



STATE OF TENNESSEE

**Update – Supplemental Pools
Payment Structure for SFY2019**

10/3/2018

Today's Webinar

- How and why we got here
- How it works going forward

Why We Got Here: Overview

- CMS targeted supplemental pool structure in TennCare waiver renewal
- Required Tennessee to look like other states
- CY2016 - negotiations with CMS
- Agreement in December 2016
 - Delayed implementation of new requirements
 - Required new methodology submitted to CMS by March 2018

Why We Got Here: Overview

- TN filed Waiver Amendment 33 – extended implementation timeline
- Submitted proposed supplemental payment methodology in March 2018
- CMS requested expedited implementation for SFY2019
 - Leveraged for concessions

How It Works Going Forward

Tennessee's Priorities:

- Limit disruption
- Maintain continuity of distribution
- Maintain continuity of data sources
- Restrict changes to making improvements

Changes in Supplemental Payments

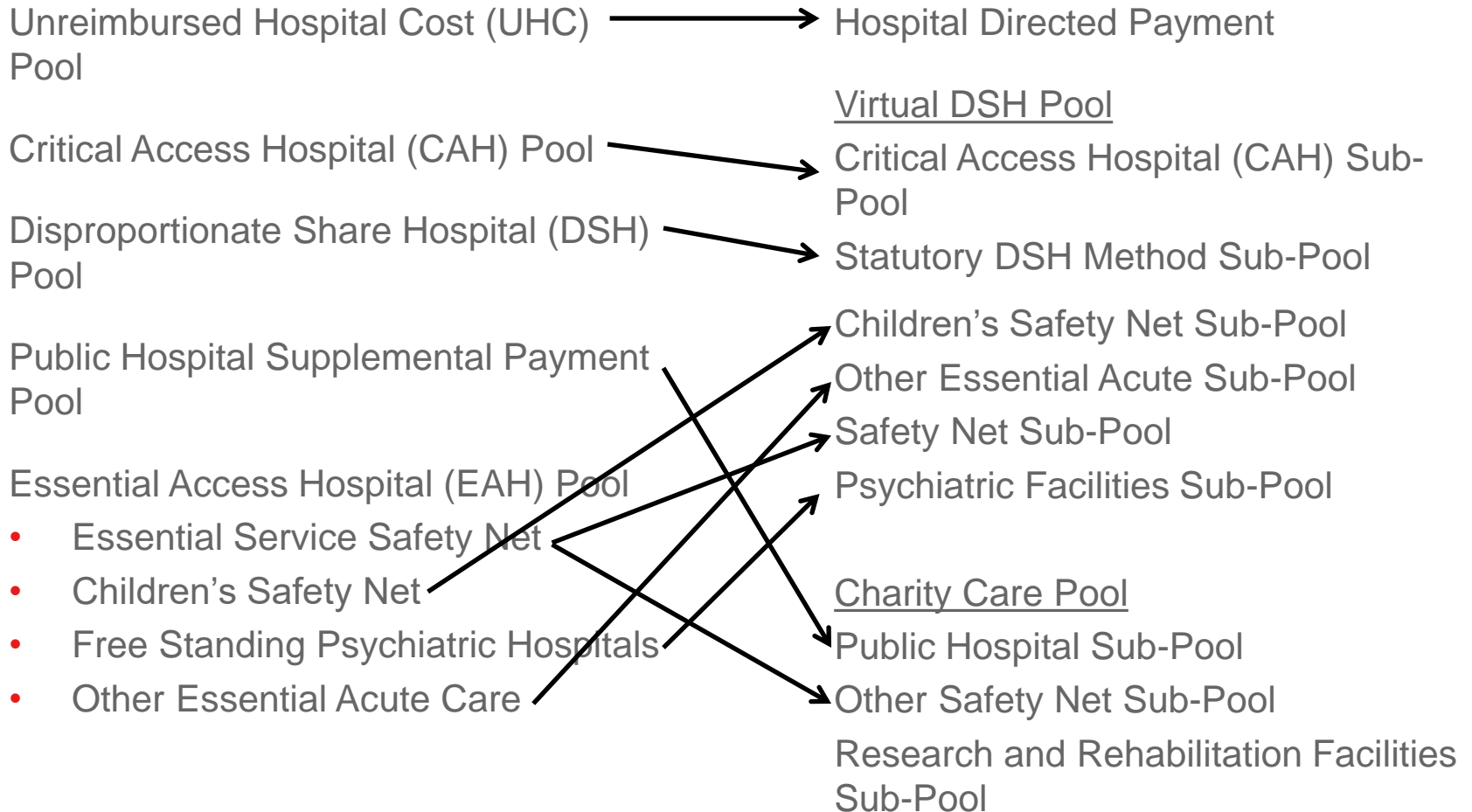
- Critical Access Hospitals - \$15 million, new methodology
- Children's Hospitals – additional \$25 million
- Research and Rehab Facilities – new Sub-Pool, \$3 million

