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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 third quarter (Q3) 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 rule<sup>1</sup> 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 passed<sup>2</sup> 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.

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

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



### **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 Q3 DCHFP will invoice a total IGT of \$12,125,317.27. The quarterly IGT breakdown by County is: Clark County \$11,819,952.27 and Washoe County \$305,365.00.

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 \$8,450,589.90 for Clark County and \$227,450.10 for Washoe County, to be applied quarterly.

### **DSH Payment Calculation**

The SFY 2019 Q3 Quarterly DSH payment total is \$20,514,930.

The Federal Medical Assistance Percentage (FMAP) for SFY 2019 Q3 is 64.87%, resulting in a Federal/State share breakdown of:

<b>Federal Portion</b>	<b>State Portion</b>	<b>SFY 2019 Q3 Total</b>
\$13,308,035	\$7,206,895	\$20,514,930

The SFY 2019 Q3 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 \$81,310,767 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 Q3 are projected to average \$6,838,310 for a quarterly DSH payment total of \$20,514,930.

SFY 2019 Q1, SFY 2019 Q2 and SFY 2019 Q3 DSH payments to eligible hospitals have been delayed due to contract negotiations with Clark County. The Intergovernmental Transfer (IGT) contract with Clark County was approved by the Board of Examiners on March 12<sup>th</sup>, 2019. DCHFP expects to issue all DSH payments to date to hospitals within the next few weeks upon receipt of the IGT funds from Clark County.

**3rd Quarter - SFY 2019 DSH Calculation**

Hospital Pools	Hospitals	Total Pool Allotment (SFY 2019 Q3)	Uncompensated Care Cost (UCC)	Hospital Net Patient Revenue	Uncompensated Care Percentage (UCP)	SFY 2019 Q3 Total DSH Payment
<b>Pool A</b>		<b>\$18,046,986</b>				
	University Medical Center		\$72,441,051	\$625,307,954	11.58%	\$18,046,986
	<b>A SUBTOTAL</b>		<b>\$72,441,051</b>	<b>\$625,307,954</b>		<b>\$18,046,986</b>
<b>Pool B</b>		<b>\$346,701</b>				
	Boulder City Hospital		\$2,443,021	\$25,030,357	9.76%	\$21,228
	Centennial Hills Medical Center		\$16,343,587	\$252,145,257	6.48%	\$26,418
	Henderson Hospital		\$11,130,025	\$149,865,610	7.43%	\$23,913
	Mountainview Hospital		\$20,483,750	\$376,657,224	5.44%	\$27,834
	North Vista Hospital		\$1,481,660	\$97,556,519	1.52%	\$4,224
	Southern Hills Hospital		\$12,092,770	\$174,024,334	6.95%	\$23,778
	Spring Valley Medical Center		\$17,957,368	\$332,327,201	5.40%	\$25,650
	St Rose Dominican Hospital - De Lima		\$17,693,701	\$96,523,432	18.33%	\$50,838
	St Rose Dominican Hospital - San Martin		\$15,018,960	\$160,438,533	9.36%	\$30,969
	St Rose Dominican Hospital - Siena		\$22,777,785	\$440,232,554	5.17%	\$29,235
	Summerlin Hospital Medical Center		\$14,109,802	\$414,571,801	3.40%	\$18,498
	Sunrise Hospital & Medical Center		\$55,588,654	\$621,121,498	8.95%	\$64,116
	Valley Hospital Medical Center		\$0	\$290,191,628	0.00%	\$0
	<b>B SUBTOTAL</b>		<b>\$207,121,083</b>	<b>\$3,430,685,948</b>		<b>\$346,701</b>
<b>Pool C</b>		<b>\$1,202,175</b>				
	Renown Regional Medical Center		\$34,268,096	\$714,741,253	4.79%	\$1,202,175
	<b>C SUBTOTAL</b>		<b>\$34,268,096</b>	<b>\$714,741,253</b>		<b>\$1,202,175</b>
<b>Pool D</b>		<b>\$116,583</b>				
	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%	\$77,547
	William Bee Ririe		\$137,844	\$24,577,171	0.56%	\$39,036
	<b>D SUBTOTAL</b>		<b>\$456,303</b>	<b>\$67,255,182</b>		<b>\$116,583</b>
<b>Pool E</b>		<b>\$802,485</b>				
	Banner Churchill Community Hospital		\$6,792,882	\$39,124,818	17.36%	\$303,732
	Carson Tahoe Regional Medical Center		\$11,565,447	\$267,419,651	4.32%	\$232,911
	Desert View Regional Medical Center		\$3,853,108	\$36,570,852	10.54%	\$180,030
	Northeastern Nevada Regional Hospital		\$2,980,945	\$87,582,780	3.40%	\$85,812
	<b>E SUBTOTAL</b>		<b>\$25,192,382</b>	<b>\$430,698,101</b>		<b>\$802,485</b>
<b>SFY 2019 Q3 Quarterly DSH Payments :</b>						<b>\$20,514,930</b>

The total quarterly DSH payments for SFY 2019 Q3 are anticipated to be \$20,514,930.

**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 Q3.



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@dhcfnv.gov](mailto:s.lamb@dhcfnv.gov) if you have any questions regarding this report.

Sincerely,



Budd Milazzo  
Chief Financial Officer  
Division of Health Care Financing and Policy

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