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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -INPATIENT  
HOSPITAL CARE

General Hospitals

Effective for services provided on or after July 1, 2003, the Vermont Medicaid Program will reimburse all general hospitals (See 18 V.S.A. §1902) at all-inclusive, prospective per diem rates.

Vermont General Hospitals

**Base Rates**

The costs of all Vermont general hospitals and out-of-state general hospitals receiving Medicaid payments during state fiscal year 1992 of \$100,000 or more formed the basis for the first prospective all-inclusive, per diem rates. Base year costs reported by those hospitals were identified. Categories of cost included in that rate setting methodology were related to routine services (including malpractice costs and medically necessary private room costs), ancillary services, capital, and direct medical education. The 1989 fiscal year was the initial base year and has been inflated in successive years to state fiscal year '03. The all-inclusive, prospective, per diem rates are set by peer group and by accommodation type.

**Peer Groups**

Three peer groupings have been established for the reimbursement system. The peer groups are:

- Teaching hospitals
- Non-teaching hospitals with 80 beds or more
- Non-teaching hospitals with fewer than 80 beds

Teaching hospital status is determined based on information published by the American Hospital Association or other reliable source. Bed size will be determined by licensed capacity or by a finding of fact by the Program Director.

Effective July 1, 2003, a new Critical Access peer group shall be established. Porter Medical Center, Mount Ascutney, Gifford, and Grace Cottage Hospitals will be shifted from the less than 80 bed peer group to this new group. The all-inclusive per diem rates for the medical/surgical, nursery and intensive care units of each hospital in the Critical Access peer group shall be set at new levels that reflect critical access hospital costs as would be determined by Medicare reimbursement principals and shall be known as the '04 base rates.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -INPATIENT  
HOSPITAL CARE (CONTINUED)

**Accommodation Types**

Reimbursement rates have been established for four accommodation types: medical/surgical, nursery, intensive care unit, and other intensive care unit. A fifth accommodation type, psychiatric care, has been established for Vermont hospitals specifically designated by the Commissioner of Developmental and Mental Health Services.

**Rate Change**

Effective July 1, 2003, the base rate for each accommodation type in the non-teaching-hospital-with-80-beds-or-more peer group shall be increased by 5%.

**Add-on Payment**

Effective July 1, 2003, all Vermont hospitals except the critical access peer group shall be granted an add-on payment amount specific to each accommodation type as follows:

Service	% Rate Increase
M/S	47.0%
Nursery	36.0%
ICU	30.0%
ICU-Other	80.0%
Psych	24.0%

These increases will not affect or be included in the base rate when calculating future inflation increases.

**Inflation Adjustments**

In future years, the fiscal year '04 rates may be changed as follows:

1. Effective 7/1/04 all '04 base rates will be increased by 1.444% and be known as the '05 base rates.
2. For dates of service 10/1/05 to 6/30/06, the '05 base rates will be decreased by 22.2%.
3. For dates of service 7/1/06 to 12/31/06, the '05 base rates will be reduced by 23.8% and shall be known as the '07 base rates.
4. For dates of service 1/1/07 and beyond, the '07 base rates will be increased by 6.1% and shall be known as the '07 revised base rates.
5. (Reserved for future use.)

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

Non-Vermont General Hospitals

All out-of-state hospitals are reimbursed by accommodation type at the out-of-state base rate established for the three peer groups (excluding the Critical Access group) in which the hospital would be classified by teaching status or bed size. The teaching-hospital group shall be divided into two groups - border and non-border teaching-hospitals. Border teaching-hospitals shall be those in which 25% or more of their inpatients are Vermont residents. Effective 10/1/03, the out-of-state base rates for SFY04 shall be the same as the median rates for SFY03; except the border teaching-hospital group will have a 16.5% add-on increase to its per diem rates (base rate + add on). All out-of-state critical access hospitals are reimbursed by accommodation type at the out-of-state rate for the non-teaching hospital with less than 80 beds peer group.

The methodology described above does not preclude the program from reimbursing non-Vermont hospitals providing unusual and highly complex services (such as transplants) that are not available in Vermont or border teaching-hospitals. Such services may be reimbursed on a negotiated rate basis.

All General Hospitals

For Medicaid beneficiaries with Medicare eligibility as well, payment is made to providers in an amount determined by Medicare to cover coinsurance and deductible amounts remaining after Medicare payment.

