

# FY 2008 Disproportionate Share Hospital Program

Presentation to  
Board of Community Health  
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# Disproportionate Share Hospital Program

What does the DSH program do?

Provides additional payments to qualified hospitals that provide inpatient services to a disproportionate number of Medicaid beneficiaries and/or to other low-income or uninsured persons under what is known as the "disproportionate share hospital" (DSH) adjustment.

What does DSH not do?

DSH is not designed to reward providers who have minimized their uncompensated Medicaid and uninsured care by effectively pursuing Medicaid and self-pay revenue.



# Current State

## Eligibility

- 2 Federal Criteria and 1 of 9 state criteria

## Allocation

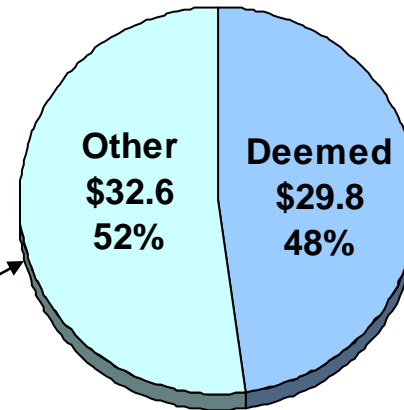
- Two Pools – Small Rural and Everyone Else
- Premium for being a “Deemed” facility
  - Facilities that exceed certain thresholds for low income and Medicaid utilization
- Within pools, allocations based on hospital’s share of the total DSH limit



