




MEMORANDUM

Date: December 2, 2009

To: Chief Executive Officer
Chief Financial Officer

From: G. Alec Steele 
Director, Reimbursement Services
Division of Financial Management

Subject: SFY 2010 DSH Update

BY FACSIMILE AND MAIL

In keeping with our policy to migrate our disproportionate share hospital (DSH) program to a greater recognition of hospitals that do, in fact, provide a disproportionate level of care to Medicaid and other low income individuals, the Department of Community Health is adopting changes in DSH distributions that will help us accomplish the next step in this goal. While DCH intended to move to the next step in disproportionality in our SFY 2009, a number of factors prevented this from happening. We are now prepared to move closer to our goal of disproportionality.

Two documents have been placed on the DCH ICTF web site for your review. The first is an October 11, 2007, DSH presentation made to the Board of Community Health by Carie Summers that lays out our long-term policy and goals with respect to increasing disproportionality. On page 12 of this presentation the overriding goal of the DCH DSH strategy is that "DSH payments should be directed in proportion to uncompensated care provided."

The second document is a spreadsheet that Myers & Stauffer prepared for DCH in order for us to analyze the impacts of increasing disproportionality. **It is critically important to understand that this spreadsheet was developed using SFY 2007 and 2009 data and is likely to change once we have all of the responses to the SFY 2010 Payment Survey.** These changes are expected to be seen at the individual hospital level but would not change the relative impacts of the four disproportionality options. DCH recommendation to the December 10, 2009, Board will be to adopt Option #1. This will move us one step closer to our DSH goal. Our position regarding options #2, #3, and #4 is that these would be too disruptive to implement in the current economic environment. These documents may be found at the following link:

http://dch.georgia.gov/00/channel_title/0,2094,31446711_31959660,00.html

SFY 2010 DSH Interim Payments

DCH has traditionally made interim DSH payments in December. This normally follows communication with CMS regarding state allocations and a formal notice of grant award. This year CMS has indicated some uncertainty regarding the timing of the *Federal Register* publication of final federal fiscal year 2010 state distributions and, therefore, the timing of our formal DSH grant award notice. While we have no doubt that we will receive a DSH allotment this year, the uncertainty is when we will receive formal notice. Until we receive notice of our DSH grant award, DCH will not initiate interim DSH payments to hospitals. Our expectation is that we will receive notice of grant award sometime in late January or early February and will initiate an interim DSH payment at that time.

From a hospital budgeting and revenue recognition standpoint, we anticipate that the DSH allotment for Georgia will be on the order of 5% greater than the DSH allotment for 2009. Assuming that the updated DSH survey data does not result in large shifts in DSH funding among hospitals, an interim DSH payment in January or February would probably be on the order of 50%+ of the amounts shown for each hospital under Option #1. This is likely a conservative estimate and would not reflect the DSH stimulus increase from ARRA.

As a reminder, we are asking that the DSH Payment Survey be completed and returned to Myers and Stauffer by December 15, 2009. Please mail completed surveys and supporting documentation to:

Myers and Stauffer LC
ATTN: GA DSH
11440 Tomahawk Creek Parkway
Leawood, Kansas 66211

If you have questions during the completion of the surveys, please contact Myers and Stauffer at (800) 374-6858 and indicate that you have a Georgia DSH question. If you prefer e-mailing your questions, you can contact Myers and Stauffer by e-mail at gadsh@mslc.com. The Payment Survey may be accessed at the following link:

http://dch.georgia.gov/00/channel_title/0,2094,31446711_45327286,00.html

If you have questions about the proposed disproportionality options feel free to contact me at 404-657-9541 or at asteele@dch.ga.gov. I would also encourage you to attend the December 10th Board meeting held at 10:30 a.m. on the 5th floor Board Room at 2 Peachtree Street, N.W., Atlanta, Georgia 30303.

Thank you for your cooperation in this important matter.

G. Alec Steele, Director
Reimbursement Services