Payments made pursuant to these methods and standards will be deemed to be payment in full for services provided and the hospitals may not bill, or otherwise collect from, the beneficiary or anyone acting on his/her behalf any supplemental amount.

Swing bed, waiting placement and inappropriate level of care days are reimbursed at a per diem rate established by the Division of Rate Setting equal to the average statewide rate per patient day paid for services furnished in nursing facilities during the previous calendar year.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

Inpatient Psychiatric Facility Services - State Institutions

Reimbursement will be made at per diem rates established for the Vermont State Hospital based on reasonable costs. Interim rates are established by the Department of Developmental and Mental Health Services and adjusted at year end.

Inpatient Psychiatric Facility Services - Non-public Facilities

For services provided to individuals under age 22 at the Brattleboro Retreat, the all-inclusive, prospective per diem rate is \$1204.04.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES

Effective with dates of admission on or after October 3, 2008, the Office of Vermont Health Access (OVHA) will reimburse qualified providers for inpatient hospital services under the prospective payment system as set forth in this plan.

I. Participating Hospitals

All in-state and out-of-state hospitals will be included in this payment methodology, regardless of any designation provided by Medicare. Hospitals may be eligible for special payment provisions in addition to payments made under this methodology as discussed in Section IV below.

II. Data Sources and Preparation of Data for Computation of Prospective Rates

A. Introduction

The calculation of prospective rates requires the use of claims data and cost report data. The historical claims data is obtained from a chosen base period and the cost for these claims is derived from Medicare cost report data for the corresponding period. Claim costs are adjusted to the year in which the rates are in effect to account for inflation. Claims are grouped together into a diagnostic related group (DRG) based upon the diagnoses present on the claim.

B. Data Sources- Initial Period

For the rate setting period effective October 3, 2008, hospital cost report data from all in-state Medicaid providers plus Dartmouth-Hitchcock Medical Center for the fiscal years ending 2004, 2005, 2006, and 2007 were used to assign cost values to claims used in the rate development process. All hospitals included in the analysis have a fiscal year end of September 30. The claims used to assign relative weight values and to develop base rates were from the same hospitals for which cost data was collected and were from the same period as the hospital cost reports.

C. Data Sources- Subsequent Periods

More recent cost report and claims data will be used to develop new base rates and relative weights no less than once every four fiscal years.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

III. Payment for Inpatient Hospital Services

A. Payment Formulas

1. Non-Outlier DRG Payment Per Case = (Base Rate Assigned to Hospital x DRG  
Relative Weight)

2. Outlier DRG Payment Per Case = (Cost of Case – Outlier Threshold) x Outlier  
Payment Percentage

where

Cost of Case = Allowable Charges x Hospital-specific Cost to Charge Ratio and  
Outlier Threshold = (Base Rate x DRG Relative Weight) + Fixed Outlier Value

3. Psychiatric DRG Payment Per Case = (Base Per Diem Rate Assigned to Hospital x  
DRG Relative Weight x Factor Representing Length of Stay)

where

Factor Representing Length of Stay = The factors assigned by the Medicare Inpatient  
Psychiatric Facilities Prospective Payment System effective October 3, 2008

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

III. Payments Inpatient Hospital Services (Continued)

B. Discussion of Payment Components

1. Base Rates

The in-state Base Rate effective October 3, 2008 is based on claims with dates of service from October 3, 2003 to September 30, 2007 from all in-state hospitals plus Dartmouth-Hitchcock Medical Center. The cost values were assigned to each hospital claim on a claim-by-claim basis using data from each hospital's Medicare Cost Report. The cost report used to assign the cost for each claim was based on the ending date of service of the claim.

Allowed charges on each detail line of the inpatient claim were multiplied by a hospital-specific cost to charge ratio (CCR). The CCR assigned to each detail line is based on the revenue code billed for the detail line. The mapping of revenue codes to CCRs followed the principles that were described in the Medicare Inpatient Prospective Payment System Final Rule for 2007 published in the Federal Register on August 18, 2006.

The cost value of the claim is adjusted for inflation using Global Insight's Health Care Cost Review New CMS Hospital Prospective Reimbursement Market Basket moving average factors. Claim costs are inflated to the mid-point of the rate year.