# FY 2007 Allocation of DSH - \$408.5M

## Small Rural Hospitals

### Pool #1 - \$62.4M

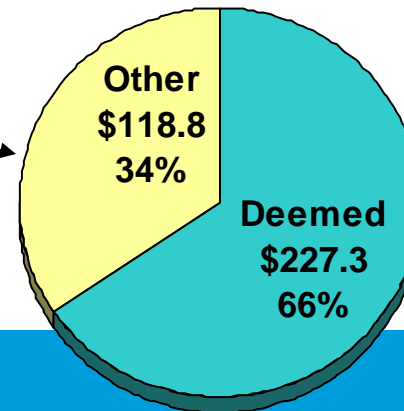


**# of Small Rural Hospitals:**  
22 – Deemed  
41 - Other

■ Small Rural Hospital Pool  
■ All Other Hospitals

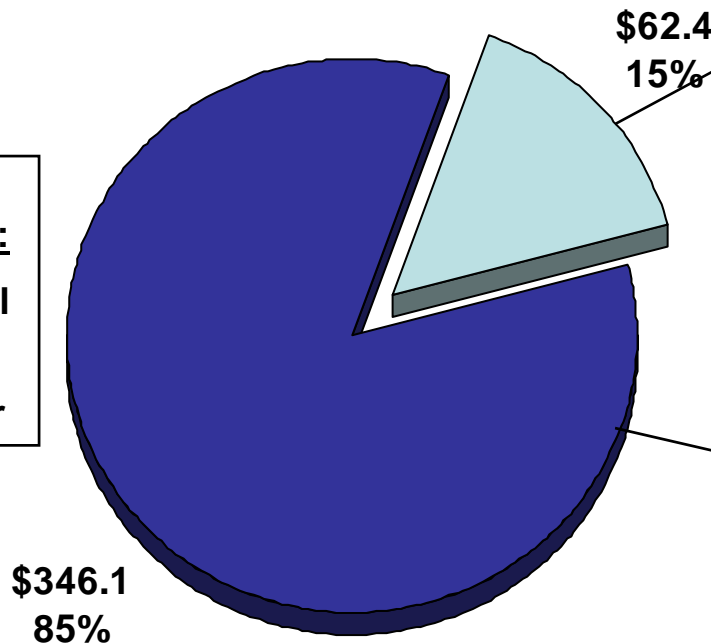
## All Other Hospitals

### Pool #2 - \$346.1M



**# of Hospitals in 2nd Pool:**  
19 – Deemed  
28 - Other

**# of Hospitals:**  
63 – Small Rural  
47 - Other



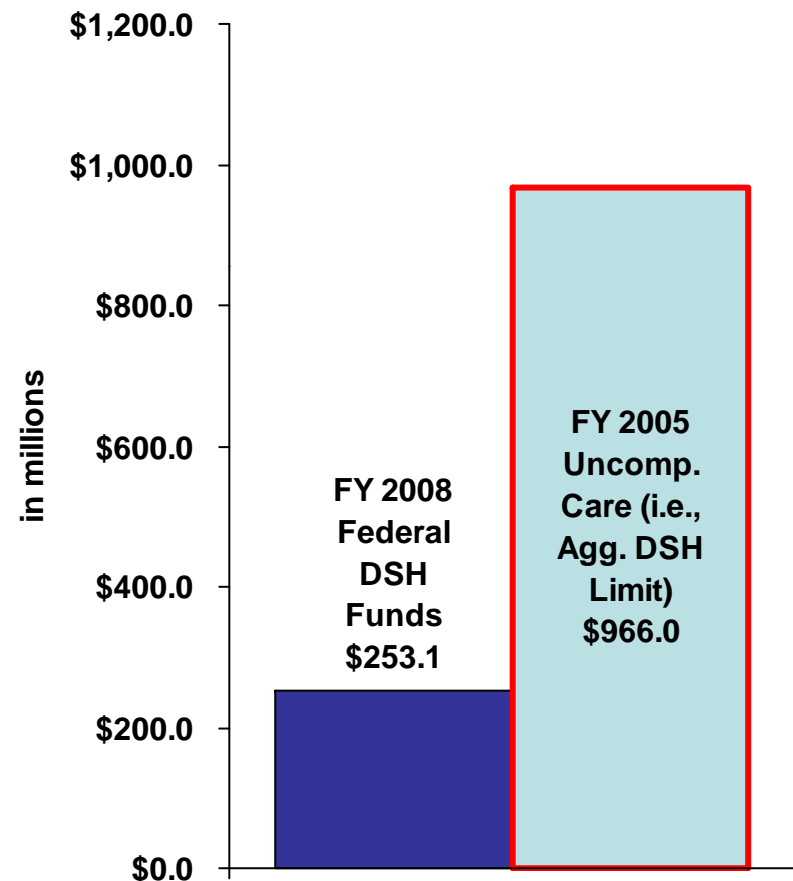
# Challenges of the DSH Program

No growth in federal funds available to the state.

- Annual allotment of \$253.1 million not changed since FY 2004

Uncompensated costs historically greater than available funding:

- Most hospitals not paid at cost for Medicaid members.
- The number of uninsured Georgians is increasing.



# Goals of DSH Reform in FY 2008

## With static resources:

- Consider changes that will direct DSH funds to hospitals most impacted by uncompensated Medicaid and uninsured costs (i.e., those who are the most disproportionate)
- Recognize that hospitals rely on DSH as a Medicaid subsidy, even if they aren't the most disproportionate



# Industry Input

DCH utilized the advice and counsel from the Hospital Advisory Committee

## 13 Representatives:

- 5 Urban Reps for 12 hospitals
- 6 Rural Reps for 6 hospitals
- 2 Joint Reps for 14 urban and 2 rural hospitals
- Hospitals in 23 counties throughout the state



# DSH Subcommittee

Hospital Advisory Committee appointed a subcommittee to study DSH

## Representatives:

RURAL:14 Hospitals,14 Counties, 8 Reps

URBAN:14 Hospitals,10 Counties, 9 Reps

6 Meetings from August 2007 through early October 2007



# DSH Reform - Guiding Principles

DSH payments must be based upon available, transparent and easily verifiable data.

## DSH Subcommittee (DSub):

1. Use of 2005 Hospital Financial Survey for OB status and uncompensated uninsured care
2. Use of 2005 Medicaid data
3. 2006 data disregarded due to concerns that CMO impact not fully realized yet
4. 2006 data for uninsured and OB status not yet collected
5. Perform data reviews on previously unaudited facilities and data elements used in the allocation formula



