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MEMORANDUM

Date: June 3, 2009

To: Chief Executive Officer  
Chief Financial Officer

From: Alec Steele, Director  
Reimbursement Services

Subject: REVISED - SFY 2009 Disproportionate Share Hospital (DSH) Payments

BY FACSIMILE

Revised DSH eligibility and payment data for State Fiscal Year 2009 are now available for review on the Department's Web site at [www.dch.georgia.gov](http://www.dch.georgia.gov) by selecting options for "Provider," "Hospital," "Indigent Care Trust Fund" and/or "Payments." The revised files replace the files posted on April 20, 2009, and correct several issues contained in the previous calculations.

The issues that needed to be resolved were primarily contained in the blending or stop loss/gain calculations. As you are aware, the current approved state plan contains a provision to blend the 2007 DSH payment with the calculated 2009 DSH payment to reduce the impact of the change in DSH allocation methodologies implemented in 2008. The blending for small rural hospitals is 75 percent of the 2007 amount and 25 percent of the 2009 amount. Hospitals that are not in the small rural category are blended at a rate of 50 percent of 2007 and 50 percent of 2009.

In the initial calculations posted on April 20, 2009, the DSH model recalculated the 2007 amount for each hospital based upon the 2009 federal DSH allotment and FMAP percentage. However, due to some hospitals changing eligibility categories between 2007 and 2009, the calculations erroneously excluded them from the 2007 calculation, which in turn understated their blended 2009 DSH payment. In reviewing this calculation and the intent of the state plan, this portion of the calculation has been simplified by utilizing the actual 2007 payments for the blending process, adjusted proportionally for the change in the federal DSH allotment from 2007 to 2009. This ensures that hospitals that are eligible in 2009 and received a payment in 2007 will receive an appropriate blending of their DSH payments for 2009.

The other issue discovered subsequent to the April 20, 2009, posting was that blended DSH payments were in excess of several hospitals' calculated DSH limit. The original calculation compared the calculated 2009 DSH payment, prior to blending, to the 2009 DSH limit and also compared the calculated 2007 DSH payment to the 2007 DSH limit. However, after blending the two payment amounts, the blended amount exceeded the 2009 hospital specific DSH limit in several instances. In accordance with federal law and the approved state plan, the state is

prohibited from making DSH payments to hospitals in excess of their hospital specific DSH limit. To correct this problem, the revised calculation now compares the blended 2009 payment to the 2009 hospital specific DSH limit. If the blended payment exceeds the hospital specific DSH limit, their payment is reduced to the DSH limit and those funds are redistributed to the hospitals that have calculated blended payments under their hospital specific DSH limit.

The Department's appropriation for the general fund share of the private hospitals was insufficient to make the payments to all private hospitals. A state plan amendment has been submitted that will reduce the calculated payment to private hospitals that do not meet the "deemed" eligibility criteria of the Social Security Act Section 1923(b) to 84.53 percent of the calculated amount, which is the amount necessary to reduce the DSH payments to private hospitals to a level that can be funded by available state funds. Since this state plan amendment has not been approved, the Department is unable to make the payments to the private non-deemed hospitals at this time. It is the Department's intent that any portion of the total 2009 DSH allotment not disbursed, whether due to limited availability of matching funds for payments to private-eligible hospitals or for any other causes, would be added to the 2010 DSH allotment. These funds would be disbursed during the State fiscal year 2010.

As a result of the changes outlined above and the fact that total DSH funding is limited to the federal DSH allotment, some hospitals revised calculations are higher than originally reported in April and some hospitals are lower. Since the private hospitals have not yet been paid, their payments will reflect the revised calculations when released. For the public providers, the Department intends to make the revised payments or recoveries simultaneously with the third and fourth quarter UPL payments, which are scheduled to be made prior to the end of June. In the event a DSH payment recovery is in excess of the third and fourth quarter UPL payments, the department will work with effected public hospitals to establish reasonable repayment plans.

I apologize for the inconvenience these changes have caused for all of us but I am hopeful that we can work together to bring the DSH and UPL supplemental payment process to a successful conclusion well before the end of June 2009. If you have any questions about this memo, please feel free to call me at 404-657-9541 or Jim Erickson of Myers & Stauffer at 800-374-6858.