

# DMAS UPDATE FOR JOINT SUBCOMMITTEE FOR HEALTH AND HUMAN RESOURCES OVERSIGHT- DISPROPORTIONATE SHARE HOSPITAL PAYMENTS

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KAREN KIMSEY

DIRECTOR,  
DEPARTMENT OF MEDICAL  
ASSISTANCE SERVICES



# TDO Reporting Requirement

**Item 303 EEEE.** *The Department of Medical Assistance Services shall develop a methodology for Disproportionate Share Hospital (DSH) payments that recognizes and creates incentives for private hospitals in providing medical services for individuals subject to temporary detention orders (TDOs). The methodology shall factor in utilization related to TDOs in the DSH methodology. The department shall have the authority to modify the State Plan for Medical Assistance and to implement the changes in the DSH methodology effective January 1, 2019 and prior to the completion of the regulatory process. The department shall report on the details of the methodology, and the potential impact on allocations to hospitals, to the Chairmen of the House Appropriations and Senate Finance Committees by December 1, 2019.*

# Disproportionate Share Hospital (DSH) Payments

- Medicaid programs are required to make Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a large number of Medicaid and uninsured individuals.
- Federal law establishes an annual DSH allotment for each state that limits the Federal share for total statewide DSH payments (Virginia's current use is well under this threshold).
- There are no Federal matching funds for payments that are more than net cost of the hospital's eligible care for the uninsured and Medicaid uncompensated care.
- Federal regulations require eligible DSH hospitals to have sufficient obstetric staff with privileges who serve Medicaid members.

# Current Virginia Methodology

Within Federal guidelines, Virginia's current formula for DSH payments is based on the Medicaid utilization rate in hospitals:

$$\textit{(DSH Days) x (DSH per diem) = Hospital DSH Payment}$$

- DSH Days are total calculated as Medicaid paid inpatient, psychiatric, or rehabilitation days.
- The DSH per diem is calculated by dividing the total DSH allocation (trended from 2014) by the sum of eligible DSH days.

# Declines in Private TDOs

## Civil TDO Admissions for State and Private Hospitals

	Total Civil TDO Admissions			% of Total		% Change	
	State	Private	Total	State	Private	State	Private
<b>FY13</b>	1,559	19,806	21,365	7.3%	92.7%		
<b>FY14</b>	1,709	20,868	22,577	7.6%	92.4%	9.6%	5.4%
<b>FY15</b>	2,440	22,166	24,606	9.9%	90.1%	42.8%	6.2%
<b>FY16</b>	3,806	22,013	25,819	14.7%	85.3%	56.0%	-0.7%
<b>FY17</b>	4,472	21,151	25,623	17.5%	82.5%	17.5%	-3.9%
<b>FY18</b>	6,547	18,870	25,417	25.8%	74.2%	46.4%	-10.8%

Source: Virginia Department of Behavioral Health and Developmental Services; Virginia Supreme Court

# Report Methodology Approach

The Report Methodology is based on TDO utilization rather than Medicaid utilization overall:

$$\textit{(TDO Admissions)} \times \textit{(DSH TDO per diem)} = \textit{Hospital DSH Payment}$$

- Per TDO rate: \$4,878.59 per TDO admission based on FY15 experience.
- TDO Admissions are total Medicaid-paid TDO admissions (excludes ages 21-64, out-of-state, and children's hospitals).
- The DSH TDO per diem is based on available DSH funding divided by eligible TDO admissions from 2015 data.

# Report Methodology Approach

- The Report Methodology Approach would reallocate the existing \$26.1 million based primarily on Medicaid TDOs rather than the hospitals Medicaid Inpatient Utilization Rate.
- This approach would not provide new funding but would change how much each hospital receives by changing the method for allocating it.
- There would be “winners” and “losers” relative to the current methodology.