

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. Out-of-state hospitals are not eligible to receive DSH payments.

Funds from facilities not qualifying for the total annual supplemental payment amounts under Section 415 and 419 will be pooled together for redistribution to other qualifying hospitals under Section 415 and 419. Qualifying hospitals having maximized their annual supplemental DSH payment amount and that have not exceeded their uncompensated care cost will share in the pool based on each hospital's portion of the remaining uncompensated care costs. For example:

HOSP	Supple- mental CAP	Uncomp. Care Cost (UCC)	Supple- mental Payment to CAP	Room to Supple- mental CAP (Pool)	Remaining UCC	% of Remaining UCC	Additional DSH from Pool	Total Supple- mental DSH Paid
A	\$862,000	\$200,000	\$200,000	(\$662,000)	\$0	0%	\$0	\$200,000
B	\$862,000	\$862,000	\$862,000	\$0	\$0	0%	\$0	\$862,000
C	\$862,000	\$900,000	\$862,000	\$0	\$38,000	16%	\$38,000	\$900,000
D	\$1,000,000	\$1,200,000	\$1,000,000	\$0	\$200,000	84%	\$200,000	\$1,200,000
Total	\$3,586,000	\$3,162,000	\$2,924,000	(\$662,000)	\$238,000	100%	\$238,000	\$3,162,000

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.

Redistribution of disallowed monies:

For the purposes of this section, there are two pools of DSH monies available for potential redistribution of funds: 1) monies paid as lump-sum supplemental payments, and 2) monies paid to the state psychiatric hospital (no redistribution of these funds). If any payments made under this section are disallowed in future periods by CMS or any other audit, 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.

Annual DSH Audits:

In addition to any other audits which may occur, independent certified audits of the DSH payments shall be conducted annually in accordance with 42 CFR 455.301 and 42 CFR 455.304. Reporting of the audit shall follow the guidelines stated in 42 CFR 447.299. In accordance with 42 CFR 455.304(e), findings for federal fiscal years 2005-2010 shall not be used for disallowing federal funds. For federal fiscal years 2011 and forward, any overpayments of DSH funds shall be redistributed as described above. Additionally, DSH funds not otherwise paid to qualifying hospitals shall be available, subject to the uncompensated care cost limits, to the State Teaching Hospital.

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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 calculated as described in Section 1923(b)(3) of the Social Security Act.
- 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).

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 or 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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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. The hospital is located in a rural county. (Urban counties are Cache, Davis, Salt Lake, Utah, Washington and Weber.)

Hospitals desiring to receive DSH monies are required to complete the state's "Disproportionate Share Hospital Survey & Uncompensated Care Survey." The survey shall be based upon the hospital's most recently filed Medicare Cost Report. Completed surveys are to be submitted annually to the state and must be postmarked by August 1. The survey gathers hospital volume, revenues, LIUR information, estimates of uncompensated care costs, and other qualification information. The survey is available on the Medicaid website at <http://health.utah.gov/medicaid>. Hospitals that do not submit this required survey, as outlined above, will be ineligible for DSH payments in the subsequent federal fiscal year.

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 according to Section 421.

415 Payment Adjustment for General Acute Rural -- General Acute Rural Hospitals will receive payments as outlined in Section 421. Qualifying rural hospitals will also 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 \$876,800 per federal fiscal year per hospital or the hospital's uncompensated care. The additional DSH payment will be adjusted annually 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 cost may qualify. However, any hospital that qualifies for additional DSH payments under Section 419 of the State Plan is not eligible for this, Section 415, additional DSH payment.

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 an "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)

416 Payment Adjustment for State Psychiatric Hospital -- The State Psychiatric Hospital is reimbursed on a retrospective annual cost settlement basis.

The annual limit for State Psychiatric Hospital DSH payments is the lesser of (1) the annual federal DSH limit for institutions for mental disease (IMD) or (2) the amount of uncompensated care costs. The method and timing of these DSH payments will be according to the following:

1. In order to receive Supplemental payments, the State Psychiatric Hospital must submit an "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>. The State Psychiatric Hospital may submit their survey monthly, quarterly, semi-annually, annually, or any combination thereof. The State Psychiatric Hospital 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 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. The State Psychiatric Hospital DSH payments will not exceed the total allowed as described above. The State Psychiatric Hospital 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 the State Psychiatric Hospital has reached the annual allotment maximum, no additional payments will be made.

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Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

417 Payment Adjustment for State Teaching Hospital -- The State Teaching Hospital will receive a claims add-on payment as outlined in Section 421.

In order to receive Supplemental payments, the State Teaching Hospital must submit an "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>. The State Teaching Hospital may submit their survey monthly, quarterly, semi-annually, annually, or any combination thereof. The State Teaching Hospital 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 60 days of the end of the federal fiscal period. A final payment for the federal fiscal period just ended will then be made.

The State Teaching Hospital may elect to receive prospective supplemental DSH payments based on the most recent survey submitted under Section 413. If this option is elected, then the State Teaching Hospital may receive lump-sum payments at the beginning of each federal fiscal year or at different times within the federal fiscal year along with a reconciliation payment following the end of the federal fiscal period after the other qualifying facilities have been paid.

