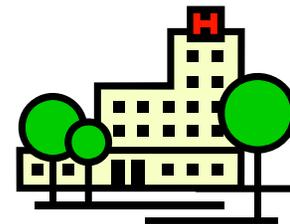


FY 2006 Disproportionate Share Hospital Program

Recommendations from the
DCH Hospital Advisory
Committee
March 9, 2006



Hospital Advisory Committee

MEMBERSHIP - 21 Members

- 3 Statewide Representatives
 - Georgia Hospital Association
 - Georgia Alliance of Community Hospitals
 - Hometown Health
- 18 Hospital Representatives
 - 9 Urban and 9 Rural
 - 13 Public and 5 Private
- Committee Elected Co-Chairmen
 - Bob Colvin, Memorial Health
 - David Seagraves, Sumter Regional

Hospitals:

Crisp County Hospital

Habersham County Medical

Memorial Health

Floyd Medical Center

The Medical Center

Meadows Regional Medical Center

Children's Healthcare of Atlanta

Grady Memorial Hospital

Medical Center of Central GA

Phoebe Putney

Medical College of Georgia

Athens Regional Medical Center

Shepherd Center

Minnie G. Boswell

Tanner Medical Center

Sumter Regional

East Georgia Medical Center

Flint River Community Hospital



Hospital Advisory Committee MEETINGS and AGENDA ITEMS

- **September 29, 2005**
 - Commissioner's Charge
 - Scope of Committee's Review
 - Guiding Principles Established
- **October 25, 2005**
 - Report from Data Subcommittee on data used for DSH calculations
 - Understanding how UPL impacts DSH
- **November 21, 2005**
 - Agreement on Data Collection
 - Allocation Discussions Begin
- **December 20, 2005**
 - DSH Survey Training
 - IGT Survey
 - Financing Discussions
- **February 13, 2006**
 - DSH Limit calculations
 - Data Validation
 - Eligibility
- **February 27, 2006**
 - Allocation Model Review and Discussion
- **March 6, 2006**
 - Additional Data Discussions
 - Recommendation on Allocation Methodology

DSH Reform - Guiding Principles

ADOPTED SEPTEMBER 29, 2005

- DSH payments should be directed in proportion to uncompensated care provided.
- DSH payments should be based on uncompensated care.
- All hospitals should be reimbursed based upon a uniform methodology.
- DSH payments must be based upon available, transparent and easily verifiable data.
- The state should maximize DSH and UPL payments.
- Changes in DSH payments should not put an undue burden on any hospital group.

FY 2006 DSH Survey - *used to determine uncompensated care for the uninsured and out of state Medicaid members*

- Released late Nov 2005
- Training in Dec 2005
- Due in Jan 2006

Data Used for DSH Calculations

6 member Data Subcommittee:

- Reviewed Federal Regulations for calculating uncompensated care
- Considered and addressed concerns raised in FY 2005
- Support by Myers and Stauffer, national CPA firm

Primary Changes

- Use 2004 Data on calculation basis
- Use Independent Data Sources when available
 - Medicaid claims data
 - Medicare cost reports
- Revise DSH survey and instructions
 - Clarify required sources of data and what services can be included in determining uncompensated care
 - Direct that supporting documentation be maintained for audit purposes

Proposed Eligibility Criteria

Federal Criteria (BOTH)

- Medicaid inpatient utilization rate of at least 1%; AND
- 2 Obstetricians providing Medicaid Services
 - Rural Hospital Exception

State Criteria (ONE)

- Medicaid inpatient utilization rate at certain level
- Low Income Utilization > 25%

State Criteria (ONE) - continued

- Medicaid/PCK Charges > 15% Total Charges
- Largest Medicaid hospital in MSA
- Children's Hospital
- Regional Perinatal Center
- Medicare rural referral center
- Regents Hospital
- Rural, public hospital < 250 beds