# DSH Reform - Guiding Principles

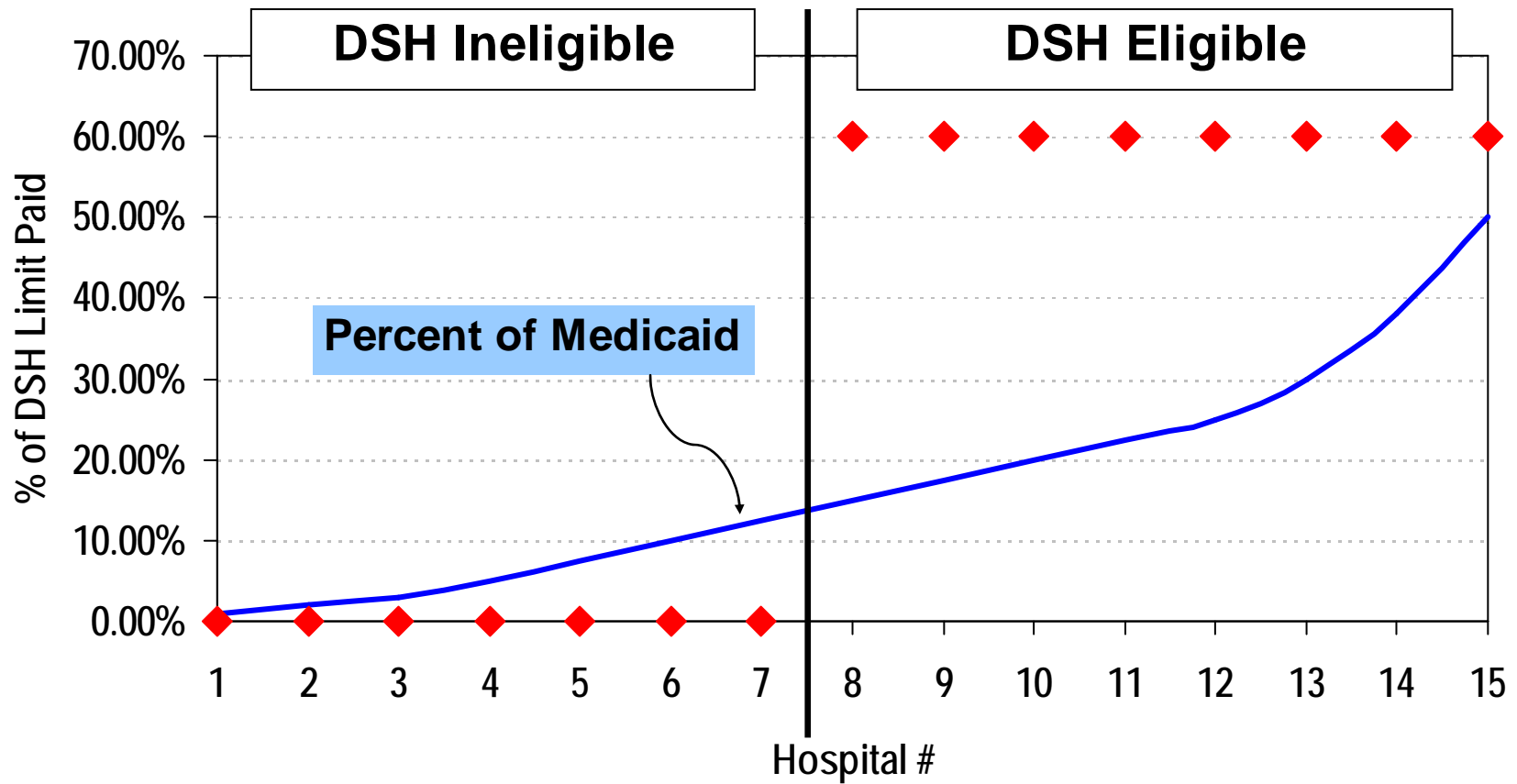
Eligibility criteria should be reconsidered

DSub:

1. Eliminate all state criteria and use only federal criteria
2. Previously ineligible hospitals considered disproportional (as measured by their individual DSH limit as a percent of their total cost) now eligible for a DSH payment