The in-state base rate was derived by first computing the average inflated cost per case across all claims in the base period. This value is \$6,870. Because of funding limits imposed by the Vermont Legislature, the in-state Base Rate effective October 3, 2008 was reduced by 24.48% to \$5,093.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

III. Payments Inpatient Hospital Services (Continued)

2. Relative Weights

Relative weights were assigned to each DRG in the CMS MS-DRG Grouper Version 26.0 based on Vermont hospital costs. The relative weight is the average cost of the claims grouped into the DRG divided by the average cost of all claims in the base period.

Before calculating the relative weight for a DRG, tests were conducted to ensure that there was sufficient volume and conformity among the cases in the DRG to set a stable relative weight. A DRG was found to have sufficient sample size to compute a relative weight if: (a) There was a minimum of 10 claims across the two years of data; and (b) There were sufficient claims to pass this statistical test: The standard error of the claims' costs is within 25% of the mean with a 90% level of confidence.

Before running the statistical test, low-cost and high-cost outliers were removed from each DRG, which are defined as any claim that was outside +/- two standard deviations from the geometric mean cost of the DRG.

This test yielded 253 stable DRGs, 417 unstable DRGs, and 73 empty DRGs (no Vermont claims volume in the base period utilized). The 490 unstable and empty DRGs were then collapsed into 21 tier groups based on the Medicare relative weight for each DRG. After the claims were collapsed into these categories, a new average cost was computed for the claims in each tier and a relative weight was set.

Effective with dates of admission on or after October 3, 2008, all DRGs that were collapsed into a tier will share the same relative weight.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

IV. Special Payment Provisions

A. Rehabilitation DRG

In-state hospitals with a claim that groups into the Rehabilitation DRGs (DRGs 945 and 946 in MS-DRG Grouper Version 26.0) will be paid an additional \$300 per diem for the entire length of the patient's stay for the single episode of care. This payment is in addition to the Non-Outlier and Outlier DRG Payments Per Case.

B. Neonate DRGs

In-state hospitals that do not serve a disproportionate number of neonate cases that have a claim that groups into a Neonate DRG will be paid an additional \$300 per diem for the entire length of the patient's stay for the single episode of care. This payment is in addition to the Non-Outlier and Outlier DRG Payments Per Case.

In-state hospitals that do serve a disproportionate number of neonate cases that have a claim that groups into a Neonate DRG will be paid an additional \$400 per diem for the entire length of the patient's stay for the single episode of care. This payment is in addition to the Non-Outlier and Outlier DRG Payments Per Case. A hospital with a disproportionate share of neonate cases is a hospital that had more than 50% of all of the neonate DRG cases in the rate setting claims period.

The Neonate DRGs paid under this methodology are those Neonate DRGs as assigned by the Grouper being utilized by OVHA. Effective October 3, 2008, this included the following DRGs:

- DRG 789: Neonates, Died or Transferred to Another Acute Care Facility
- DRG 790: Extreme Immaturity or Respiratory Distress Syndrome, Neonate
- DRG 791: Prematurity with Major Problems
- DRG 792: Prematurity without Major Problems
- DRG 793: Full Term Neonate with Major Problems
- DRG 794: Neonate with Other Significant Problems

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

IV. Special Payment Provisions (Continued)

C. Psychiatric DRG Cases for High-Volume Psychiatric Case Hospitals

In-state hospitals that had more than 10% of the Psychiatric DRG cases paid by OVHA in 2006 or who had a distinct part psychiatric unit in place prior to October 3, 2008 will be paid for psychiatric cases under a DRG per diem methodology instead of a DRG per case methodology using the formula shown in III.A above.

The Psychiatric DRGs paid under this methodology are those Psychiatric DRGs as assigned by the Grouper being utilized by OVHA. Effective October 3, 2008, this included the following DRGs:

- DRG 56: Degenerative Nervous System Disorders w MCC
- DRG 57: Degenerative Nervous System Disorders w/o MCC
- DRG 80: Nontraumatic Stupor and Coma w MCC
- DRG 81: Nontraumatic Stupor and Coma w/o MCC
- DRG 876: O.R. Procedure with Principal Diagnosis of Mental Illness
- DRG 877: Acute Adjustment Reaction & Psychosocial Dysfunction
- DRG 881: Depressive Neuroses
- DRG 882: Neuroses Except Depressive
- DRG 883: Disorders of Personality & Impulse Control
- DRG 884: Organic Disturbances & Mental Retardation
- DRG 885: Psychoses
- DRG 886: Behavioral & Developmental Disorders
- DRG 887: Other Mental Disorder Diagnoses
- DRG 894: Alcohol/Drug Abuse or Dependence, Left AMA
- DRG 895: Alcohol/Drug Abuse or Depend. with Rehabilitation Therapy
- DRG 896: Alcohol/Drug Abuse or Depend. w/o Rehabilitation Therapy w MCC
- DRG 897: Alcohol/Drug Abuse or Depend. w/o Rehabilitation Therapy w/o MCC

