

Joint Annual Report & Medicaid Supplemental Pools

June 2022



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Webinar Objectives

- Provide an overview of the methodology for Medicaid (TennCare) supplemental payments in Tennessee
- Describe the connections between the JAR and the distribution of supplemental payments for hospitals
- Discuss some common reporting issues in the JAR data that will negatively impact payment if they are not addressed
- Share the process for correcting 2020 JARs
- Discuss changes to 2022 JAR Form
- Review recent changes to DSH calculation in Consolidated Approp. Act of 2021

SFY 2023 Methodology

Virtual DSH Fund: Most sub-pools are based on points for TennCare volume, charity care, and whether the facility qualifies as having a children's hospital.

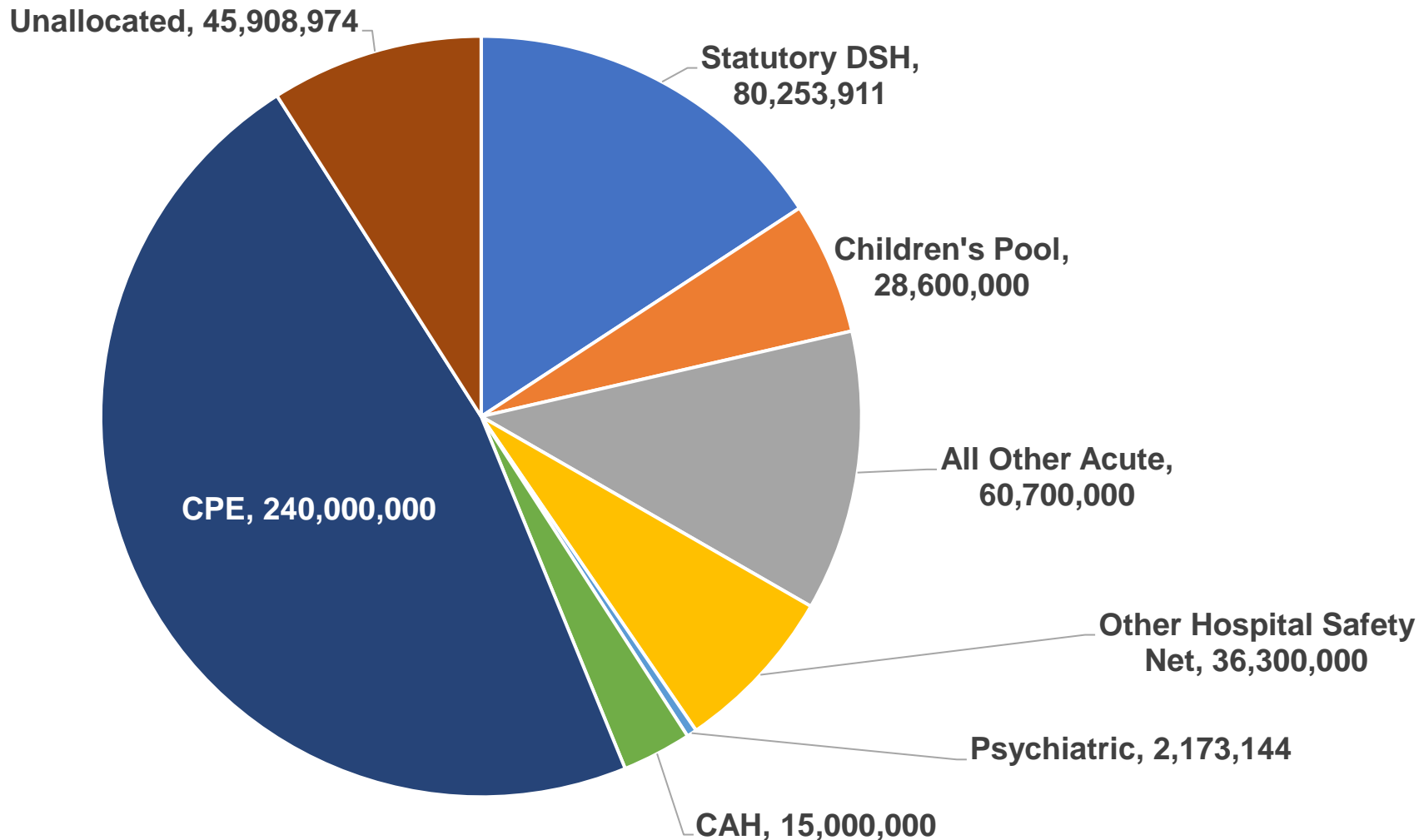
Charity Care Fund: Sub-pools are distributed based on charity care cost and/or self-pay cost.