In addition to the above, any DSH monies not paid to other qualifying hospitals will be paid to the State Teaching Hospital as noted in Section 409.

418 Payment Adjustment for Children's Hospital -- The Children's Hospital will receive a claims add-on payment as outlined in Section 421.

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Section 400 Adjustment for Disproportionate Share Hospitals (Continued)

419 Depressed Frontier County Hospitals - Will receive a claims add-on payment as outlined in Section 421. Depressed Frontier County Hospitals are also eligible for a Supplemental DSH payment cap (Frontier County Cap), which is higher than the Supplemental DSH payment cap for other rural hospitals. Effective for federal fiscal year 2012, this additional DSH payment will be based on the lesser of \$1,017,000 per federal fiscal year per hospital or the hospital's uncompensated care cost. The additional DSH payment will be adjusted annually to reflect increases or decreases in the DSH allotment provided by the Centers for Medicare and Medicaid Services to the Department.

A hospital will qualify for the Frontier County if it:

1. Is a rural hospital;
2. Is a government-owned hospital; and
3. Is located in a county having the lowest per capita personal income in the State.

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

1. Each qualifying hospital must submit an "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)

421 Method and Timing of DSH Claims Add-on Payments – Effective October 1, 2011, the DSH payments made under this section will be via supplemental, lump-sum, payments and the former claims add-on will no longer be paid as such. For each federal fiscal year, 12.5 percent of the annual Utah allotment is the basis for the payments made under this section. Each qualifying hospital is assigned to a hospital category (i.e., rural and frontier, urban, children's, and teaching). The add-on funds are divided by the State to the hospital categories. Within each hospital category, each hospital receives a portion of the hospital category's funds based on its percentage of the total adjusted Medicaid reimbursement for a prior 12-month period. Adjusted Medicaid reimbursement is calculated by multiplying Medicaid reimbursement for the prior year by its ratio of Medicaid days to total days for the same year.

The payment calculation is as follows:

Adjusted Medicaid Reimbursement = Hospital's Medicaid Reimbursement Net of DSH* (Hospital's Medicaid Days / Total Days).

Hospital Ratio = Adjusted Medicaid Reimbursement / Sum of the Adjusted Medicaid Reimbursement specific to the hospital category.

Hospital Category Add-on Funds: The total add-on funds assigned by the State to a hospital category representing hospital types (e.g. rural, urban, children's, and teaching).

Hospital Distribution Amount = Hospital Category's Add-on Funds* Hospital Ratio.

Following is an example, for one hospital category, of the calculation outlined above:

Hospital Category Section 421 Funds:							\$100
Hospital	Medicaid Days	Total Days	Medicaid Days % of Total Days	Medicaid Reimb.	Adjusted Medicaid Reimb.	Hospital Ratio	Hospital Distribution Amount
a	100	200	50.0%	\$1,000.00	\$500.00	0.1224	\$12.24
b	200	300	66.7%	\$2,000.00	\$1,333.33	0.3265	\$32.65
c	300	400	75.0%	\$3,000.00	\$2,250.00	0.5510	\$55.10
Total	600	900		\$6,000.00	\$4,083.33		\$100.00

Additionally, claims paid prior to October 1, 2011, and reprocessed on or after October 1, 2011, will have add-on amounts paid based on the original paid date of the claim.

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OS Notification

State/Title/Plan Number: Utah 11-005

Type of Action: SPA Approval

Required Date for State Notification: March 19, 2012

Fiscal Impact:

FFY 2011	\$0
FFY 2012	\$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: UT 11-005 is a DSH SPA with two effective dates as follows:

Effective April 15, 2011, this amendment revises the payment methodology for the State Psychiatric Hospital, which is reimbursed on a retrospective annual cost settlement basis, to allow the hospital to receive DSH payments during the fiscal period based upon the lesser of the annual Federal DSH limit for IMDs or the amount of UCC. Maximum payment can be made prior to the end of the FFY based upon adequate, documented, UCC in early quarters, with no additional payment upon reaching the annual allotment.

Effective October 1, 2011, this amendment clarifies the DSH add-on calculation, excludes out-of-state hospitals from DSH payments, clarifies specifics for the redistribution of disallowed DSH payments, adds additional info relating to the annual DSH audits, updates the LIUR definition, requires hospitals to submit an annual survey for qualification purposes, updates the methodology to the State teaching hospital, and provides for other minor technical changes. A number of these changes were made due to CMS' informal feedback necessary for compliance purposes as a result of the 2011 on-site Utah DSH audit.

Non-federal share is derived from a long standing IGT. Current IGT agreements were re-reviewed during this SPA review and were determined to be acceptable. Reviews of these

agreements were prompted as a result of the DSH audit, as well as an IGT FMR review that was performed by the region in recent years. Public notice requirements were met. Tribal consultation was not applicable. Responses to the funding questions are adequate.

Other Considerations: This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.

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