

Improving Your DSH Payments

HUMAN  ARC

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Topics to be discussed

- Medicare DSH unveiled
 - The Medicaid Proxy
 - The Medicare Proxy
- Its relevance
- Recent changes & opportunities

Objective

- Educate on Medicare DSH program
- Illustrate the value of DSH
- Create awareness of current state and your next steps

Medicare DSH

- Established in 1986
 - *Intended to ensure the financial viability of those hospitals that serve a disproportionate share of low-income patients*
- Utilized industry available proxies to determine “low income”
 - Medicaid inpatient utilization rate
 - SSI “Medicare” fraction

Medicare DSH

Two Methods for Calculating

1. Special Exemption Method

('Pickle Amendment')

- Based on net revenues from state and local subsidies

2. Primary Method

(Medicare DSH Patient Percentage)

- Medicare Proxy +
- Medicaid Proxy

Medicare DSH Patient Percentage

Medicare Proxy

Medicare SSI Days
Total Medicare Days

Medicaid Proxy

Medicaid “Eligible” Non-Medicare Days
Total Facility Days

Medicare DSH

Current Payment Adjustments

DSH Adjustment Formula (2004): (A)

- If DSH% < 15%
DRG % Add on = 0%
- If DSH% ≥ 15% < 20.2%
DRG % Add on = 2.5% + [.65 * (DSH% - 15%)]
- If DSH% ≥ 20.2%
DRG % Add on = 5.88% + [.825 * (DSH% - 20.2%)]

(A) Capped at 12% for urban hospitals < 100 beds
and Rural hospitals < 500 beds

Missouri State Averages

Formulas:

MIUR Avg. Hospital = 15.9%

(Ranges from high of 55% and low of 1.0%)

SSI Avg. Hospital = 6.4%

(Ranges from high of 26.6% and low of 1.3%)

Avg. MO Hospital ***DSH % of 22.3%***

Medicare DSH

DSH Payment Calculation

DRG % Add on = $5.88\% + [0.825 * (22.3\% - 20.2\%)] = 7.61\%$

| | |
|--------------------------------|-----------------------|
| Missouri Avg. DRG Pmt | \$4,577 |
| Est. Avg. DRG Case Wt (CMI) X | <u>1.4521</u> |
| Avg. DRG pmt for MO Hosp | \$6,641 |
| DSH Add On at 7.6% | \$ 506 |
| Indirect Med Ed Adj | <u>0</u> |
| Total DRG payment | \$7,147 |
| Less deductibles | <u>952</u> |
| Total Medicare Payment – Remit | <u><u>\$6,195</u></u> |

Reimbursement By Type

Missouri Acute Care Hospitals

| | | | |
|----|-----------------------|------------------------|-----|
| 1. | Medicaid | \$1.8 B | (B) |
| 2. | Medicare | \$1.6 B | (B) |
| 3. | Medicare DSH | \$0.128 B | |
| | ✓ \$2.0M per hospital | <i>(64 facilities)</i> | |

(B) Estimated based upon CMS cost report database

Medicare DSH

Program Development

Medicare DSH

A Contentious Past

- Congress 1st directed CMS to develop a DSH adjustment formula in 1983.
- By 1984 CMS had done nothing.
- In 1986 Congress amended the Medicare statute specifying all components of the DSH formula.
- Touched-off years of litigation, primarily focused at the Medicaid proxy

Medicaid Proxy

- CMS implemented the Medicaid proxy focused on “paid” versus “eligible” days
- In the 1990’s this was determined invalid by a number of circuit & district courts
- In 1997 CMS issued ruling 97-2 to allow the inclusion of Medicaid-eligible “unpaid” days.
- A focus on “eligible” Medicaid days identification is now critical for providers

Medicaid Proxy

How data is obtained:

- **Self-reported** by Providers on annual Medicare Cost Report

Effective processes include:

- Medicaid eligibility enrollment – self-pay population
 - Consider exploring alternate populations
- State Medicaid file matches against IP population
- Disciplined timing due to the availability of data > 12 months old.

Relative Value Disproportionate Denominators

Medicare Proxy

$$\frac{\text{Medicare SSI Days}}{\text{Total Medicare Days}}$$

Medicaid Proxy

$$\frac{\text{Medicaid Non-Medicare Days}}{\text{Total Facility Days}}$$

Relative Value Disproportionate Denominators

Medicare Proxy

$$\frac{\text{Medicare SSI Days}}{\text{Total Medicare Days}} \quad (45\%)$$

Medicaid Proxy

$$\frac{\text{Medicaid Non-Medicare Days}}{\text{Total Facility Days}} \quad (100\%)$$

DSH Patient Percentage - MO

Value of SSI vs. Medicaid Days

- 64 recipient hospitals received \$128 million
- Value of each additional day...