Data source will continue to be the Joint Annual Report (JAR)

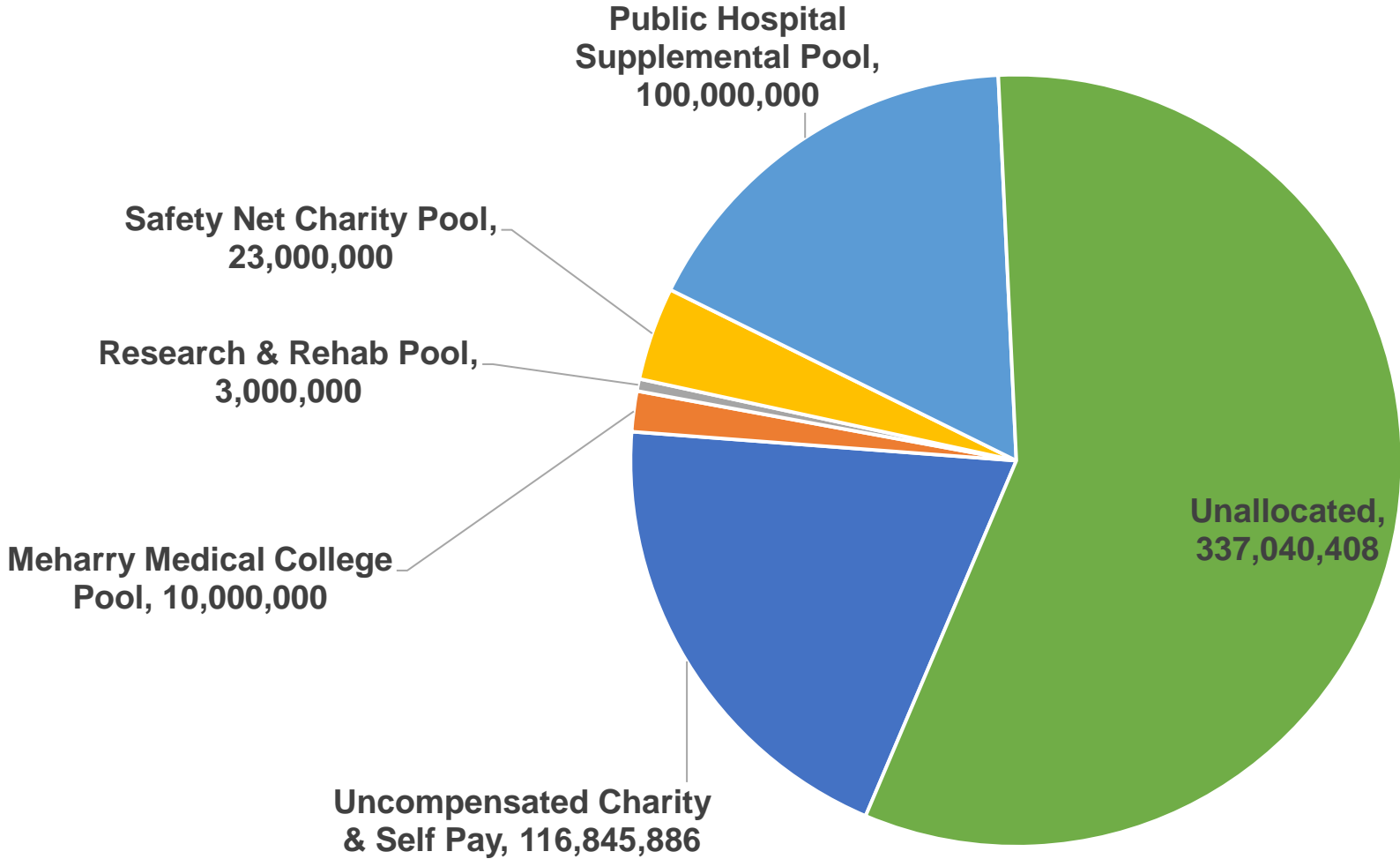
- Hospitals that report under the same Medicare cost report but separate JARs will be combined

For SFY2023, all of the Virtual DSH fund will be subject to the DSH audit and to repayment

FY2023 Allocation of Virtual DSH Fund - \$508.9m



SFY2023 Allocation of Charity Care Fund - \$589.9m



JAR Connections to Pool Distributions

The JAR is the source of information for the following key statistics for Medicaid supplemental pool distribution:

- Hospital Cost to Charge Ratio
- Medicaid Shortfall (Medicaid Costs – Medicaid Payments)
- Medicaid & Total Adjusted Patient Days
- Hospital Charity Care Costs
- Hospital Unreimbursed Self-pay Costs
- Total Expense, which is now relevant for the “all other acute” hospital pools to determine the tier for the hospital
- Meeting the SSA requirement of providing OB for *statutory DSH* based on having an obstetrics service and at least one delivery

Important JAR Definitions – Cost to Charge Ratio

$$\text{Cost to charge ratio} = \frac{\text{Total Expenses}}{\text{Total Charges}}$$

- This ratio is used any time hospital “cost” is used in a supplemental pool distribution methodology, such as calculating Medicaid costs or charity care costs.
- In the methodology, if multiple hospitals share a Medicare provider number, the JAR data for those hospitals will be calculated using the group’s total expenses and gross patient charges.

