

BRIAN SANDOVAL
Governor



RICHARD WHITLEY, MS
Director

MARTA JENSEN
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH CARE FINANCING AND POLICY
1100 East William Street, Suite 101
Carson City, Nevada 89701
Telephone (775) 684-3676 • Fax (775) 687-3893
<http://dhcfp.nv.gov>

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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 (Q1) of state fiscal year (SFY) 2019.

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. The FFY 2018 and FFY 2019 DSH allotments are currently preliminary amounts and are subject to revision by CMS.

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 2020 through FFY 2025. The national aggregate allotment reductions are set to begin in FFY 2020 as follows:

- \$4,000,000,000 for FFY 2020
- \$8,000,000,000 for FFY 2021
- \$8,000,000,000 for FFY 2022
- \$8,000,000,000 for FFY 2023
- \$8,000,000,000 for FFY 2024
- \$8,000,000,000 for FFY 2025

Federal Regulations require CMS to allocate the ACA DSH reductions to states based on the following criteria:

1. The largest percentage of reductions must be imposed on:
 - a. States that have the lowest percentage of uninsured
 - b. States that do not target DSH payments to hospitals with high volumes of Medicaid inpatients
 - c. States that do not target DSH payments to hospitals with high levels of uncompensated care
2. A smaller percentage of reductions must be imposed on "Low DSH" states

On July 28, 2017, CMS released a proposed rule¹ delineating the methodology to calculate and implement the annual allotment reductions. Based on the proposed methodology, the preliminary reduced FFY 2018 DSH allotment for Nevada was projected to be \$48,319,364. This represented a reduction of \$3,665,150 from the unreduced allotment of \$51,984,514 Nevada would have expected without the ACA DSH reductions.

On February 9, 2018, federal legislation was passed² that delayed the proposed DSH allotment reductions until FFY 2020. CMS advised Nevada that the projected allotment had been increased to the unreduced projection of \$51,984,514 for FFY 2018. The SFY 2018 DSH Supplemental Payments are projected to increase to \$78,980,941.70. The SFY 2018 Q4 DSH Supplemental Payments will be increased to reflect the revised preliminary DSH allotment for FFY 2018.

On November 3, 2017, CMS released a final rule³ finalizing FFY 2015 DSH allotment amounts. The FFY 2015 preliminary allotment for Nevada was increased from \$50,113,446 to the final FFY 2015 allotment amount of \$50,162,819. This increase in the FFY 2015 DSH allotment for Nevada resulted in additional DSH payments to Nevada DSH hospitals totaling \$76,714. These payments were applicable to the SFY 2016 Q1 DSH program and were paid retroactively in November 2017.

¹<https://www.federalregister.gov/documents/2017/07/28/2017-15962/medicaid-program-state-disproportionate-share-hospital-allotment-reductions>

² <https://www.congress.gov/115/bills/hr1892/BILLS-115hr1892eas2.pdf>

³<https://www.federalregister.gov/documents/2017/11/03/2017-23933/medicaid-program-final-fy-2015-and-preliminary-fy-2017-disproportionate-share-hospital-allotments>

Intergovernmental Transfers (IGT)

Based on the FFY 2018 and FFY 2019 preliminary allotment amounts released by CMS, the SFY 2019 total IGT is projected to be \$55,633,537. The SFY 2019 IGT breakdown by County is: Clark County \$54,133,537 and Washoe County \$1,500,000.

For SFY 2019 Q1 DCHFP will invoice a total IGT of \$10,933,031.00. The quarterly IGT breakdown by County is: Clark County \$10,630,585 and Washoe County \$302,446.

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 2019, the IAF credit is estimated to be \$8,449,933 for Clark County and \$228,107 for Washoe County, to be applied quarterly.

DSH Payment Calculation

The SFY 2019 Q1 Quarterly DSH payment total is \$19,765,974.

The Federal Medical Assistance Percentage (FMAP) for SFY 2019 Q1 is 65.75%, resulting in a Federal/State share breakdown of:

Federal Portion	State Portion	SFY 2019 Q1 Total
\$12,996,128	\$6,769,846	\$19,765,974

The SFY 2019 Q1 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.

Disproportionate Share Hospital Payments

The SFY 2019 DSH payments are estimated to total \$81,070,360 based on the current FFY 2018 and FFY 2019 preliminary allotment amounts of \$51,984,514 and \$53,024,204, respectively. DSH monthly payments for SFY 2019 Q1 are projected to average \$6,588,658 for a quarterly DSH payment total of \$19,765,974.

