

# Opening the JAR

Understanding the Relationship Between the Joint Annual Report (JAR) and Medicaid Supplemental Payments

# 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 JARs

# FY 2021 Methodology

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

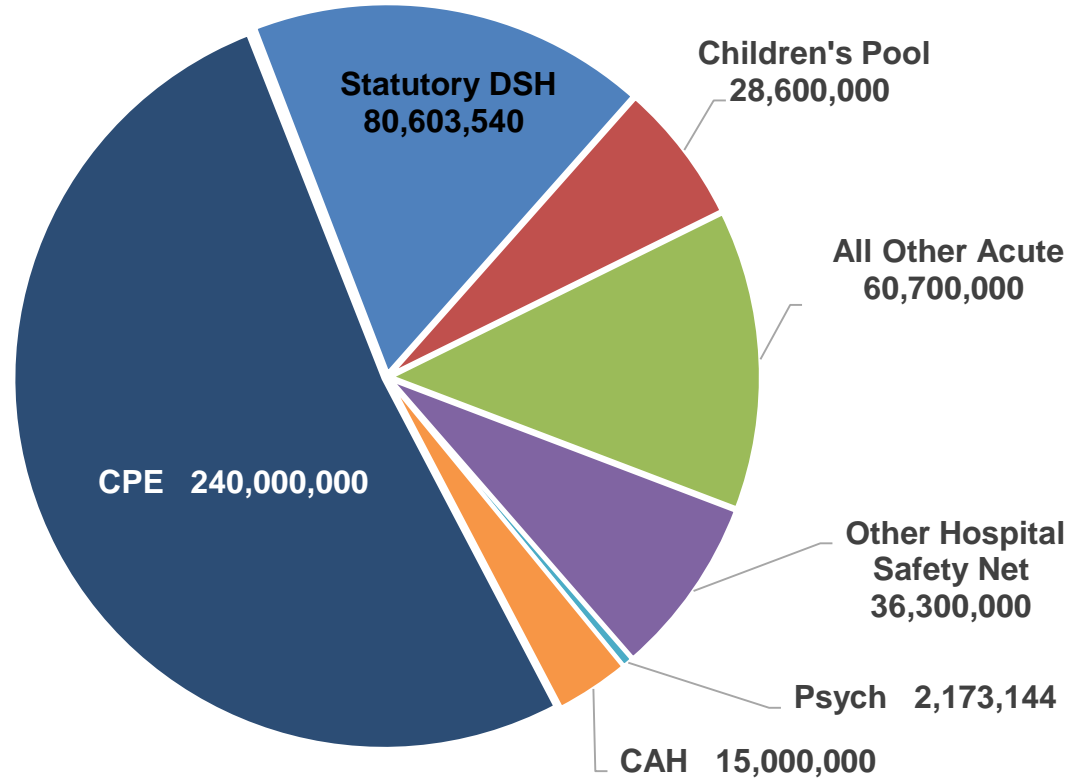
**Charity Care Pool:** Sub-pools are distributed based on charity care cost and/or self-pay cost.

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

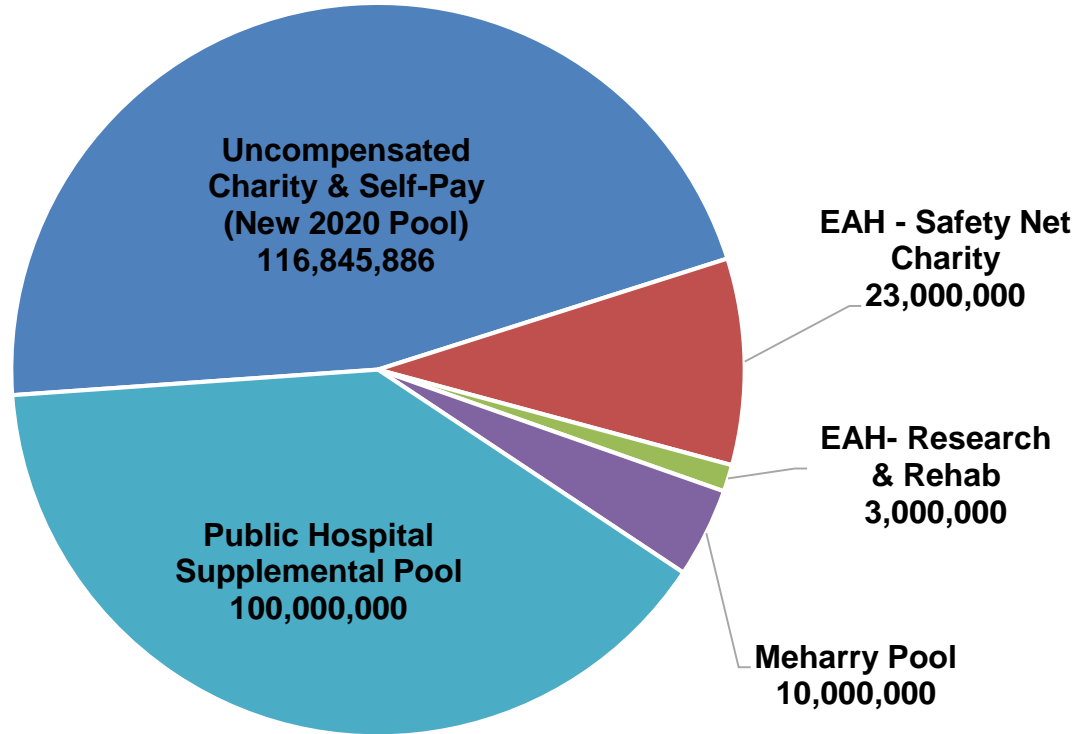
- Hospitals that report under the same Medicare cost report but separate JARs will be combined