Important JAR Definitions – Cost to Charge Ratio

$$\text{Cost to charge ratio} = \frac{\text{Total Expenses}}{\text{Total Charges}}$$

Total expenses - Schedule E, Section B

- B. EXPENSES (for the reporting period only; round to the nearest dollar)
1. Payroll Expenses for all categories of personnel specified below; (see definitions page)
 - a) Physicians and dentists (include only salaries)
 - b) Medical and dental residents (include medical and dental interns)
 - c) Trainees (medical technology, x-ray therapy, administrative, and so forth)
 - d) Registered and licensed practical nurses
 - e) All other personnel
 - f) Total payroll expenses (add B1a through B1e)

 2. Nonpayroll Expenses
 - a) Employee benefits (social security, group insurance, retirement benefits)
 - b) Professional fees
 1. Medical professional fees
 2. Other professional fees (dental, legal, auditing, consultant and so forth)
 - c) Contracted nursing services (include staff from nursing registries, service contracts, and temporary help agencies)
 - d) Depreciation expense
 - e) Interest expense
 - f) Energy expense
 - g) TennCare Shared Risk Payment-Hospitals Only
 - h) All other expenses (supplies, purchased services, nonoperating expenses, and so forth)
 - i) Total nonpayroll expenses (add B2a through B2h)

 3. TOTAL EXPENSES (add B1f + B2i)

Total Charges - Schedule E, Section A

A. CHARGES (continued)	Gross Patient		Adjustments		Net Patient	
	Charges	minus	to Charges	equals	Revenue	
2. Nongovernment						
a) Self Pay						
b) Blue Cross Blue Shield						
c) Commercial Insurers (excludes Workers Comp)						
d) *COMBINED Blue Cross Blue Shield and Commercial Insurers (excludes Workers Comp)						
e) Workers Compensation						
f) Other						
g) Total Nongovernment Sources						
3. Totals						
a) Total Inpatient (excludes Normal Newborn)						
b) Normal Newborns						
c) Total Inpatient (includes Normal Newborn) (A3a + A3b)						
d) Total Outpatient						
e) Grand Total (Ali + A2g)						



Important JAR Definitions – Medicaid Shortfall

$$\text{Medicaid Shortfall} = (\text{Total Medicaid Charges} \times \text{CCR}) - \text{Medicaid Net Patient Revenues}$$

- ✓ If the Medicaid costs **exceed** reported Medicaid net patient revenue, then the hospital meets one of the qualifications for Virtual DSH payments.
- If costs **are less than** revenue, then charity care costs and unreimbursed self-pay costs must be greater than the amount of Medicaid revenue in excess of costs.

Otherwise, there is no shortfall amount to be offset by supplemental pool payments.

Important JAR Definitions – Medicaid Shortfall

$$\text{Medicaid Shortfall} = (\text{Total Medicaid Charges} \times \text{CCR}) - \text{Medicaid Net Patient Revenues}$$

Schedule E.

A. CHARGES (For reporting period only. Do not include revenue related losses; round to the nearest dollar.)

	Gross Patient Charges	minus	Adjustments to Charges	equals	Net Patient Revenue
1. Government					
a) Medicare Inpatient - Fee for Service					
b) Medicare Advantage - Inpatient					
c) Medicare Outpatient - Fee for Service					
d) Medicare Advantage - Outpatient					
e) Medicaid TennCare Inpatient					
i. United Health Care Community Plan					
ii. Amerigroup					
iii. Blue Care					
iv. TennCare Select					
v. TennCare MCO not specified					
vi. Other State Medicaid					
f) Medicaid TennCare Outpatient					
i. United Health Care Community Plan					
ii. Amerigroup					
iii. Blue Care					
iv. TennCare Select					
v. TennCare MCO not specified					
vi. Other State Medicaid					
g) CoverKids					
h) Other (Include TRICARE/CHAMPUS)					
i) Total Government Sources					

Important JAR Definitions – Unreimbursed Self-Pay

$$\text{Unreimbursed Self-Pay} = (\text{Selfpay Charges} \times \text{CCR}) - \text{Selfpay Net Patient Rev}$$

Schedule E.

A. CHARGES (continued)

	Gross Patient Charges	minus	Adjustments To Charges	equals	Net Patient Revenue
2. <u>Nongovernment</u>					
a) Self-Pay	\$ [REDACTED]	-	\$ [REDACTED]	=	\$ [REDACTED]
b) Blue Cross Blue Shield	\$ [REDACTED]	-	\$ [REDACTED]	=	\$ 0
c) Commercial Insurers (excludes Workers Comp)	\$ [REDACTED]	-	\$ [REDACTED]	=	\$ 0
d) *COMBINED Blue Cross Blue Shield and Commercial Insurers (excludes Workers Comp)	\$ [REDACTED]	-	\$ [REDACTED]	=	\$ 0
e) Workers Compensation	\$ [REDACTED]	-	\$ [REDACTED]	=	\$ 0
f) Other	\$ [REDACTED]	-	\$ [REDACTED]	=	\$ 0
g) Total Nongovernment Sources	\$ 0	-	\$ 0	=	\$ 0
3 Totals					

The self-pay line should NOT have any charity care in it, as per the instructions.

