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TO: Senator Joyce Woodhouse, Chair - Interim Finance Committee
Assemblywoman Maggie Carlton, Vice Chair - Interim Finance Committee
Rick Combs, Director - Interim Finance Committee

Disproportionate Share Hospital Supplemental Payment Program

Per NRS 422.390, the Division of Health Care Financing and Policy (DHCFP) is submitting this quarterly report on the Disproportionate Share Hospital (DSH) Supplemental Payment Program for the fourth quarter (Q4) of state fiscal year (SFY) 2017.

Title XIX of the Social Security Act authorizes Federal grants to States for Medicaid programs that provide medical assistance to low-income families, the elderly and persons with disabilities. Section 1902(a)(13)(A)(iv) of the Act requires that States make Medicaid payment adjustments for hospitals that serve a disproportionate share of low-income patients with special needs. Section 1923 of the Act contains more specific requirements related to such disproportionate share hospital payments, including aggregate annual state-specific limits on Federal Financial Participation (FFP) under Section 1923(f), and hospital-specific limits on DSH payments under section 1923(g).

DSH Authority - Policy:

- DSH Audit Final Rule, Federal Register Vol. 73, No. 245
- Social Security Act Sec. 1923
- 42 CFR 447 Subpart E (447.296 – 447.299)
- State Plan 4.19-A pages 21 – 25
- NRS 422.380 – 422.390
- NAC 422.015 – 422.165

DSH Allotments

DSH allotments reflect the annual maximum amount of FFP available to the State for the DSH program. The DSH allotment is determined by the Centers for Medicare and Medicaid Services (CMS) as the higher of (1) the federal fiscal year (FFY) 2004 DSH allotment or (2) the prior year's DSH allotment increased by the percentage of change in the consumer price index for all

urban consumers (CPI-U) for the prior fiscal year. The resulting amount must not exceed the greater of (1) the DSH allotment for the previous fiscal year or (2) 12% of total State Plan medical assistance expenditures during the fiscal year. CMS often updates the allotment amounts prior to finalization, which results in revision of the corresponding DSH payments. Both the FFY 2016 and FFY 2017 DSH allotments are currently preliminary amounts and are subject to revision by CMS.

DHCFP received notice of the FFY 2017 DSH allotment on October 4, 2016. This preliminary allotment of \$50,716,160.00 was lower than the projected FFY 2017 allotment of \$51,504,472.00. This has resulted in slightly lower payments in SFY 2017 Q2-Q4 than originally projected, as well as lower IGT totals for SFY 2017. The IGT, payment and state savings amounts found throughout this report reflect the calculation based on the updated preliminary allotment amount received in October 2016.

Under the Affordable Care Act (ACA), DSH allotments were scheduled to be reduced beginning in FFY 2014 and continuing through FFY 2020 due to decreases in the rate of uninsured and under-insured individuals as estimated by the Congressional Budget Office. However, subsequent legislation has both modified the amounts and postponed the timing of these reductions until FFY 2018 through FFY 2025. The amended American Healthcare Act of 2017¹ (AHCA) passed by the United States House of Representatives on May 4, 2017 repeals these reductions beginning in FFY 2020 for states that expanded Medicaid and repeals these reductions beginning in FFY 2018 for non-expansion states. If this provision remains intact in a final version of the bill, Nevada will be subject to the DSH allotment reductions in FFY 2018 and FFY 2019.

The following table specifies the currently scheduled reductions to the aggregate Federal DSH allotments. The projected NV DSH allotments listed below are DHCFP estimates, as CMS has not yet released any state-specific projections beyond FFY 2017. These estimates have not been modified in response to the AHCA reform bill.