# Illustration of FY 2007 Eligibility



# DSH Reform - Guiding Principles

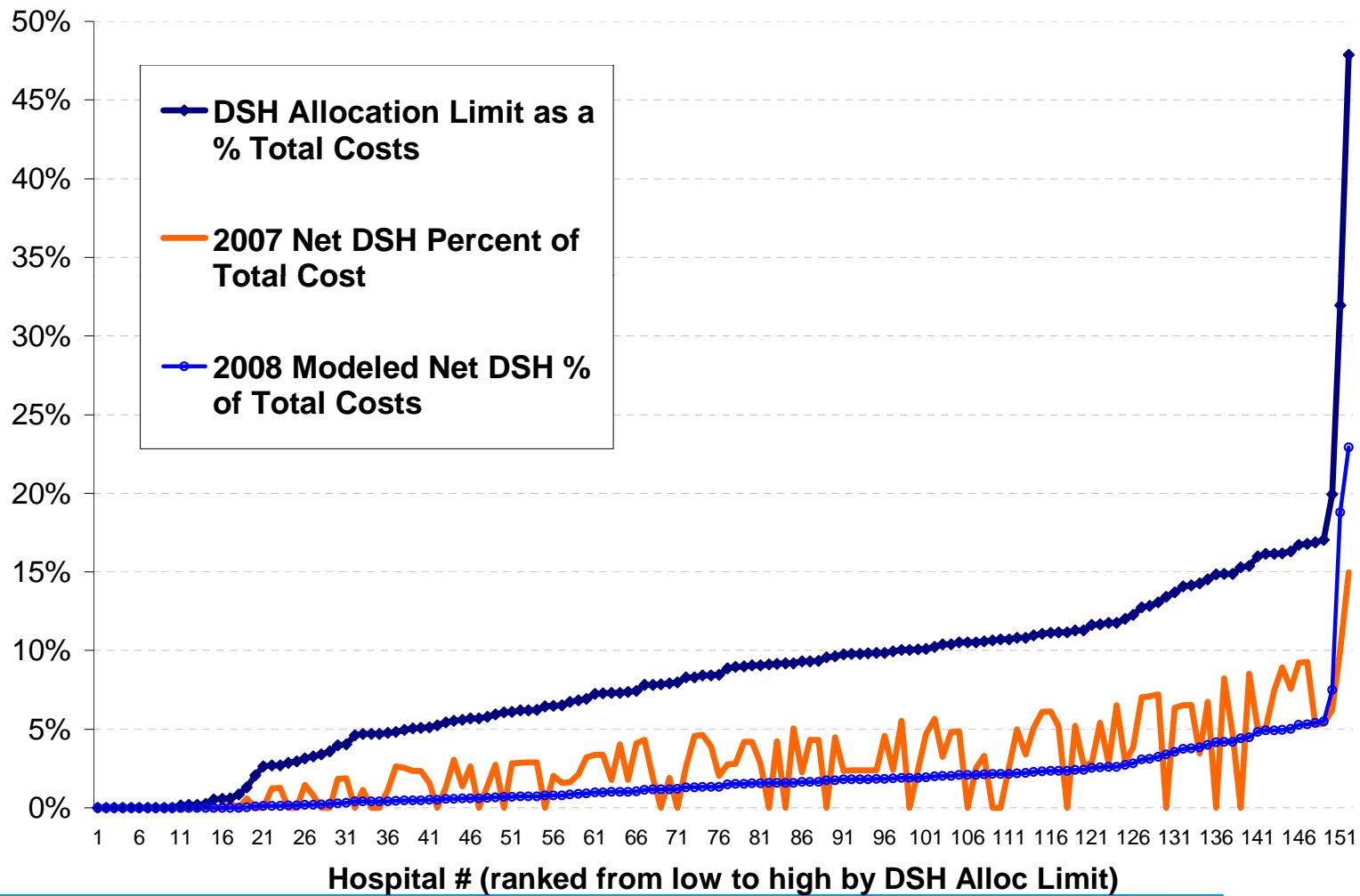
DSH payments should be directed in proportion to uncompensated care provided.

## DSub:

1. Measure of disproportionality – DSH Limit as a percentage of total cost
2. Scalability – the more disproportionate receive a larger percentage of their cost from the DSH program



# Example of Scalability



# DSH Reform - Guiding Principles

DSH payments should be based on uncompensated care.

## DSub:

1. Use of DSH Limit in scalability
2. Recognition of IGT's used for UPL payments
3. Hold harmless for hospitals receiving rate adjustments for medical education and neonatal care
4. Counties the payers of last resort



# DSH Reform - Guiding Principles

All hospitals should be reimbursed based upon a uniform methodology.

## DSub:

1. Application of scalability and measurement of disproportionality the same
2. Different pools for Grady and small rural hospitals



# DSH Reform - Guiding Principles

The state should maximize DSH and UPL payments.

## DSub:

1. No new recommendations

## DCH Note:

All available DSH funds being expended

UPL maximized for public and critical access hospitals

DSH considers UPL payments





# DSH Reform - Guiding Principles

Changes in DSH payments should not put an undue burden on any hospital group.

