled rural hospitals, as determined by the State, no later than four months prior to the start of the federal fiscal year for which payments are being made. All other hospitals will have a scaling factor of 100 percent applied to the hospital-specific DSH limit.
   a. F^{S} = hospital scaling factor

3. **Burden-Adjusted DSH Limit** - Represents the hospital's DSH limit adjusted for the hospital's three-year rolling average burden and the hospital scaling factors.
   a. $B^{A} = F^{A} \times U \times F^{S}$

4. **Proportion of Burden-Adjusted DSH Limit** - Represents the hospital's proportion of the burden-adjusted DSH limit compared to all other DSH-eligible non-IMD hospitals.
   a. D^L = proportion of burden-adjusted DSH Limit for large hospital pool hospitals.
   b. D^O = proportion of burden-adjusted DSH Limit for all other non-IMD hospitals.
   c. Large Hospital Pool: $D^L = B^A$ / Total Burden-Adjusted DSH Limit (B^A) for all DSH-eligible non-IMD hospitals included in the large hospital pool.
   d. Non-IMD Pool Excluding Large Hospital Pool: $D^O = B^A$ / Total Burden-Adjusted DSH Limit (B^A) for all DSH-eligible non-IMD hospitals excluded from the large hospital pool.

5. **Formula for DSH Payment** -
   a. P^L = large hospital pool as determined under Section 6.3000 A.4, including any non-IMD pool reclassification to the large hospital pool, under Section 6.3000 B.1.
   b. P^N = total Kansas non-IMD allotment, including any non-IMD pool reclassification, under Section 6.3000 B.1 less P^L.
   c. $D^L * P^L$ for large hospital pool.
   d. $D^O * P^N$ for all other non-IMD hospital pool.

6. **Reclassifications** - Any amounts allocated to a non-IMD hospital in excess of their available DSH limit or in excess of maximum allowed payments under any pool will be reclassified to other hospitals in accordance with Section 6.3000 B. The proportion allocated to each applicable hospital will be based on their proportion of the total calculated DSH payments under Section 6.3000 C.5, above, not to exceed their hospital-specific DSH limit.

7. **Critical Access Hospital (CAH) minimum percent of DSH limit paid** - CAHs eligible for a DSH payment will receive the greater of the current year calculated hospital-specific DSH payment or 37 percent of their hospital-specific DSH limit.
   a. Increases in CAH DSH payments due to the 37 percent minimum will be offset by proportional adjustments to all hospitals in the other in-state DSH-eligible hospital pool based on their individual calculated DSH payment allocations. It will not impact the out-of-state, state-owned/operated teaching, or large hospital pools.

D. Eligible hospitals that are defined as Institutes for Mental Disease (IMDs) will receive an allocation of DSH funds from the allotted IMD pool as defined in Sections 6.3000 A and B, above. The allocation to DSH-eligible IMD hospitals will be calculated by dividing each eligible IMD hospital's DSH limit by the total DSH limit for all DSH-eligible IMD hospitals. The percentage calculated will then be multiplied by the total allotment for IMD hospitals, as defined in Sections 6.3000 A and B, above. Each IMD hospital will receive the lesser of the calculated amount or their DSH limit as defined in Section 6.2000 B.

E. DSH payments found in the DSH audit process that exceed the hospital-specific DSH limits may be recouped from the hospitals to reduce their DSH payments to their hospital-specific DSH limit. Any payments that are recouped from hospitals as a result of the DSH audit will be redistributed to hospitals that are shown to have been paid less than their hospital-specific DSH limits. Total redistribution payments may not exceed total DSH recoupment to date. To redistribute the funds, the State will do the following:

   a. Hospitals closed or bankrupt as of the date of the redistribution calculation may be excluded from the funds available for redistribution and will be excluded from any available redistribution.

   b. Redistribute the state IMD DSH recoupment to all other eligible state IMD hospitals that are shown to have been paid less than their hospital-specific DSH limits in the DSH audit. The redistribution will occur proportionally based on each hospital's total available DSH limit in the DSH audit (shortfall) to the total shortfall for all state IMD hospitals, not to exceed each hospital-specific DSH limit. Any overpayment which cannot be redistributed within the state-IMD hospitals will be redistributed to non-IMD state hospitals using the same methodology.

   c. Redistribute the remaining DSH recoupment to all in-state eligible hospitals that are shown to have been paid less than their hospital-specific DSH limits in the DSH audit. The redistribution will occur proportionally based on each hospital's remaining DSH limit in the DSH audit (shortfall) to the total shortfall for all in-state eligible hospitals, not to exceed each hospital-specific DSH limit.

F. Hospital Payment Adjustment - If a hospital Medicaid non-DSH payment (claims, supplemental, etc.) is adjusted in a subsequent period, and the amount previously was included in the calculation of the hospital's DSH limit, the claims payment adjustment impact on the DSH limit 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.

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

6.3500 Payment Methodology of DSH Allocation

The Medicaid State Agency will make federal quarterly payments to each hospital through the MMIS as allocated in Section 6.3000.

6.4000 Transition Provisions

The following transition provisions are provided to lessen the immediate impact of the new DSH methodology. The transition provisions will be applied to the computed DSH payments at the end of the calculation using the following method:

A. The IMD pool and the state-owned/operated teaching hospital maximum pool are both excluded from the transition provisions.

B. Transition will be accomplished over a three year period (FFY 2020 through 2023).

C. A percentage of the current year calculated DSH payment and two previous years DSH payments, if applicable, will result in an adjusted DSH payment.
   1. 50 percent of current year DSH payment.
   2. 25 percent of one year prior DSH payment.
   3. 25 percent of two years prior DSH payment.

   The adjusted DSH payments will then be proportionally adjusted separately between the large hospital pool and all others subject to the transition provision. The large hospital pool will retain the total DSH payments allocated prior to the transition provision. The large hospital pool adjustment will be made based on each hospital's adjusted DSH payment as a percentage of the total adjusted DSH payments multiplied by the available pool funds. All others subject to the transition provision will receive an adjustment based on each hospital's adjusted DSH payment as a percentage of the total adjusted DSH payments multiplied by the remaining available funds.

6.5000 Request for Review

If a hospital is not determined eligible for a disproportionate share payment adjustment according to Section 6.1000, they 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 hospital's DSH form.