Statewide Value in FFY 2004

Value of 10
add'l days

✓\$4,340 (XIX)

✓\$8,140 (SSI)

| | Medicaid Day | SSI Day |
|----------------|-----------------|---------------|
| Average | \$ 434 | \$ 814 |
| High | \$ 787 | \$1,250 |
| Low | \$ 88 | \$ 124 |

DSH Patient Percentage - KS

Value of SSI vs. Medicaid Days

- 29 recipient hospitals received \$33 million
- Value of each additional day...

Statewide Value in FFY 2004

Value of 10
add'l days

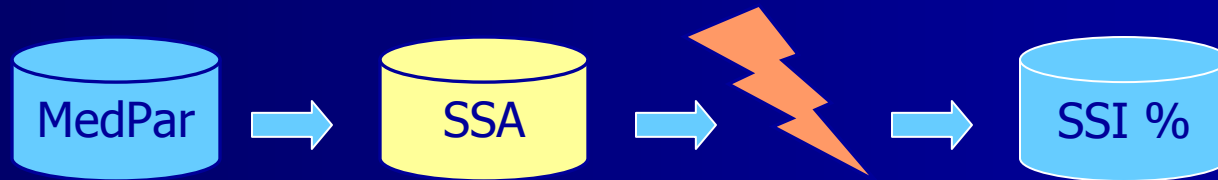
✓\$4,380 (XIX)

✓\$8,530 (SSI)

| | Medicaid Day | SSI Day |
|----------------|-----------------|---------------|
| Average | \$ 438 | \$ 853 |
| High | \$ 901 | \$2,193 |
| Low | \$ 106 | \$ 179 |

Medicare Proxy

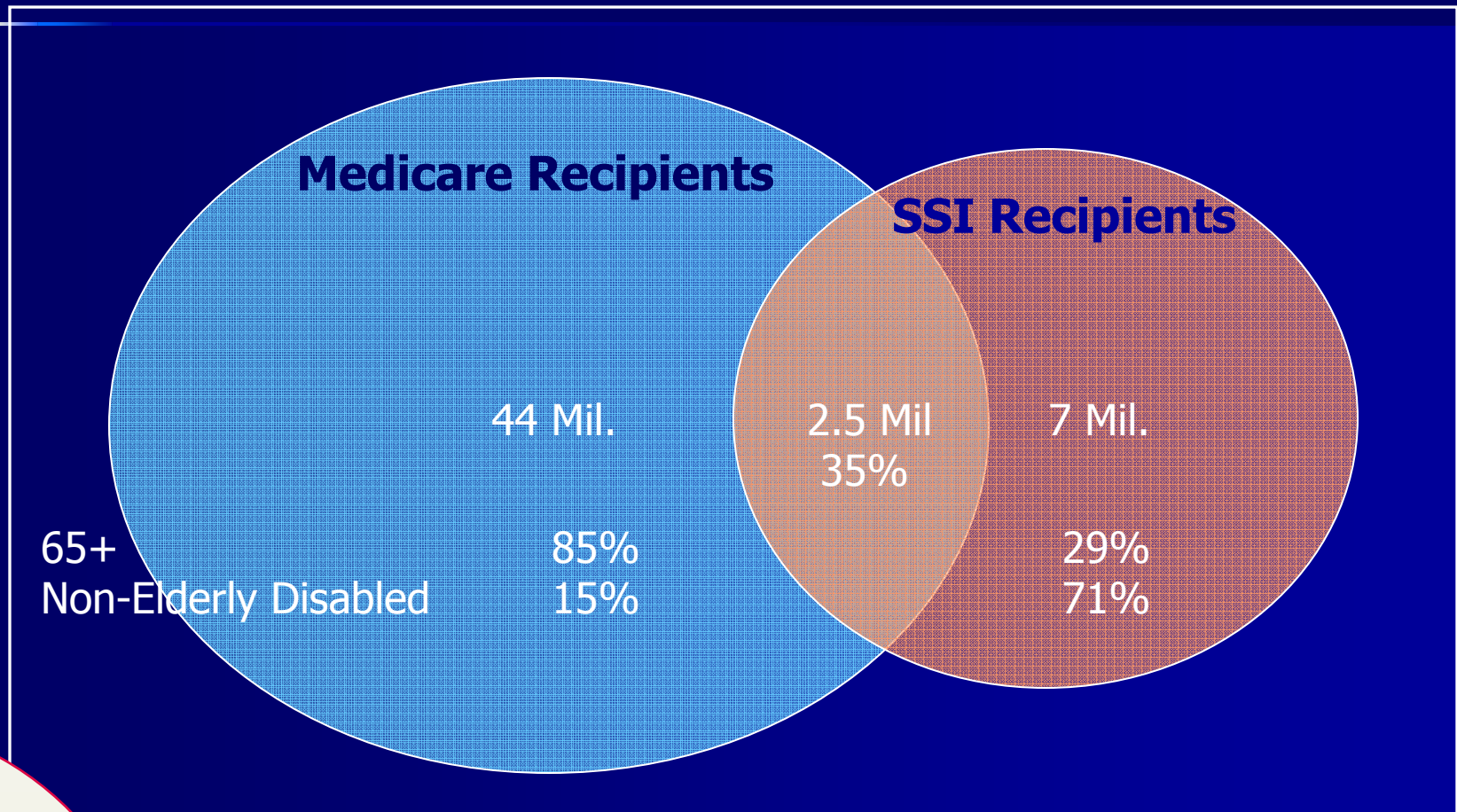
How data is obtained



- MEDPAR (Medicare Provider Analysis and Review File) is Medicare's database of hospital inpatient claims
- SSI file is a file created by SSA for CMS to identify SSI eligible individuals
- Calculated % is provided annually by CMS (typically in September)

Medicare Proxy

Who is this Population?