## DSub:

1. Use of separate pools to help protect small rural hospitals and Grady
2. Consideration of transition from FY 2007 to new methodology over time
3. Floors and Ceilings on amount of DSH limit that can be covered for any one hospital



# Hospital Advisory Committee Policy Questions

- Recognizing DISPROPORTIONALITY
- How to TRANSITION FROM OLD TO NEW
- FLOORS and CEILINGS for payment amounts
- HOLD HARMLESS any one group of hospitals
- Treating NEW ELIGIBLES



# Question #1 - Disproportionality

|                           |  |
|---------------------------|--|
| <b>Question</b>           | Should the model recognize disproportionality based on a percentage of uncompensated Medicaid and Uninsured to total cost? |
| <b>Vote</b>               | Yes – 9; No – 0  |
| <b>DCH Recommendation</b> | Adjusted DSH Limit as a percent of total cost used for allocation of available DSH funds                                   |

| Fourth Quartile Comparisons |            |         |
|-----------------------------|------------|---------|
| Group                       | DSH Factor | Net DSH |
| Small Rural                 | 14.3%      | 7.2%    |
| Non-Small, Rural            | 13.4%      | 4.2%    |
| Grady                       | 47.9%      | 16.1%   |
| Newly Eligible              | 12.7%      | 0.2%    |

# Question #2 - Disproportionality

|                           |  |
|---------------------------|--|
| <b>Question</b>           | Is it acceptable if less disproportionate hospitals receive less payment if those funds go to more disproportionate hospitals? |
| <b>Vote</b>               | Yes – 7; No – 2  |
| <b>DCH Recommendation</b> | Winners and losers exist within each pool due to shifting of funds from less disproportionate to more disproportionate.        |

| As Compared to FY 2007 (#/\$) |                 |                 |
|-------------------------------|-----------------|-----------------|
| Group                         | Gains           | Losses          |
| <b>Small Rural</b>            | 16<br>+\$96.5 k | 47<br>-\$1.4 m  |
| <b>Non-Small, Rural</b>       | 19<br>+\$6.0 m  | 27<br>-\$11.6 m |
| <b>Grady</b>                  | 1<br>+\$4.8 m   | n/a             |
| <b>Newly Eligible</b>         | 32<br>+\$1.9 m  | 4<br>\$0.0      |



# Question #3 - Transition

|                           |  |
|---------------------------|--|
| <b>Question</b>           | Should the FY 2008 allocation be based on a blend of the new model and FY 2007 payment amounts?  |
| <b>Vote</b>               | Yes – 8; No – 1  |
| <b>DCH Recommendation</b> | For rural facilities:<br>75% of FY 2007 and 25% of FY 2008<br>For non-small rural facilities:<br>50% of FY 2007 and 50% of FY 2008   |
| <b>DCH Comments:</b>      | For rural facilities - Assumed they will need more time to adjust to the new methodology given their prior DSH payment level and ability to make up DSH losses with other revenue sources<br>For non-small rural facilities - 50/50 blend needed in the non-small rural pool to better recognize Grady disproportionality in FY 2008 |



# Question #4 - Transition

|                     |  |
|---------------------|--|
| <b>Question</b>     | Should the gains or losses (as a percentage) between FY 2007 and FY 2008 by any one group be comparable? |
| <b>Vote</b>         | Yes – 7; No – 2  |
| <b>DCH Comments</b> | Deemed Facilities take bigger losses due to 10% premium applied last year                                |

