05-88 TITLE XIX STATE PLAN AMENDMENTS IM 6000.1

IM 6000. INPATIENT HOSPITAL AND LONG-TERM CARE REIMBURSEMENT

Congress enacted §4112 of the Omnibus Budget Reconciliation Act of 1987 (OBRA 1987), P.L. 100-203, which established minimum uniform criteria for you to follow in establishing methods for defining disproportionate share hospitals and determining payment adjustments to such hospitals. To comply with the requirements of §4112, determine whether you have a disproportionate share definition and payment methodology which meet the new criteria. If you are not in compliance, see §§6000.1 - 6000.5 for the necessary data and information sufficient to comply with the requirements of §4112.

IM 6000.1 Criteria for Deeming Hospitals Eligible for a Disproportionate Share Payment Adjustment.--For purposes of complying with §4112, determine which hospitals can be deemed eligible for a disproportionate share payment adjustment. The definition must be incorporated in the plan. The following criteria of §4112(b) and (d) of OBRA 1987 must be met before a hospital is determined to be eligible:

A. Minimum Criteria.--

1. A Medicaid inpatient utilization rate at least one standard deviation above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments in the State, or a low-income inpatient utilization rate exceeding 25 percent; and

2. The hospital must have at least 2 obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals entitled to such services under a State Medicaid plan. In the case of a hospital located in a rural area (that is, an area outside of a Metropolitan Statistical Area, as defined by the Executive Office of Management and Budget), the term "obstetrician" includes any physician with staff privileges at the hospital to perform nonemergency obstetric procedures.

3. Subsection A.2 does not apply to a hospital which:

o The inpatients are predominantly individuals under 18 years of age; or

o Does not offer nonemergency obstetric services as of December 21, 1987.

B. Definitions of Criteria

1. Medicaid inpatient utilization--For a hospital, the total number of its Medicaid inpatient days in a cost reporting period, divided by the total number of the hospital's inpatient days in that same period.

2. Low-income utilization rate--For a hospital, the sum (expressed as a percentage) of the fraction, calculated as follows:

Rev. IM88-1

IM 6000.1 (Cont.) TITLE XIX STATE PLAN AMENDMENTS 05-88

o Total Medicaid inpatient revenues paid to the hospital, plus the amount of the cash subsidies received directly from State and local governments in a cost reporting period, divided by the total amount of revenues of the hospital for inpatient services (including the amount of such cash subsidies) in the same cost reporting period; and,

o The total amount of the hospital's charges for inpatient hospital services attributable to charity care (care provided to individuals who have no source of payment, third-party or personal resources) in a cost reporting period, divided by the total amount of the hospital's charges for inpatient services in the hospital in the same period. The total inpatient charges attributed to charity care shall not include contractual allowances and discounts (other than for indigent patients not eligible for Medical assistance under an approved Medicaid State plan) that is, reductions in charges given to other third-party payers, such as HMOs, Medicare or Blue Cross.

C. Alternative Definition--Your plan may use another definition of the term "disproportionate share hospitals." However, the definition must include at least those hospitals which meet either of the definitions in subsections B.1 and B.2. Additionally, no hospital can be considered a "disproportionate share" hospital under a State's alternative definition unless it meets the requirement of subsection A.2.

IM 6000.2 Payment Adjustment.--

A. Minimum Payment.--The amount and formula for calculating the specified adjustment to payments made to disproportionate share hospitals must be included in the plan. Under §4112, the payment adjustment must at a minimum provide either:

1. An additional payment amount equal to the product of the hospital's Medicaid operating cost payment (e.g., DRG payment, per diem rate), times the hospital's Medicare disproportionate share adjustment percentage developed under rules established under §1886(d)(5)(F)(iv) of the Act, that can be paid to eligible hospitals. If you elect the Medicare disproportionate share calculation, the local Medicare fiscal intermediary has the data for determining the Medicare disproportionate share percentage; or

2. An additional payment amount (or increased percentage payment), which must be specified in the plan, and which must increase in proportion to the percentage by which the hospital's Medicaid utilization rate exceeds one standard deviation above the State's mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments.

B. Alternative Payment Adjustment.--Your plan may use another formula for calculating the payment adjustment for disproportionate share hospitals. However, it must result in payment to each disproportionate share hospital of at least the minimum adjustment specified in subsections A.1. or A.2. to eligible facilities.

Rev. IM88-1

05-88 TITLE XIX STATE PLAN AMENDMENTS IM 6000.5

C. Phase In.--The payment adjustment will be phased in over a 3-year period. As of July 1, 1988, the adjustment must be at least one-third the amount of the full payment adjustment; as of July 1, 1989, the payment must be at least two-thirds the full payment adjustment; and as of July 1, 1990, you must pay the full amount of the payment adjustment.

IM 6000.3 State Requirements.--

A. Assurance or Statement by April 1, 1988.--To implement §4112, submit no later than May 15, 1988, either:

o An assurance with the appropriate related information indicating compliance with §4112; or

o A statement indicating that an amendment is necessary and will be submitted no later than July 1, 1988. If the plan uses an alternative definition of the term "disproportionate share hospital" or an alternative payment adjustment formula, submit along with the plan and its assurance, information which demonstrates that the applicable minimum criteria have been met.

B. Subsequent Assurance or Statement.--To achieve full implementation of §4112, you must submit no later than April 1, 1989, and April 1, 1990, respectively, either an assurance with the appropriate related information indicating continued compliance with §4112, or a statement noting the need for further amendment to comply with the phase-in of the payment adjustment.

6000.4 HCFA Approval or Disapproval.--Upon receipt of the assurance or amendment, we will review the State’s submittal for compliance with §4112. For amendments submitted on or before April 1 of each year, HCFA’s review must be completed, and the amendment must be approved or disapproved, by June 30. If disapproved, submit immediately an amendment complying with the statutory requirements of §4112. For amendments submitted after April 1 of each year with an effective date of July 1, HCFA will have 90 days in which to complete review of the amendment and approve or disapprove it.

IM 6000.5 Special Rule.--Your plan shall be considered to be in compliance with the disproportionate share hospital requirements of §1902(a)(13)(A) if you provided for payment adjustments for disproportionate share hospitals as of January 1, 1984, and if the aggregate amount of the hospital adjustments under the plan for such hospitals is not less than the aggregate amount of such adjustments otherwise required to be made under §4112. If you wish to demonstrate compliance with §4112 under this provision, submit an assurance and the related information.

Rev. IM88-1