FFY	Reduction to Aggregate Federal DSH Allotment	Projected NV DSH Allotment
2018	\$2,000,000,000	\$47,993,514
2019	\$3,000,000,000	\$46,628,629
2020²	\$4,000,000,000	\$45,275,096
2021²	\$5,000,000,000	\$43,933,080
2022²	\$6,000,000,000	\$42,602,752
2023²	\$7,000,000,000	\$41,284,283
2024²	\$8,000,000,000	\$39,977,848
2025²	\$8,000,000,000	\$40,818,515

¹ <https://www.congress.gov/bill/115th-congress/house-bill/1628>

² If AHCA is passed as written, Nevada would not be subject to a DSH allotment reduction in this year.

Intergovernmental Transfers (IGT)

Based on the FFY 2016 and FFY 2017 preliminary allotment amounts released by CMS, the SFY 2017 total IGT is projected to be \$55,077,398. The SFY 2017 IGT breakdown by County is: Clark County \$53,577,938 and Washoe County \$1,500,000.

For SFY 2017 Q4 DCHFP invoiced and collected a total IGT of \$13,612,831. The IGT breakdown by County is: Clark County \$13,237,831 and Washoe County \$375,000.

Beginning in 2014, the IGT amount due from the counties has been offset by a credit from the Indigent Accident Fund (IAF) pursuant to NAC 422.105(4). For SFY 2017, the IAF credit is estimated to be \$8,143,041 for Clark County and \$227,977 for Washoe County, to be applied quarterly.

Verification of DSH Eligibility

Verification of DSH eligibility begins in January of each year and finished by June in order to complete the annual calculations.

Twenty-one hospitals in Nevada are eligible for DSH Payments in SFY 2017. All 21 hospitals that are eligible for DSH payments are receiving DSH payments in SFY 2017 Q4.

Per NAC 422.165 – Based on available funds, DHCFP will transfer a \$50,000 payment to public hospitals that are located in a county that does not have any other hospitals and are not eligible for DSH payments. For SFY 2017 three hospitals were eligible for this payment:

1. Grover C. Dils Medical Center
2. Battle Mountain General Hospital
3. Pershing County General Hospital

These \$50,000 payments were processed and issued to eligible hospitals in August 2016. The funding for these payments is from the State General Fund.

DSH Payment Calculation

The SFY 2017 Q4 Quarterly DSH payment total is \$19,605,757.

The SFY 2017 Q4 DSH distribution within each hospital pool is based on the following:

1. 50% of the DSH payment for each pool is distributed based on the Uncompensated Care Percentage of each hospital within the pool.
2. 50% of the DSH payment for each pool is distributed based on the amount of Uncompensated Care provided by each hospital within the pool.