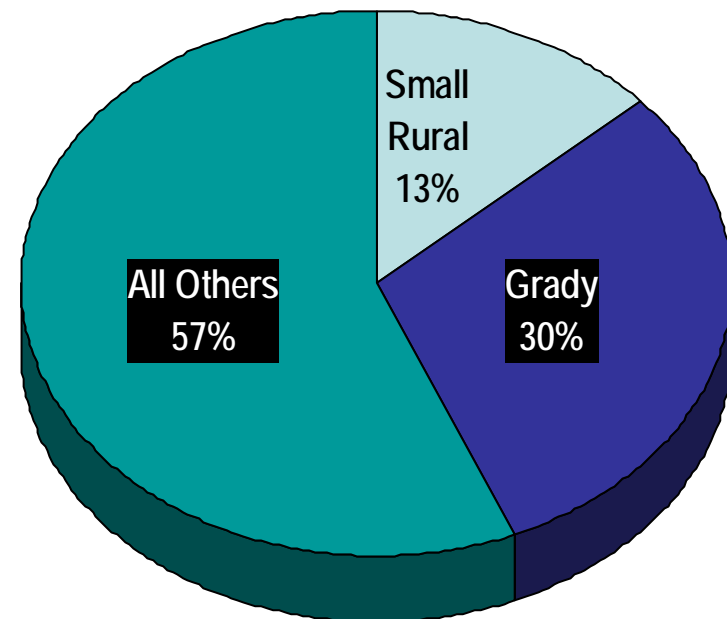
| As Compared to FY 2007<br>Net Payments |        |            |
|--|--------|------------|
| Group                                  | Deemed | All Others |
| Small Rural                            | -4.6%  | -2.0%      |
| Non-Small, Rural                       | -4.0%  | -3.1%      |

| Group            | As Compared to FY 2007<br>Net Payments |
|------------------|--|
| Small Rural      | -3.3%                                  |
| Non-Small, Rural | -3.6%                                  |

# Question #5 - Transition

|                    |   |
|--------------------|---|
| Question           | Is it acceptable to use separate pools as a way to mitigate substantial losses or gains for any one group of hospitals? |
| Vote               | Yes – 7; No – 2   |
| DCH Recommendation | Maintained separate small rural pool; created a pool for Grady  |

Allocation of Total DSH Funds



# Question #6 - Ceilings

|                    |   |
|--------------------|---|
| Question           | Should there be a limit on the percentage of the DSH limit that any one hospital can receive?                     |
| Vote               | Yes – 8; No – 1   |
| DCH Recommendation | 75% for Grady; 80% for everyone else  |
| DCH Comments       | A DSH cap lower than 80% would have resulted in ALL small rural hospitals taking a loss as compared to last year. |





# Question #7 - Floors

|                    |   |
|--------------------|---|
| Question           | Should there be a minimum level of disproportionality to receive a DSH payment? |
| Vote               | Yes – 1; No – 8   |
| DCH Recommendation | No floor  |



# Question #8 – Hold Harmless

|                    |   |
|--------------------|---|
| Question           | Should any one group of hospitals be held harmless from any change to the allocation methodology? |
| Vote               | Yes – 5; No – 6   |
| DCH Recommendation | Small rural DSH pool reduced to 90% of last year  |



# Question #9 – New Eligibles

|                    |  |
|--------------------|--|
| Question           | Should newly eligible facilities receive some level of DSH payment in FY 2008?   |
| Vote               | Yes – 8; No – 1  |
| DCH Recommendation | Newly eligible limited to 10% of their allocation; however, with a blend of FY07 and FY08 at 50/50; new, non-small rural hospitals get 5% of their allocation or \$1.9m; small rural hospitals get \$41k |