On an ongoing basis, the factors applied representing the length of stay will be the same as those utilized by Medicare in its Inpatient Psychiatric Prospective Payment System. The factors applied are additive by length of stay.

Psychiatric base per diem rates were set to ensure that the payments for psychiatric cases in the new payment system were comparable to the previous payment system. Effective October 3, 2008, the Base Per Diem Rates are as follows:

- For Institutions of Mental Disease (IMD): \$885 per diem
- For all other eligible hospitals: \$825 per diem

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

IV. Special Payment Provisions (Continued)

D. One-Day Stays

Claims for patients admitted as an inpatient but for which the length of stay is not overnight are paid as the lesser of the cost of the case or the Non-Outlier DRG Payment Per Case. The exception is if the patient is classified as a Normal Newborn (DRG 795). In this case, payment will always be the Non-Outlier DRG Payment.

E. Transfer Cases

For claims in which the patient is transferred from one inpatient general acute care facility to another, the payment to the transferring hospital is the lesser of the cost of the case or the DRG Payment Per Case, including any outlier payment or DRG Add-on payment, if applicable. Payment to the receiving hospital will follow the payment guidelines of non-transfer cases.

F. Sub-acute Care

Swing bed, awaiting placement and inappropriate level of care days are reimbursed at a per diem rate established by the Division of Rate Setting equal to the average statewide rate per patient day paid for services furnished in nursing facilities during the previous calendar year.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

IV. Special Payment Provisions (Continued)

G. Out of State Facilities

Out-of-state facilities will receive payments using the same payment formulas as stated in III.A.1 and III.A.2. However, the values of components of the formulas may differ from those used to pay in-state hospitals.

For payments on or after October 3, 2008, the following values will be applied.

1. A Base Rate will be assigned to each participating out-of-state hospital based upon its peer group.
  - a. Border Teaching Hospitals: Defined as hospitals within 10 miles of the Vermont border that operate post-graduate training programs. Base rate will equal 58.9% of the in-state base rate.
  - b. Non-Border Teaching Hospitals: Defined as hospitals greater than 10 miles of the Vermont border that operate post-graduate training programs. Base rate will equal 55.2% of the in-state base rate.
  - c. Other Out-of-State Hospitals: Defined as hospitals not meeting the criteria of G.1.a or G.1.b. Base rate will equal 51.5% of the in-state base rate.
2. A Fixed Outlier Value will be assigned to each participating out-of-state hospital based upon its peer group.
3. An Outlier Percentage will be assigned to each participating out-of-state hospital based upon its peer group.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

IV. Special Payment Provisions (Continued)

1. The Cost to Charge Ratio (CCR) to be applied for calculating the outlier cost of the case will be assigned to each participating out-of-state hospital based upon its peer group.
  - a. Border Teaching Hospitals: The CCR to apply will be calculated from the most recent available Medicare Cost Report for each hospital in the peer group.
  - b. Non-Border Teaching Hospitals: The CCR to apply will be the average CCR of all in-state hospitals.
  - c. Other Out-of-State Hospitals: The CCR to apply will be the average CCR of all in-state hospitals.
2. In order to ensure access to non-Vermont hospitals providing unusual and highly complex services, the State has the authority to establish rates on a case by case basis or by hospital.

H. New Facilities

New facilities under the DRG system will receive payments using the same payment formulas as stated in III.A.1 and III.A.2. If the new facility is an in-state hospital, it will receive the same base rate as other in-state hospitals and all other payment policies for in-state hospitals will apply. If it is an out-of-state hospital, it will receive a base rate based upon the out-of-state peer group it is assigned to. All other payment provisions will follow the policies for the out-of-state hospital peer group to which it is assigned or the authority as outlined in G.5 above.