4th Quarter - SFY 2017 DSH Calculation

Hospital Pools	Hospitals	Total Pool Allotment (SFY 2017 Q4)	Uncompensated Care Cost (UCC)	Hospital Net Patient Revenue	Uncompensated Care Percentage (UCP)	SFY 2017 Q4 Total DSH Payment
Pool A		\$16,993,720				
	University Medical Center		\$68,006,054	\$526,403,619	12.92%	\$16,993,720
	A SUBTOTAL		\$68,006,054	\$526,403,619		\$16,993,720
Pool B		\$584,808				
	Boulder City Hospital		\$3,384,235	\$20,545,883	16.47%	\$46,864
	Centennial Hills Medical Center		\$17,566,007	\$194,827,439	9.02%	\$45,306
	Mountainview Hospital		\$25,311,326	\$331,489,908	7.64%	\$51,421
	North Vista Hospital		\$13,804,041	\$103,174,124	13.38%	\$51,893
	Southern Hills Hospital		\$10,296,263	\$145,727,710	7.07%	\$31,164
	Spring Valley Medical Center		\$12,384,791	\$293,108,917	4.23%	\$26,424
	St Rose Dominican Hospital - De Lima		\$18,044,157	\$105,034,469	17.18%	\$67,031
	St Rose Dominican Hospital - San Martin		\$19,934,797	\$159,279,295	12.52%	\$57,327
	St Rose Dominican Hospital - Siena		\$35,078,035	\$349,149,281	10.05%	\$69,878
	Summerlin Hospital Medical Center		\$17,014,480	\$355,429,850	4.79%	\$33,673
	Sunrise Hospital & Medical Center		\$60,949,920	\$571,752,885	10.66%	\$103,827
	B SUBTOTAL		\$233,768,051	\$2,629,519,761		\$584,808
Pool C		\$1,148,896				
	Renown Regional Medical Center		\$19,010,445	\$581,502,721	3.27%	\$1,148,896
	C SUBTOTAL		\$19,010,445	\$581,502,721		\$1,148,896
Pool D		\$262,713				
	Humboldt General Hospital		\$1,055,292	\$29,824,725	3.54%	\$73,063
	Mt Grant General Hospital		\$423,058	\$6,916,340	6.12%	\$59,414
	South Lyon Health Center		\$390,547	\$5,773,287	6.76%	\$62,013
	William Bee Ririe		\$882,683	\$21,693,939	4.07%	\$68,223
	D SUBTOTAL		\$2,751,580	\$64,208,291		\$262,713
Pool E		\$615,620				
	Banner Churchill Community Hospital		\$5,324,818	\$38,003,956	14.01%	\$201,706
	Carson Tahoe Regional Medical Center		\$11,370,411	\$224,227,174	5.07%	\$195,104
	Desert View Regional Medical Center		\$2,321,957	\$31,910,735	7.28%	\$99,017
	Northeastern Nevada Regional Hospital		\$4,788,610	\$78,450,876	6.10%	\$119,793
	E SUBTOTAL		\$23,805,796	\$372,592,741		\$615,620
SFY 2017 Q4 Quarterly DSH Payments :						\$19,605,757

Disproportionate Share Hospital Payments

The SFY 2017 DSH payments are estimated to total \$78,170,320 based on the CMS preliminary FFY 2016 and FFY 2017 allotment amounts of \$50,263,786 and \$50,716,160, respectively. DSH monthly payments for SFY 2017 Q4 averaged \$6,535,252 for a quarterly DSH payment total of \$19,605,757.

The Federal Medical Assistance Percentage (FMAP) in place for SFY 2017 Q4 is 64.67%, resulting in a Federal/State share breakdown of:

Federal Portion	State Portion	SFY 2017 Q4 Total
\$12,679,053	\$6,926,714	\$19,605,757

The total quarterly DSH payments for SFY 2018 Q1 are anticipated to be \$19,605,752.

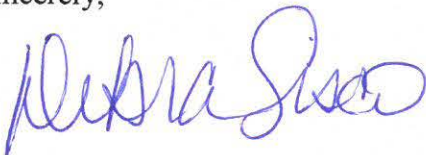
Disproportionate Share Hospital Redistributions

Effective January 2009, in order to receive Federal Financial Participation for the DSH program, CMS requires states to submit an independent certified audit and report to ensure the appropriate use of Medicaid DSH payments and compliance with hospital-specific payment limits. Beginning with the DSH audits for SFY 2011, CMS is requiring states to recoup DSH payments from hospitals if the initial DSH payment they received exceeded the hospital's final Uncompensated Care Costs based on audit.

Through Meyers and Stauffer LC, DHCFP's contracted auditor, the independent certified audits for the SFY 2011, SFY 2012, and SFY 2013 DSH programs have been completed. The audit of the SFY 2013 DSH program did not result in any required recoupments or redistributions. The audit of the SFY 2014 DSH program is currently underway and must be completed no later than September 30, 2017.

Please contact me at 775-684-3639, or at debra.sisco@dncfp.nv.gov if you have any questions regarding this report.

Sincerely,



Debra Sisco,
Chief, Supplemental Reimbursement Unit
Division of Health Care Financing and Policy

Cc: Marta Jensen, Acting Administrator – DHCFP
Karen Salm, Chief Financial Officer – DHCFP
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