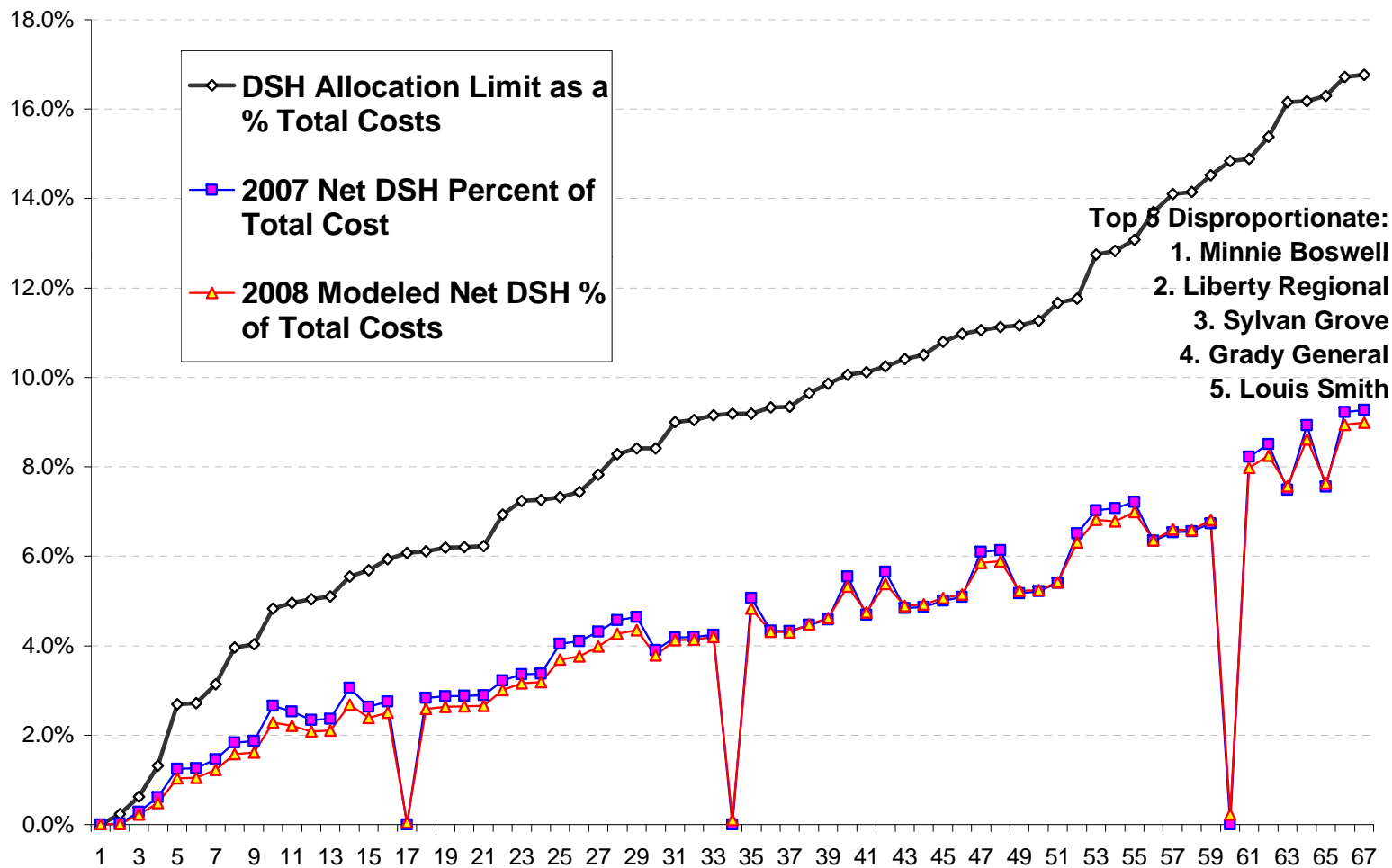
# Summary

| <u>Facility Type</u>          | <u># of Providers<br/>Under 2007<br/>Eligibility Criteria</u> | <u>2007 Net DSH<br/>Payment</u> | <u>Calculated 2008<br/>Net DSH Payment</u> |
|-------------------------------|---|---------------------------------|--|
| <b><u>Small Rural</u></b>     |   |                                 |  |
| Deemed                        | 22  | \$ 19.4                         | \$ 18.5                                    |
| Eligible                      | 42  | \$ 21.7                         | \$ 21.2                                    |
| Not Eligible in 07            | 3   | \$ -                            | \$ 0.04                                    |
| Not Eligible in 07 and 08     | 0   | \$ -                            | \$ -                                       |
| <b>Total Small Rural</b>      | <b><u>67</u></b>  | <b><u>\$ 41.1</u></b>           | <b><u>\$ 39.8</u></b>                      |
| <b><u>Non-Small Rural</u></b> |   |                                 |  |
| Deemed                        | 18  | \$ 80.2                         | \$ 77.0                                    |
| Eligible                      | 28  | \$ 77.1                         | \$ 74.7                                    |
| Grady                         | 1   | \$ 65.2                         | \$ 70.0                                    |
| Not Eligible in 07            | 33  | \$ -                            | \$ 1.9                                     |
| Not Eligible in 07 and 08     | 5   | \$ -                            | \$ -                                       |
| <b>Total Non-Small Rural</b>  | <b><u>85</u></b>  | <b><u>\$ 222.5</u></b>          | <b><u>\$ 223.5</u></b>                     |