I. New Medicaid Providers

Prospective payment rates for established facilities which had not been an OVHA participating provider prior to October 3, 2008 will receive payments based on the same provisions that apply to new facilities as described in IV.H.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (CONTINUED)

V. Ongoing Maintenance

As a part of ongoing maintenance of the payment system, the OVHA will change the following rate setting components either separately or in combination:

A. Annually

1. The DRG Grouper used to group claims. If a new DRG grouper includes a new DRG for which the OVHA does not have a relative weight assigned, the OVHA will use the Medicare relative weight until such time as all DRG relative weights are updated.
2. The factors representing length of stay in payments for psychiatric cases made to eligible hospitals.
3. The Cost to Charge Ratio assigned to each hospital for use in establishing claim outlier status

B. At least once every four years

1. The base period of claims and Medicare Cost Report(s) used to establish DRG relative weight values
2. The DRG Relative Weight Values
3. The inflation factor used to best represent current costs
4. The Fixed Outlier Value
5. The Outlier Payment Percentage

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

Methods and Standards for Payment Adjustments to Hospitals Qualifying as Disproportionate  
Share Hospitals

Effective October 1, 2008, the Office of Vermont Health Access (OVHA) will make  
disproportionate share payments to hospitals as set forth in this plan.

VI. Eligible Hospitals

A. Minimum Requirements

In order to be eligible for disproportionate share payment, a hospital must:

1. Have at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals entitled to such services under the Medicaid state plan. For hospitals outside of the Burlington-South Burlington Core Based Statistical Area (CBSA), the term "obstetrician" includes any physician with staff privileges at the hospital to perform non-emergency obstetric procedures.

The above obstetric-related criteria do not apply to hospitals in which the inpatients are predominantly individuals under 18 years of age, or to hospitals which did not offer non-emergency obstetric services as of December 21, 1987.

2. Have a Medicaid inpatient utilization rate of at least one percent. The Medicaid inpatient utilization rate is defined as a hospital's total Medicaid inpatient days (including managed care days) divided by the total number of inpatient days.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

VI. Eligible Hospitals

B. Federally Deemed Hospitals

Additionally, the OVHA recognizes those hospitals deemed by federal law to be disproportionate share hospitals. The OVHA deems a hospital to be a disproportionate share hospital if:

1. The hospital has a Medicaid inpatient utilization rate that is at least one standard deviation above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments in the state; or
2. The hospital has a low income utilization rate exceeding 25 percent.

C. State-Defined Criteria

Hospitals that meet the minimum requirements in VI.A. but do not meet the criteria for VI.B may still qualify, subject to the availability of funds, for disproportionate share payments based on:

1. The hospital's status as a state-owned facility;
2. The hospital's status as an institution for mental disease;
3. The hospital's proportion of statewide Medicaid inpatient days; or
4. The hospital's Medicaid inpatient utilization rate.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

VII. Data Sources for Computation of Disproportionate Share Payments

The calculation of disproportionate share payments requires the use of data from multiple sources. Data sources, and the data that will be used from them, include the following:

- A. Hospital inpatient and outpatient claims data, including sub providers
  - 1. Hospital Medicaid charges
  - 2. Medicaid inpatient days - Excluded data includes Medicare crossover claims, Title XXI days and days attributable to Medicaid patients between 21 and 65 years of age in Institutions for Mental Disease. Days for OVHA members eligible under Medicaid expansion programs are included.
  - 3. Title XIX payments
- B. Hospital Medicare Cost Reports
  - 1. Hospital cost-to-charge ratios
  - 2. Total hospital inpatient days and total Medicaid days
  - 3. Total inpatient charges from all payers
- C. A state-designed survey
  - 1. Attestation of federal obstetrical requirement
  - 2. Medicaid patient services revenue
  - 3. Total revenue for hospital patient services, including inpatient and outpatient services and services by sub provider
  - 4. Total state and local cash subsidies for inpatient services
  - 5. Total state and local cash subsidies for outpatient services
  - 6. Total inpatient charges attributable to charity care. This excludes contractual allowances and bad debt.
  - 7. Total outpatient charges attributable to charity care. This excludes contractual allowances and bad debt.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