Same Eligibility Criteria as FY 2005

Proposed Allocation Methodology

STEPS TO DETERMINE ALLOCATION

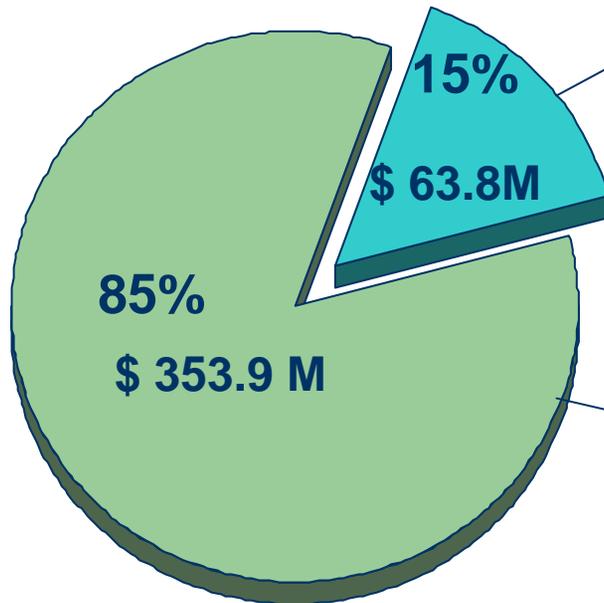
1. ID amount of DSH available.
2. Determine each hospital's DSH limit.
3. Make adjustments to individual DSH limits as follows:
 - Recognize that public hospitals contribute IGT's for UPL and DSH payments
 - Negate the impact of adjustment payments related to medical education, neonatal services or services provided under contract with the Georgia Department of Human Resources.
 - Recognize hospitals that disproportionately provide care to Medicaid members and low income citizens with a 10% increase in their DSH limit. (a.k.a. "Deemed")

Proposed Allocation Methodology (continued)

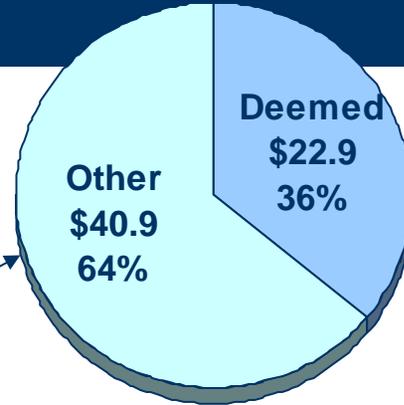
4. Create a pool for small, rural hospitals based on the amount paid to the group in FY 2005.
 - Allocate pool based on hospitals' adjusted DSH limit as compared to the sum of all hospitals' total adjusted DSH limits.
5. Create secondary pool for all other hospitals out of the remaining DSH funds.
 - Allocate pool based on hospitals' adjusted DSH limit as compared to the sum of all hospitals' total adjusted DSH limits.
6. Ensure allocations to private hospitals do not exceed available state matching funds.

Allocation* of \$417.7M

Small Rural Hospitals Pool #1 - \$63.8M

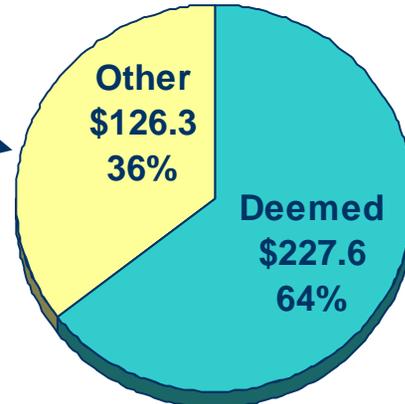


of Hospitals:
61 – Small Rural
44 - Other



of Small Rural Hospitals:
17 – Deemed
44 - Other

All Other Hospitals Pool #2 - \$353.9M

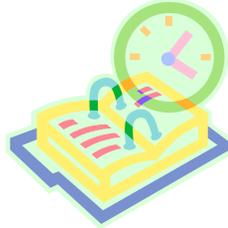


of Hospitals in 2nd Pool:
16 – Deemed
28 - Other

* Preliminary pending data validation

Summary – Net Payments

| Total Uncompensated Care | \$880,722,208 | | | |
|----------------------------------|------------------------|--------------------------------------|-------------------------------------|--|
| Hospital Type | Number of Hospitals | 2006 Proposed <u>Net</u> Payments | Percent of Uncompensated Care | Prior Three Year Average of Net Payments |
| Small Public Rural Hospitals | 48 | \$35,113,066 | 53% | \$26,019,727 |
| Small Private Rural Hospitals | 13 | \$5,844,034 | 52% | \$10,145,987 |
| Other Public Hospitals | 31 | \$196,494,946 | 41% | \$160,632,339 |
| Other Private Hospitals | 13 | \$29,688,962 | 31% | \$23,815,366 |
| Ineligible | 48 | 0 | 0% | \$5,685,937 |
| Total | 153 | \$267,141,008 | 30% | \$226,299,356 |



Next Steps

March 2006

- Public Notice of FY 2006 DSH Eligibility Criteria and Allocation Methodology and ICTF Rule Changes
- Validation of Hospital Data and Calculations
- Submission of State Plan change to CMS

April 2006

- Public Comment
- Board Review and Approval on Eligibility and Allocation

May 2006

- Board Review and Approval on ICTF Rules
- DCH Engagement with CMS in SPA review process

June 2006

- CMS Approval
- DSH Payments Disbursed (dependent on CMS approval)