Important JAR Definitions – Adjusted Patient Days

$$\text{Total Adjusted Patient Days} = \text{Patient Days} \times \left(\frac{\text{Total Charges}}{\text{Total Inpatient Charges}} \right)$$

$$\text{TennCare Adj. Days} = \text{TennCare Inpatient Days} \times \left(\frac{\text{Total Medicaid Charges}}{\text{Total Medicaid IP Charges}} \right)$$

- The statistic that is **important** when evaluating a hospital's ability to earn supplemental payments is TennCare Adjusted Days expressed as a percent of Total Adjusted Patient Days.

Qualify for Payment



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Eligibility Requirements

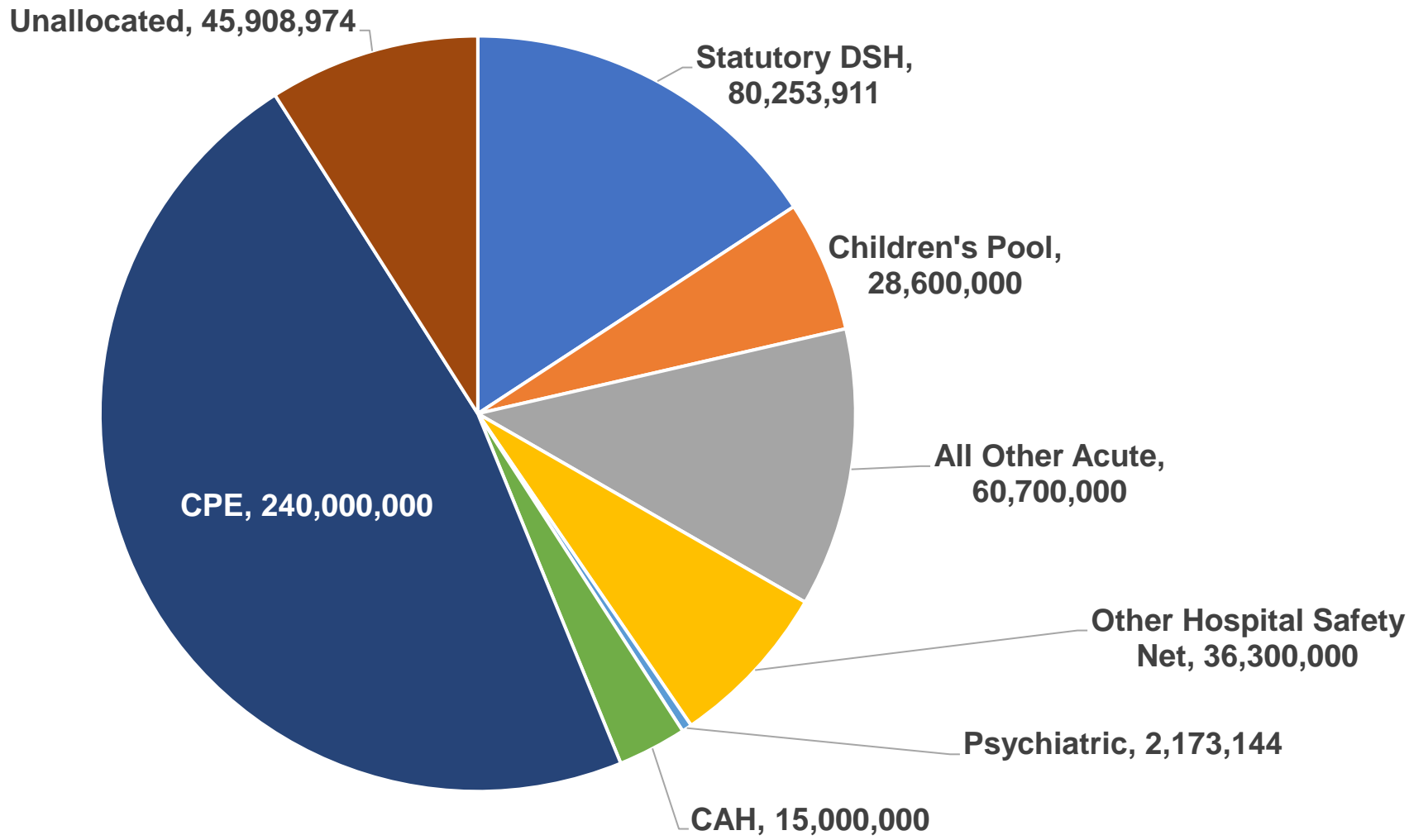
- Common requirements across **ALL** pools in Virtual DSH
 - ✓ Be licensed to operate in the State of Tennessee
 - ✓ Meets a specific TennCare volume threshold
 - ✓ Contract with TennCare Select and, where available, at least one MCO
 - ✓ Have unreimbursed Medicaid, self-pay, and/or charity care costs
 - ✓ Provide accurate and timely admission, discharge, and transfer (ADT) data to TennCare
 - ✓ Participate in the State's payment reform initiatives
- For the Charity Care pool, TennCare volume is **not** required
- Some sub-pools have unique requirements i.e. Psychiatric sub-pool or Research & Reimburse in the Charity Care Fund