SFY 2019 Q1 DSH payments are currently delayed due to contract negotiations with Clark County.

1st Quarter - SFY 2019 DSH Calculation

Hospital Pools	Hospitals	Total Pool Allotment (SFY 2019 Q1)	Uncompensated Care Cost (UCC)	Hospital Net Patient Revenue	Uncompensated Care Percentage (UCP)	SFY 2019 Q1 Total DSH Payment
Pool A		\$17,388,128				
	University Medical Center		\$72,441,051	\$625,307,954	11.58%	\$17,388,128
	A SUBTOTAL		\$72,441,051	\$625,307,954		\$17,388,128
Pool B		\$334,045				
	Boulder City Hospital		\$2,443,021	\$25,030,357	9.76%	\$20,453
	Centennial Hills Medical Center		\$16,343,587	\$252,145,257	6.48%	\$25,454
	Henderson Hospital		\$11,130,025	\$149,865,610	7.43%	\$23,039
	Mountainview Hospital		\$20,483,750	\$376,657,224	5.44%	\$26,817
	North Vista Hospital		\$1,481,660	\$97,556,519	1.52%	\$4,071
	Southern Hills Hospital		\$12,092,770	\$174,024,334	6.95%	\$22,911
	Spring Valley Medical Center		\$17,957,368	\$332,327,201	5.40%	\$24,714
	St Rose Dominican Hospital - De Lima		\$17,693,701	\$96,523,432	18.33%	\$48,982
	St Rose Dominican Hospital - San Martin		\$15,018,960	\$160,438,533	9.36%	\$29,839
	St Rose Dominican Hospital - Siena		\$22,777,785	\$440,232,554	5.17%	\$28,166
	Summerlin Hospital Medical Center		\$14,109,802	\$414,571,801	3.40%	\$17,823
	Sunrise Hospital & Medical Center		\$55,588,654	\$621,121,498	8.95%	\$61,775
	Valley Hospital Medical Center		\$0	\$290,191,628	0.00%	\$0
	B SUBTOTAL		\$207,121,083	\$3,430,685,948		\$334,044
Pool C		\$1,158,286				
	Renown Regional Medical Center		\$34,268,096	\$714,741,253	4.79%	\$1,158,286
	C SUBTOTAL		\$34,268,096	\$714,741,253		\$1,158,286
Pool D		\$264,864				
	Humboldt General Hospital		\$0	\$29,516,924	0.00%	\$0
	Mt Grant General Hospital		\$0	\$7,742,238	0.00%	\$0
	South Lyon Health Center		\$318,459	\$5,418,849	5.88%	\$213,320
	William Bee Ririe		\$137,844	\$24,577,171	0.56%	\$51,544
	D SUBTOTAL		\$456,303	\$67,255,182		\$264,864
Pool E		\$620,652				
	Banner Churchill Community Hospital		\$6,792,882	\$39,124,818	17.36%	\$234,909
	Carson Tahoe Regional Medical Center		\$11,565,447	\$267,419,651	4.32%	\$180,138
	Desert View Regional Medical Center		\$3,853,108	\$36,570,852	10.54%	\$139,238
	Northeastern Nevada Regional Hospital		\$2,980,945	\$87,582,780	3.40%	\$66,367
	E SUBTOTAL		\$25,192,382	\$430,698,101		\$620,652
SFY 2019 Q1 Quarterly DSH Payments :						\$19,765,974

The total quarterly DSH payments for SFY 2019 Q1 are anticipated to be \$19,765,974.

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 hospitals in Nevada are eligible to receive DSH Payments in SFY 2019. All 20 of the eligible hospitals will receive DSH payments for SFY 2019 Q1.

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 2019 three hospitals are eligible for this payment:

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

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 through SFY 2015 DSH programs have been completed. The audit of the SFY 2015 DSH program did not result in any required recoupments or redistributions.

Please contact Sarah Lamb at 775-684-3621, or at s.lamb@dhcfp.nv.gov if you have any questions regarding this report.

Sincerely,



Ellen Crecelius
Chief Financial Officer
Division of Health Care Financing and Policy

Cc: Marta Jensen, Administrator – DHCFP
Cody Phinney, Deputy Administrator – DHCFP
Sarah Lamb, Management Analyst IV - DHCFP
Gina Callister, Supplemental Reimbursement Analyst – DHCFP
Patrick McDonnell, Publications & Outreach Coordinator – DHCFP
Budd Milazzo, Administrative Services Officer IV, DHHS