

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT SERVICES

III. Disproportionate Share Hospitals (DSH)

A. Eligibility

Effective for DSH payment adjustments made on or after December 1, 2007, hospitals that are eligible to receive DSH payment adjustments under federal DSH criteria per Social Security Act Section 1923(d) will be eligible to receive an allocation of available DSH funds.

Federal Criteria:

1. The hospital has a Medicaid inpatient utilization rate of at least 1%; AND
2. The hospital has at least two (2) obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to Medicaid recipients. This requirement does not apply to a hospital of which the inpatients are predominately individuals under 18 years of age or to hospitals which did not offer non-emergency obstetric services to the general population as of December 22, 1987. In the case of a hospital located in a rural area, the term "obstetrician" includes any physician with staff privileges at the hospital to perform non-emergency obstetric procedures. For rural hospitals subject to a federal requirement to provide obstetric services, as an alternative to determining whether deliveries are provided at the hospital, the Department will consider the following factors:
  - a. The hospital must have two or more physicians with staff privileges that are:
    - i. Enrolled in the Medicaid program;
    - ii. Credentialed to provide OB services at the hospital in family practice, general practice, or obstetrics; and
    - iii. Located within 25 miles of the hospital or in an office in the hospital network or must attest to attendance at the hospital on some routine basis; and
  - b. The hospital must be able to provide at least one obstetric service that is currently covered by Medicaid and appropriate to be provided in a hospital-based setting.

For federal DSH criteria, a hospital will be considered a rural hospital if a hospital's county is not in a Metropolitan Statistical Area, as defined by the United States Office of Management and Budget, OR is a county having a population of less than 35,000 according to the United States decennial census;

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT SERVICES

provided, however, that for counties which contain a military base or installation, the military personnel and their dependents living in such county shall be excluded from the total population of that county.

B. Allocation Methodology

Effective for DSH payment adjustments made on or after December 1, 2007, the following methodology will be used for determining payment amounts:

1. For each federal fiscal year, the amount of funds available for DSH payments will be determined based on the state's federal allotment and required state matching contribution.
2. Hospitals that meet federal DSH eligibility criteria will be eligible to receive an allocation of available DSH allotment funds.
3. The maximum amount of DSH payments (i.e., DSH Limit) for each hospital will be the hospital's loss incurred for services provided to Medicaid and uninsured patients based on federal definitions. Medicaid costs will be determined by applying per diem costs to Medicaid inpatient days and ratios of cost to charges to Medicaid inpatient and outpatient charges grouped by cost center. The patient day and charge amounts will be determined by Medicaid HS&R reports of paid claims, while per diem costs and ratios of cost to charges will be determined by available 2552 cost reports. Medicaid payments will include interim claim payments, outpatient settlement estimates and non-DSH rate adjustments. Uninsured costs will be determined by applying Medicaid inpatient and outpatient cost to charge ratios, from available 2552 cost reports, to charges for uninsured reported on DSH data surveys. The DSH data surveys will also be used to determine amounts received for services provided to uninsured patients. DSH data surveys are conducted annually and subject to desk reviews and onsite reviews of supporting documentation, as warranted.
4. The amount of funds available for DSH payments will be allocated among eligible hospitals. Total available DSH funds will be divided into two pools:
  - Pool 1 – For FY 2008 DSH payments, Pool 1 will be equivalent to \$53,735,261 and used in the calculation of DSH allocations for small, rural hospitals. For DSH payments after FY 2008, Pool 1 would change relative to changes in the state's federal DSH allotment as compared to the FY 2008 state DSH allotment;

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT SERVICES

- Pool 2 – For FY 2008 DSH payments, Pool 2 will be equivalent to \$347,439,065 and used in the calculation of the DSH allocations for all other, eligible hospitals. For DSH payments after FY 2008, Pool 2 would change relative to changes in the state’s federal DSH allotment as compared to the FY 2008 state DSH allotment.
5. Each hospital’s DSH limit is subject to the following DSH limit adjustments for allocation purposes:
    - a. For hospitals receiving Upper Payment Limit (UPL) rate adjustments, the allocation basis will be increased by the amount of any intergovernmental transfer or certified public expenditure provided on behalf of the hospital.
    - b. For hospitals receiving rate adjustment payments related to medical education, neonatal services or services provided under contract with the Georgia Department of Human Resources, the allocation basis will be increased by the amount of such rate adjustments.
  6. The department will utilize the following steps to determine the amount each hospital is eligible to receive in DSH payments.
    - a. Step 1: Determine the adjusted DSH limit (as determined in section (III)(B)(5)) as a percentage of total cost for each hospital.
    - b. Step 2: For each hospital, multiply the hospital-specific percentage determined in Step 1 by the hospital’s adjusted DSH limit. For private hospitals, the outcome of this calculation will be multiplied by the rate of federal matching funds for Medicaid benefit payments.
    - c. Step 3: For each hospital, divide the hospital-specific amount identified in Step 2 by the aggregate “step 2” amount derived from all hospitals in the applicable pool, as defined in section (III)(B)(4), which will result in a hospital-specific allocation factor.
    - d. Step 4: Apply the hospital’s allocation factor calculated in Step 3 to the total amount of DSH funds available in the applicable pool, as defined in section (III)(B)(4). This will result in the hospital’s DSH payment. Should the DSH payment amount calculated for a hospital exceed the hospital’s DSH limit, as determined in section (III)(B)(3), the excess amount will be redistributed to the remaining hospitals in the applicable allocation pool.
  7. To mitigate significant increases and decreases in hospital-specific DSH payments as compared to state fiscal year 2007, the following adjustments will be applied for the allocation of DSH funds:

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -  
INPATIENT SERVICES

- Maximum DSH allocations for all hospitals are set at 75% of their specific adjusted DSH limits; however, for facilities ineligible for DSH payment adjustments prior to December 1, 2007 but newly eligible under the criteria specified in section A above or facilities who did not receive a DSH payment prior to December 1, 2007, their maximum DSH allocation factor, as calculated in Section (III)(B)(6), step 2, is limited to 10% of the calculated amount.
  - Final DSH payment amounts for small, rural hospitals reflects blending of 75% of state fiscal year 2007 net DSH payments and 25% of the allocation calculation based on the methodology specified in section (III)(B)(6);
  - Final DSH payment amounts for all other hospitals reflects blending of 50% of state fiscal year 2007 net DSH payments and 50% of the allocation calculation based on the methodology specified in section (III)(B)(6).
8. For private hospitals that meet the eligibility requirements of Section (III)(A) and meet Social Security Act Section 1923(b) criteria, allocations payments will be made at 100 % of calculated allocation amounts as determined by steps 1 through 7 of Section (III)(B). For private hospitals that meet the eligibility requirements of Section (III)(A) but do not meet Social Security Act Section 1923(b) criteria, allocation payments will be made at 100% of calculated allocation amounts as determined by steps 1 through 7 of Section (III)(B).
9. The state share of DSH payment amounts for state governmental and non-state governmental hospitals will come from intergovernmental transfers made on behalf of or by the hospital.

For allocation of 2008 DSH funds, provider eligibility and DSH limit calculations will be based on information available from hospital fiscal years ending in 2005; for hospitals not in operation during 2005, data for 2006 may be used. For allocation of DSH funds after 2008, eligibility and DSH limit calculations will be based on the most recent year for which comparable data would be available.