Changes in Supplemental Payments

- New CMS-mandated structure:
 - “Virtual DSH” – provides funding for Medicaid shortfall and charity care
 - Charity Care – provides funding for charity care only
- OB requirement waived for participation in Virtual DSH, but other DSH criteria must be met
 - Statutory DSH must still meet OB requirement

Old Pool Structure

New Pool Structure



Limiting Disruption – Old to New

- New methodology preserves many of the features of the old methodology for EAH and DSH
- Safety net hospitals will continue to receive 50 percent of statutory DSH and \$53.5 million in other sub-pools
 - Virtual DSH safety net (\$30.5m); Safety net charity pool (\$23m)
- Children's hospitals- the same freestanding facilities that are currently in the children's pool will receive 5 percent of statutory DSH and the Virtual DSH children's pool (\$25 million)
- Psychiatric hospitals licensed by the mental health department will continue to receive 2 percent of statutory DSH and an additional \$1.5 million from virtual DSH

Limiting Disruption – Old to New

- All Other Hospitals Tiered Group- includes same acute care facilities but excludes rehabilitation hospitals and the research facility that are in the “all other” group under current methodology
 - This group will receive 43% of statutory DSH (\$34.6m) as they do under the current methodology
 - This group also receives the Virtual DSH all other tiered pool (\$43.5m)
 - The hospitals are grouped into 3 tiers based on expenses
- Research and rehabilitation hospitals
 - This is a new grouping and includes all of the freestanding rehab facilities that file a separate JAR and the research hospital that was not included in the new all other tiered group
 - This group receives \$3 million in the charity research and rehab pool

Qualifications for Sub-Pools

Some specific items by Sub-Pool, but standard set of qualifications includes:

- Licensed and located in State of Tennessee
- Contracts with a managed care organization participating in TennCare
- Contracts with TennCare Select
- Have unreimbursed Medicaid and/or Charity Care cost
- Provides timely and accurate admission, discharge and transfer data to TennCare
- Participates in the State's payment reform initiatives, including episodes of care, as appropriate

Virtual DSH: Critical Access Sub-Pool

- \$15 million
- Designated a Critical Access Hospital by TN Dept of Health
- Paid quarterly based on Inpatient and Outpatient activity
- Inpatient – paid using interim per diem rates with year-end cost settlements
- Outpatient – paid using interim percentage of charges with year-end cost settlements

Virtual DSH: Statutory DSH Sub-Pool

- \$53.1 million federal (approx. \$81 million, depending on FMAP)
- All Section 1923 DSH criteria must be met, including OB requirement
- Payments to be made based on points assigned for TennCare volume, charity care costs, and children's hospital status based on most recent reviewed JAR
- Payments established using Virtual DSH Payment Framework
 - Used in other Virtual DSH Sub-Pools

Virtual DSH Payment Framework

Allocation based on assignment of points for:

- TennCare adjusted days expressed as a % of total adjusted patient days
- Charity care costs expressed as a % of total expenses
- Children's hospital status

As done in the past, points will be used to adjust the General Hospital Rate (GHR)