Virtual DSH



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FY2023 Allocation of Virtual DSH \$508.9m



TennCare Volume Threshold

To qualify for Virtual DSH payments, a hospital's TennCare/Medicaid Adjusted Days percentage must be **greater than or equal to 13.5%** of Total Adjusted Days

or

The hospital's percentage is **greater than 9.5%** AND the hospital's number of TennCare Adjusted Days is **greater than the average** for all acute care hospitals

- The acute care hospital average excludes the following hospitals:
 - state mental health institutes
 - critical access hospitals
 - children's hospitals
 - essential safety net providers

$$\frac{\text{Medicaid Adj. Days}}{\text{Total Adj. Days}}$$

How is a Hospital's Payment Determined - Virtual DSH Fund

- Virtual DSH payments are allocated based on assignment of points for:
 - TennCare volume – 0 through 4
 - Level of charity care – 0 through 3
 - Children's hospital status – 1 point

- TennCare volume is defined as the percent of a hospital's total adjusted days that are covered by TennCare
- Charity Care costs are as a percent of Total Expenses
- Children's hospital - 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

Adjusted Patient Days & Supplemental Payment Points

- In addition to determining whether a hospital qualifies for payment, the *Medicaid adjusted days percentage* is also used to determine a point value for a hospital with respect to the amount of Medicaid volume in the hospital.

Higher Medicaid volume hospitals receive a higher point value as shown below:

- 1 point – Percentage $\geq 9.5\%$ and $< 13.5\%$ and Medicaid adjusted days is greater than the average for acute care hospital group
- 1 point – Percentage $\geq 13.5\%$ and $\leq 24.5\%$
- 2 points – Percentage $> 24.5\%$ and $\leq 30.5\%$
- 3 points – Percentage $> 30.5\%$ and $\leq 49.5\%$
- 4 points – Percentage $> 49.5\%$

$$\frac{\text{Medicaid Adj. Days}}{\text{Total Adj. Days}}$$

Charity Care Percent & Supplemental Pool Points

- The total charity care cost is divided by total expenses to produce a charity care percentage that earns points for a facility when calculating supplemental payments.

Hospitals with higher charity care receive a higher point value as shown below:

- 0 points- Percentage < 0.5%
- 1 point - Percentage ≥ 0.5% and < 4.5%
- 2 points- Percentage ≥ 4.5% and < 10.0%
- 3 points- Percentage ≥ 10.0%

$$\frac{\text{Total Charity Care Cost}}{\text{Total Expenses}}$$

The Relationship Between Points & Payments

- Virtual DSH pools will continue to use the Tennessee Medicaid historical General Hospital Rate (GHR) to calculate payment shares within pools.
 - The GHR for Safety Net Hospitals is \$908.52
 - The GHR for all other hospitals is \$674.11
- The hospital's number of points determines the percentage of GHR that is multiplied by the hospital's adjusted Medicaid days to calculate an initial payment amount for each facility.
- If the sum of the initial payment amounts exceeds the amount allocated to the pool, each hospital's share of the pool is calculated as the hospital's percent of the total initial amount times the total amount in the pool.

The Relationship Between Points & Payments

- Virtual DSH pools will continue to use the Tennessee Medicaid historical General Hospital Rate (GHR) to calculate payment shares within pools.
 - The GHR for Safety Net Hospitals is \$908.52
 - The GHR for all other hospitals is \$674.11
- Point values that determine the percentage of the GHR:

Points	% of GHR	Safety Net	All Other
1	30%	272.56	202.23
2	40%	363.41	269.64
3	50%	454.26	337.06
4	60%	545.11	404.47
5	70%	635.96	471.88
6	80%	726.82	539.29
7	100%	908.52	674.11

Example of Points Impact - \$10m Pool

Acute Care Hospital A

- Acute Care Hospital A has 9,000 adjusted Medicaid Days & 50,000 total adjusted days
- Percent of adjusted Medicaid days is 18% (9,000/50,000), earning **1** point
- No charity point
- Does not have a children's hospital
- Hospital A's initial calculated amount would be:
 - $9,000 \times (30\% \text{ of GHR}) = 9,000 \times \$202.23 = \$1,820,097$

Acute Care Hospital B

- Acute Care Hospital B has 9,000 adjusted Medicaid Days & 36,000 total adjusted days
- Percentage of adjusted Medicaid days is 25% (9,000/36,000), earning **2** points
- No charity point
- Has a children's hospitals, earning **1** point
- Hospital B's initial calculated amount calculated amount would be:
 - $9,000 \times (50\% \text{ of GHR}) = 9,000 \times \$337.06 = \$3,033,540$