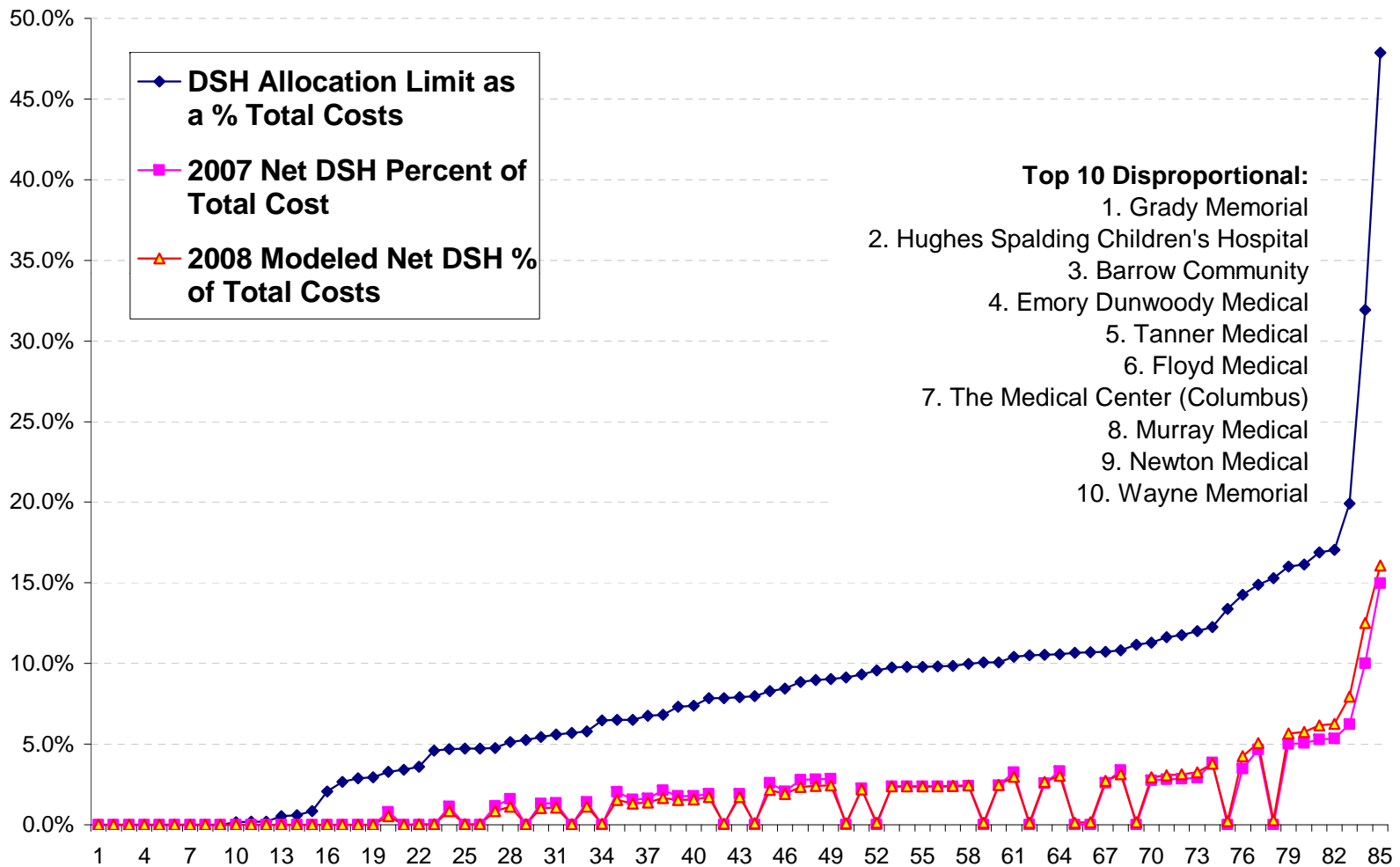
Subject to change pending final data audit and model QA



# FY 2008 for Small Rural Hospitals



# FY 2008 for Non-Small Rural Hospitals



# Next Steps

- Public Notice October 11
- Data verification for newly eligible now through November
- Public Comment and Board Vote by November 8
- If Board approves,
  - Submission to CMS in November – begins 90 day CMS clock
  - Notice of Interim Payments to Providers by Late November; Interim Payment before CY End
    - Lesser of 50% of FY 2007 DSH Payment or FY 2008 Proposed DSH Payment
  - Final Payment of balance upon CMS approval for public facilities and upon state fund appropriations made available for private facilities