Virtual DSH: Children's Safety Net Sub-Pool

- \$25 million
- Licensed by TN Dept of Health with a primary function to serve children under the age of 21 in Tennessee
- Have either of the following: (i) at least 13.5% or more of total adjusted days covered by TennCare; or (ii) 9.5% or more of the total adjusted days are covered by TennCare and the number of adjusted days for the hospital is higher than the average number of TennCare Adjusted Days
- Payments to be calculated using the Virtual DSH Payment Framework

Virtual DSH:

Other Essential Acute Sub-Pool

- \$43.5 million
- Have at least one of the following: (i) at least 13.5% or more of total adjusted days covered by TennCare; or (ii) 9.5% or more of the total adjusted days are covered by TennCare and the number of adjusted days for the hospital is higher than the average number of TennCare Adjusted Days; or (iii) be a children's hospital defined as a free standing hospital that serves primarily children under 18 years of age and is identified to the public as a children's hospital with a separate emergency department staffed and equipped to provide emergency services to pediatric patients
- This Sub-Pool will be broken into Tiers, with payments within each tier calculated using the Virtual DSH Payment Framework

Virtual DSH: Other Essential Acute Sub-Pool

Tiers are based on operating expenses:

- Tier 1: Under \$30 million
- Tier 2: \$30 million to \$100 million
- Tier 3: At or above \$100 million

Maximum amounts of total Sub-Pool paid in each Tier will be:

- Tier 1: \$2.5 million
- Tier 2: \$10 million
- Tier 3: \$31 million

Virtual DSH: Safety Net Sub-Pool

- \$30.5 million
- Both a Level 1 Trauma Center and a Regional Perinatal Center, or any metropolitan public hospital that is contractually staffed and operated by a safety net hospital for the purpose of providing clinical education and access to care for the medically underserved
- Have either of the following: (i) at least 13.5% or more of total adjusted days covered by TennCare; or (ii) 9.5% or more of the total adjusted days are covered by TennCare and the number of adjusted days for the hospital is higher than the average number of TennCare Adjusted Days
- This Sub-Pool will be broken into Tiers, with payments within each tier calculated using the Virtual DSH Payment Framework

Virtual DSH: Safety Net Sub-Pool

Tiers are based on status, with maximum amounts to be paid out:

- Local government-owned safety net hospital tier - \$24 million
- Other Safety Net Hospital Tier - \$6.5 million

Virtual DSH: Psychiatric Facilities Sub-Pool

- \$1.5 million
- Licensed by the Tennessee Department of Mental Health for the provision of psychiatric hospital services in Tennessee, excluding the state mental health institutes
- Payments calculated using the Virtual DSH Payment Framework

Charity Care: Public Hospital Sub-Pool

- \$100 million
- Available to three hospitals:
 - Regional Medical Center at Memphis
 - Metro Nashville General Hospital
 - Erlanger Medical Center at Chattanooga
- Payment must equal JAR charity care
- If total charity care is greater than \$100 million, distributed proportionally

Charity Care: Other Safety Net Sub-Pool

- \$23 million
- Both a Level 1 Trauma Center and a Regional Perinatal Center, or any metropolitan public hospital that is contractually staffed and operated by a safety net hospital for the purpose of providing clinical education and access to care for the medically underserved
- Have either of the following: (i) at least 13.5% or more of total adjusted days covered by TennCare; or (ii) 9.5% or more of the total adjusted days are covered by TennCare and the number of adjusted days for the hospital is higher than the average number of TennCare Adjusted Days
- Payment framework replaces adjusted TennCare days with unreimbursed self-pay costs – dollars are allocated proportionally

Charity Care: Research and Rehabilitation Facilities Sub-Pool

- \$3 million
- A rehabilitation facility, long term acute care facility reimbursed by Medicare under the IRF or LTAC methodology, or a research hospital
- Payment must equal JAR charity care
- If total charity care is greater than \$3 million, distributed proportionally

Reconciliation

- New CMS requirement: all supplemental payments must be reconciled
- Developing proposal for CMS now
- Likely elements:
 - Reconciliation likely completed three years after payment year
 - All funds paid out through Virtual DSH will be audited subject to DSH audit rules (with the exception of the OB requirement for non-Statutory DSH funds)
 - Funds will be redistributed where possible
 - Funds returned to CMS if they cannot be redistributed

Questions?



THANK YOU