Total initial amounts in the pool = \$60 million

Hospital A - $\$1,820,097 / \$60\text{m} = 3.0335\%$
 $3.0335\% \times 10\text{m} = \$303,350$

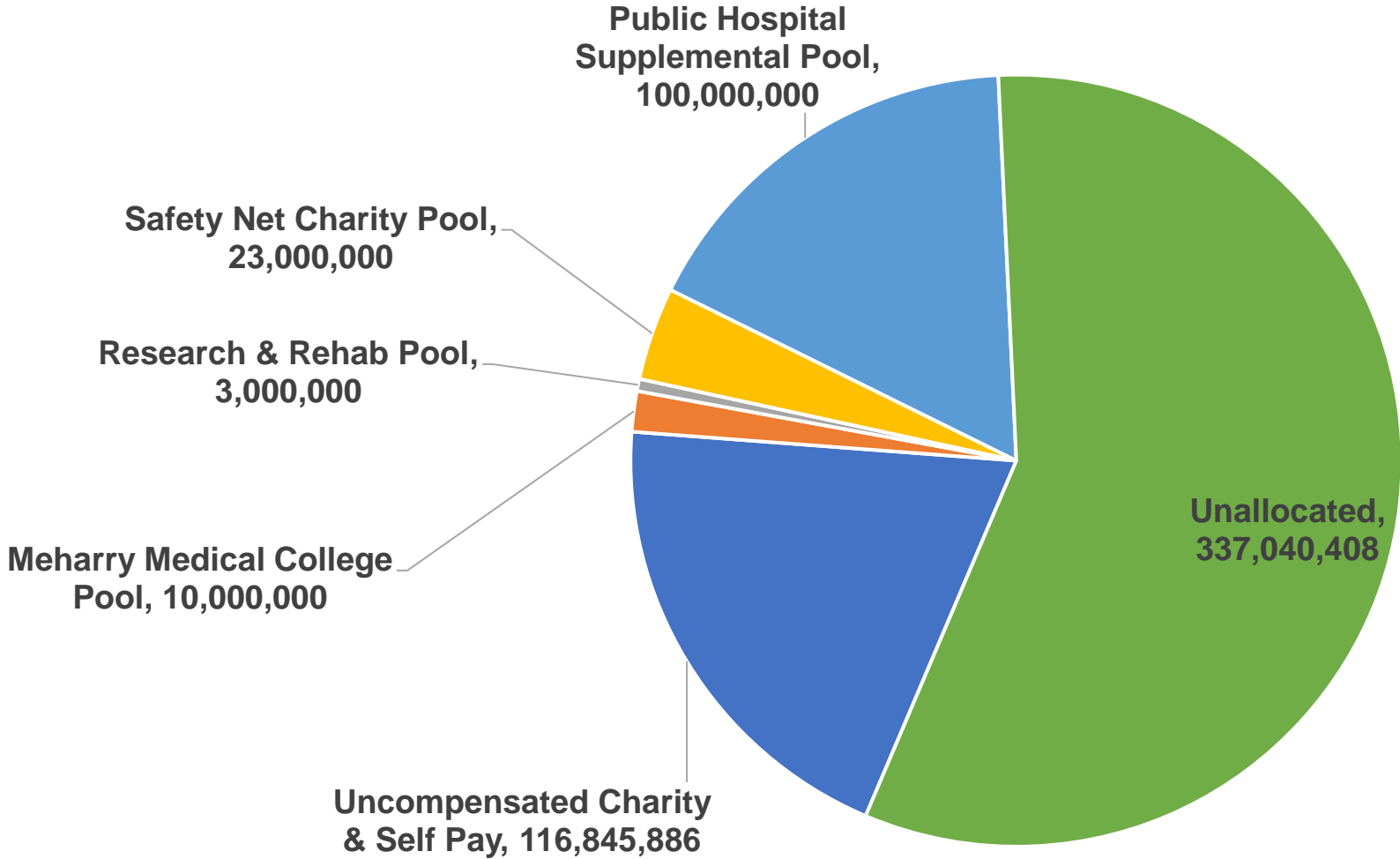
Hospital B - $\$3,033,540 / \$60\text{m} = 5.0559\%$
 $5.0559\% \times 10\text{m} = \$505,590$

Charity Care Fund



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SFY2023 Allocation of Charity Care Fund \$589.9m



How is a Hospital's Payment Determined - Charity Care Fund

- Almost all charity care payments are allocated based on a hospital's *proportion* of charity care cost, unreimbursed self-pay cost, or both.
 - *Safety Net Charity* – Non-Public Safety Nets – distributed based on the individual hospital's proportion of the total unreimbursed self-pay cost
 - *Research & Rehabilitation* – IRF, LTCH, and pediatric research hospital - distributed based on each facility's proportion of the total unreimbursed charity care costs