VIII. Disproportionate Share Payments

Each year of the program, OVHA will determine the DSH Eligibility Group(s) that each hospital is eligible for. The DSH pool for each DSH Eligibility Group shall be assigned based upon the proportion of Medicaid days for the hospitals within the DSH Eligibility Group to the total Medicaid days statewide. If a hospital is eligible for more than one DSH Eligibility Group, for the purposes of computing the DSH pool amount, the hospital will be placed in only one DSH Eligibility Group in the following sequence:

- DSH Eligibility Group #1
- DSH Eligibility Group #2
- DSH Eligibility Group #3
- DSH Eligibility Group #4
- DSH Eligibility Group #5
- DSH Eligibility Group #6

The percentage of statewide Medicaid days computed for each DSH Eligibility Group shall be multiplied by the total DSH allotment for the year to derive the DSH pool for each DSH Eligibility Group. Within a DSH Eligibility Group, funds will be assigned to each hospital using the formulas described in VIII.A.

When qualifying hospitals are eligible for more than one eligibility group, the hospital will be assigned to the eligibility group that maximizes their disproportionate share payment.

If disproportionate share payments are made to any hospital in a given year, then every qualifying disproportionate share hospital will receive a minimum of \$100,000 in this year.

DSH payments will be made once per year. At the time that DSH payments are disbursed, OVHA will publish the DSH pools and a schedule showing the DSH payment made to each eligible hospital.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

VIII. Disproportionate Share Payments (Continued)

A. Payment Formulas

1. DSH Eligibility Group #1 (VI.B.1) is based on the Medicaid utilization rate. Eligible hospitals will be paid proportionally for the funds allocated to this group based upon the amount that their Medicaid utilization rate exceeds one standard deviation above the mean of the Medicaid inpatient utilization rate for all hospitals receiving Medicaid payments in the state. The Medicaid inpatient utilization rate is defined as a hospital's total Medicaid inpatient days (including managed care days) divided by the total number of inpatient days.
2. DSH Eligibility Group #2 (VI.B.2) is based on the low income utilization rate. Eligible hospitals will be paid proportionally for the funds allocated to this group based upon the amount that their low income utilization rate exceeds 25 percent. The low income utilization rate is calculated as the sum of the values from two formulas.

The first formula is:

(Total Medicaid Patient Services Revenue + Total State and Local Cash Subsidies for Patient Services) divided by Total Revenue for Patient Services

The second formula is:

(Total Inpatient Charges Attributable to Charity Care – Cash Subsidies Attributable to Inpatient Services) divided by Total Inpatient Charges

3. DSH Eligibility Group #3 (VI.C.1) is based on the facility's status as a state-owned facility. Subject to meeting the minimum federal requirements and to federal disproportionate share payment limitations, facilities in this group receive a payment up to 100 percent of the cost of providing services to Medicaid patients, less the amount paid under non-disproportionate share payment provisions, and to uninsured patients, less payments made.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT  
HOSPITAL CARE (CONTINUED)

VIII. Disproportionate Share Payments (Continued)

A. Payment Formulas (Continued)

4. DSH Eligibility Group #4 (VI.C.2) is based on the facility's status as an institution for mental diseases. Subject to meeting the minimum federal requirements and to federal disproportionate share payment limitations, facilities in this group receive a payment up to 100 percent of the cost of providing services to Medicaid patients, less the amount paid under non-disproportionate share payment provisions, and to uninsured patients, less payments made.
5. DSH Eligibility Group #5 (VI.C.3) is based on a hospital's percentage of statewide days. Eligible hospitals will be paid proportionally for the funds allocated to this group based upon their Medicaid inpatient days.
6. DSH Eligibility Group #6 (VI.C.4) is based on a hospital's Medicaid utilization rate. Eligible hospitals will be paid proportionally for the funds allocated to this group based upon their Medicaid utilization.

B. Payment Limitations

The Omnibus Budget Reconciliation Act of 1993 established rules limiting the total disproportionate share payment that a hospital can receive. Disproportionate share payments are limited to no more than the cost of providing hospital services to patients who are either eligible for medical assistance under a state plan or have no health insurance for the services provided, less payments received under Title XIX (other than DSH payment adjustments).

The OVHA will test the calculated disproportionate share payments allocated to each hospital in each year to ensure that payments do not exceed federal limits. In the event that the initial calculation determines that a hospital's calculated disproportionate share payment exceeds the OBRA limit, the amount of funds above the limit will be redistributed to the other eligible hospitals in its DSH Eligibility Group.

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Supersedes

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