Medicare Proxy

Supplemental Security Income (SSI)

Two primary disability programs at SSA:

1. Title II = SSD program
 2. Title XVI = SSI program
- ✓ Individuals enrolled on both programs are the population defined by the Medicare Proxy

Medicare Proxy Supplemental Security Income (SSI)

Title II = SSD program

- For disabled individuals with enough historical 'work credits' to receive an "earned" benefit.
- Eligible for Medicare after 2 yrs of enrollment.

Title XVI = SSI program

- For disabled individuals with either no work credits or who's earned benefit is < the benefit level of SSI with income & resources below threshold.
- No eligibility for Medicare.

State SSI %'s Relative to Poverty Level

| | Poverty Rate | SSI Ratio | Ratio |
|----------|-----------------|--------------|-------|
| Missouri | 8.3% | 6.3% | 76% |

Low SSI ratio States:

| | Poverty Rate | SSI Ratio | Ratio |
|----------|-----------------|--------------|-------|
| Oklahoma | 11.4% | 8.3% | 73% |
| Arkansas | 15.0% | 10.8% | 72% |
| Iowa | 7.4% | 4.4% | 59% |
| Kansas | 8.2% | 4.8% | 58% |
| Nebraska | 10.7% | 4.7% | 44% |

High SSI ratio States:

| | Poverty Rate | SSI Ratio | Ratio |
|---------|-----------------|--------------|-------|
| Calif. | 7.3% | 17.9% | 245% |
| Florida | 7.9% | 10.7% | 135% |
| Georgia | 8.5% | 11.3% | 132% |
| Nevada | 8.1% | 9.4% | 117% |
| Texas | 12.4% | 13.3% | 107% |
| Tenn. | 10.3% | 10.9% | 106% |

Access to SSI Ratio Details After December 8, 2004 (MMA § 951)

Currently

No appeal required

Request through CMS

No fee required

Data Use Agreement

Previously

Appeal must be pending

Request through FI

\$900 - \$1200 per year

Data Use Agreement

http://www.cms.hhs.gov/PrivProtectedData/07_DSHRateData.asp

Access to SSI Ratio Details

MMA § 951 Limitations / Opportunities

- Only discloses the data used to compute the SSI fraction
- Does not allow a hospital to determine what CMS may have missed.
- Detective work is still up to the hospital...

Medicare & SSI

Recent Rulings & Changes

PRRB Case Review

Baystate vs. Mutual of Omaha

- PRRB hearings in 2003 & 2004
- Provider challenged the CMS calculation of SSI fraction for FFYs 1993 – 1996
- Decision issued March 14, 2006

PRRB Decision

Baystate vs. Mutual of Omaha

- Board Rejected CMS' argument that the SSI calculation is fixed when calculated
- An estimate, rather than an accurate determination, is not permissible
- CMS failed to use the "best data available" because there are issues with the SSI data, the MEDPAR data and the match process

Case was remanded for correction

PRRB

Baystate vs. Mutual of Omaha

Conclusions Drawn:

- CMS failed to use the “best available” data
 - So better data exists
- CMS’ match process is flawed
 - Failed to use unique identifiers
- These flaws tend to deflate the DSH percentage
- Opportunity ?

But, CMS had not spoken yet...

Administrator's Decision

Baystate vs. Mutual of Omaha

May 11, 2006:

- Determined that CMS' determination of the DSH percentage was correct

- The hospital was not entitled to a recalculation of its DSH percentage
 - The process was based upon a "Policy Decision" **balancing burden vs. accuracy**
 - Medicare fraction is not subject to updating

Administrator's Decision

Baystate vs. Mutual of Omaha

Impact:

- Hospitals may be unable to recalculate their DSH percentage and reimbursement
 - regardless of errors you can prove were made by CMS.
- **Baystate** has appealed the decision to federal district court
 - This will impact numerous pending appeals

Medicare DSH

What to Do Next?

Conclusions

- Credibility of the (CMS supplied) SSI % is suspect.
- CMS allows access to the data used to calculate the %.
 - To challenge, providers require a means to verify SSI status on 100% of Medicare admissions. *Take steps to identify.*
- In light of the recent Administrator's decision:
 - If you are receiving DSH or close to meeting DSH threshold, carefully consider the benefits of challenging CMS' calculation of the Medicare fraction and DSH percentage
 - *Preserve your appeal rights pending the ultimate decision in **Baystate***

Questions



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