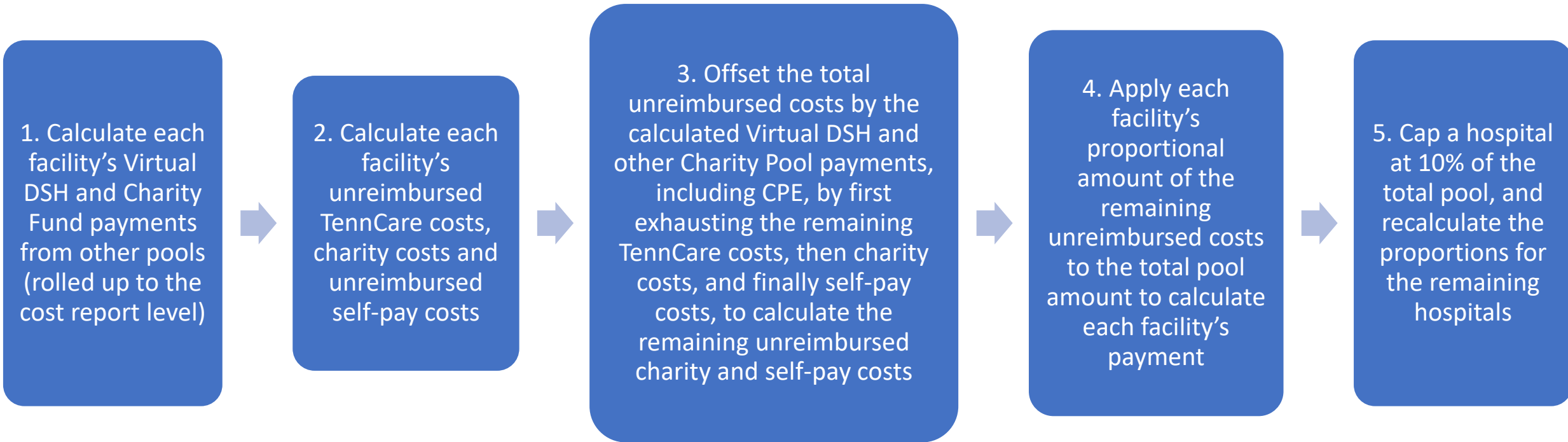
Unreimbursed Charity & Self-Pay Sub Pool

- Approved by CMS in April 2020
- Eligibility for the pool:
 - Must be licensed in Tennessee
 - Must be eligible for a payment from any other sub-pool
 - Can not have received an allotment from the public hospital charity care sub-pool
 - Not a children's research facility
 - ✓ Contract with TennCare Select and, where available, at least one MCO
 - ✓ Have remaining unreimbursed self-pay and/or charity care costs
 - ✓ Provide accurate and timely admission, discharge, and transfer (ADT) data to TennCare
 - ✓ Participate in the State's payment reform initiatives

New Charity & Self-Pay

- Due to how this pool is calculated, it is the final pool amount determined during the methodology
 - After all other sub-pools are calculated (Virtual DSH, statutory DSH, CPE, CAH and other charity care pools)
- TennCare has determined that this pool will be paid in one lump-sum payment at end of fiscal year
- TennCare also divided this pool into two tiers:
 - Public Hospitals: \$14,430,000
 - Non-Public Hospitals: \$102,415,886

Methodology



Example of Payment - Public \$14.3m Pool

Hospital A	Supp. Pool Amount
Virtual DSH (4Q)	\$ 303,350
Statutory DSH	250,000
CPE	100,000
Total	\$ 653,350

Medicaid Shortfall	Unreimbursed Self-Pay	Charity Care Cost
\$ 325,000	350,000	180,000
1. (328,350)		
	2. 25,350	
		3. 201,650

1. \$ 325,000 - 653,350 =
2. \$ 350,000 + (328,350) =
3. \$ 25,350 + 180,000 =

In this example, total remaining UCC = \$20m

Hospital A = 1.01% (201,650 / \$20m)

Hospital A would receive \$145,490 (1.01% x \$14.3m)

Revising the Joint Annual Report

- TDH will accept changes to the 2020 JAR but will not update the final 2020 JAR data base
 - THA will make the corrections to our 2020 data base
 - THA must be copied on all e-mails sending corrections and on TDH's e-mail back to the hospital accepting the correction
 - THA & TDH maintain this documentation in the event there are ever questions or audits
- The THA corrected data base will serve as the official data base for TennCare pool calculations

Revising the Joint Annual Report

- Corrections for the 2020 JAR may be legibly marked on a copy of the pages from the original JAR submission that are to be revised
- If in Excel, please highlight the fields that are being changed.
- E-mail changes to Lonnie Matthews at Lonnie.Matthews@tn.gov and Trent Sansing Trent.Sansing@tn.gov with the Department of Health
 - Copy THA (Amanda Newell, anewell@tha.com) on the email
- **Corrections should be submitted by July 15.**
- **Going forward, no corrections will be accepted after the 1st quarter of payments have been made.**

Changes to 2022 JAR Form



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Changes to 2021 JAR Form

A. CHARGES (continued)

7. Other Operating Revenue

a) Tax appropriations	_____
b) Local government contributions:	
1) Amount designated to offset indigent care ...	_____
2) Amount used for other.	_____
3) Total Local Government	=====
c) State government contributions:	
1) Essential Access Hospital (EAH) payments Virtual DSH payments	_____
2) Charity Care Payments	_____
a) Charity & Self-Pay Payments	_____
b) Other charity payments	_____
3) Critical Access Hospital (CAH) payments	_____
a) cost based reimbursement payments	_____
b) charity care payments	_____
4) Medicaid Disproportionate Share Hospital (DSH)	_____
5) Medicaid Graduate Medical Education (GME)	_____
6) Medicaid Directed Payments	_____
7) Trauma Care Pool	_____
8) Public Hospital Supplemental Payment (PHSP) pool	_____
9) Amount used for other or amount designated for offset indigent care	_____
10) Total State Government	=====
d) Direct Federal government contributions:	
1) Funds designated to offset financial impact during a public health emergency	_____
2) Amount used for other	_____
3) Total Direct Federal Government	=====
e) Other (include cafeteria, gift shop, etc.) ...	_____
f) Retail Pharmacy Revenue	_____
g) Total other operating revenue	=====
(A7a + A7b3 + A7c10 + A7d3+A7e+A7f)	

- Nomenclature changes to match current pools
- New portion to record COVID-19 funding and other federal contributions (COVID and non-COVID)

DSH Audit Changes

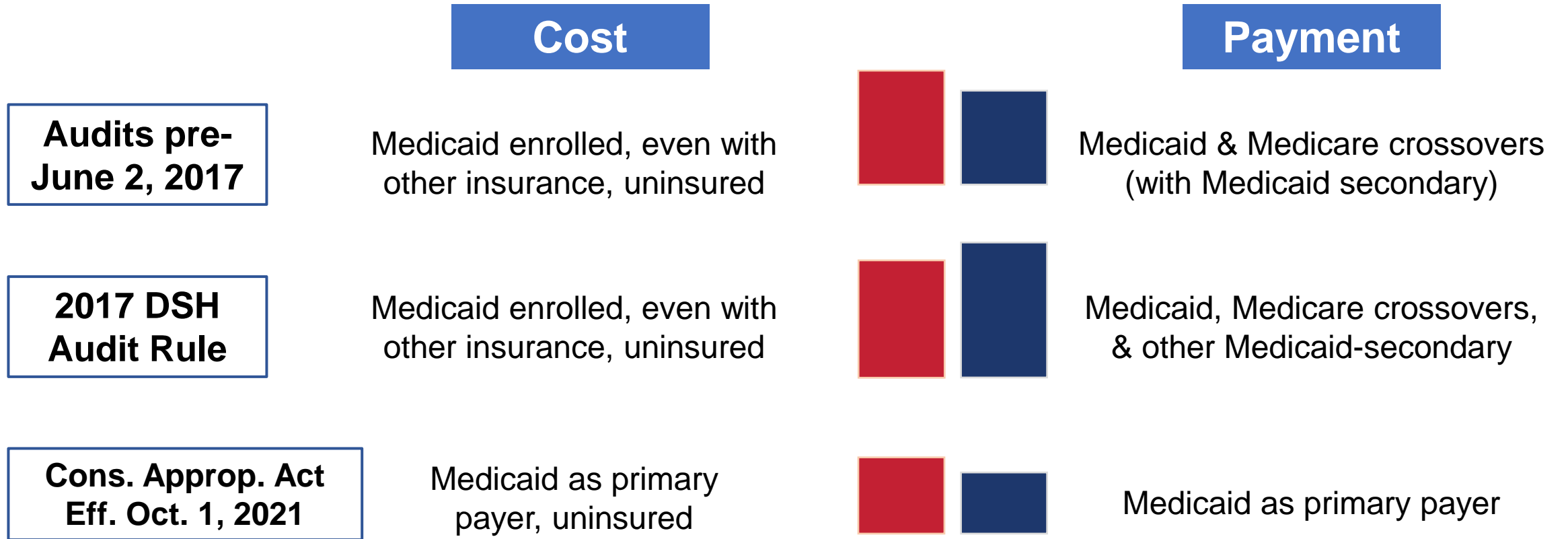


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Consolidated Appropriations Act 2021

- Congressional action at end of year changed calculation for DSH
- Following MACPAC recommendation, omits all costs for Medicaid-eligible patients with third-party sources where the third-party is primary payer
- Removes Medicare & commercial payments, but also removes the previously acceptable costs associated with those enrollees
- Effective date: Oct. 1, 2021, SFY2022

DSH Calculation Changes



Questions

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