All of the Virtual DSH pool will be subject to the DSH audit and to repayment

# FY2021 Allocation of Virtual DSH \$463.9m



# FY2021 Allocation of Charity Care Pool \$252.8m



# 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

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

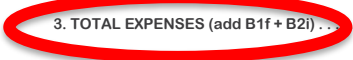
- This ratio is used any time hospital “cost” is used in a supplemental pool distribution methodology, such as calculating Medicaid costs or charity care costs.
- In the methodology, if multiple hospitals share a Medicare provider number, the JAR data for those hospitals will be calculated using the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

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

**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.**

# 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 loses; 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 – Charity Care Cost

Charity Care cost = *Total Charity Care Charges* × *CCR*

Schedule E					
A. Charges					
				Adjustments to Charges	
5. Nongovernment Adjustments to Charges					
a) Charity Inpatient					
b) Charity Outpatient					
c) Other Adjustments, specify types					
					Total charity (5a + 5b)

# 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					

## 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.

# Adjusted Patient Days

**Total Adjusted Days = Total Inpatient Days X (Total Charges/Total Inpatient Charges)**

**TennCare Adjusted Days = Total TennCare Inpatient Days X (Total TennCare Charges / Total TennCare Inpatient Charges)**

G3. Utilization by Revenue Source			
	Admissions or Discharges	Inpatient Days or Discharge Patient Days	Outpatient visits
<b>I. Government</b>			
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)			
<b>II. Nongovernment</b>			
a. Self-Pay			
b. Blue Cross Blue Shield			
c. Commercial Insurers (excludes Workers comp)			
d. Combined Blue Cross Blue Shield and Commercial (excludes Workers Comp)			
e. Workers Compensation			
f. Other			
<b>Total</b>			

Schedule E.

A. CHARGES (continued)					
	Gross Patient Charges	minus	Adjustments to Charges	equals	Net Patient Revenue
<b>2. Nongovernment</b>					
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					
<b>3. Totals</b>					
a) Total Inpatient (excludes Normal Newborn)					
b) Normal Newborns					
c) Total Inpatient (includes Normal Newborn) (A3a + A3b)					
d) Total Outpatient					
e) Grand Total (A1f + A2g)					

# Common Omissions

- Hospitals **must** have **both total charges** and **total inpatient charges** populated on the JAR or a hospital's supplemental payment amount cannot be determined.

Schedule E.

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 (A1i + A2g)						

# Payments



# 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 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. Psych pool

# Meeting the OB Requirement

## Statutory DSH only

### Schedule D

Schedule D Services		Is this Service Provided in your Hospital		To Inpatients	
18. Hospital Based Detailed Services		Yes	No	Unit	Number
Utilization of Selected Services					
E.	Surgery				
	Inpatient Only				
	# Dedicated Operating Rooms				
	# Dedicated Procedure Rooms				
	Outpatient Only				
	# Dedicated Operating Rooms				
	# Dedicated Procedure Rooms				
	Shared Rooms used for Inpatients and Outpatients				
	# Dedicated Operating Rooms				
	# Dedicated Procedure Rooms				
	Acupuncture	Cases			
	Dental	Cases			
	Ear Nose and Throat	Cases			
	Endoscopy	Cases			
	General Surgery	Cases			
	Gynecology	Cases			
	Hand Surgery	Cases			
	Infertility	Cases			
	Neurology	Cases			
	Obstetrics	Cases			

### Schedule L

Schedule L - Perinatal		Yes	No
11. Obstetrics			
Obstetrics Level Of Care		must have Yes marked in one of these levels	
	Level I		
	Level II		
	Level III		
	Regional Perinatal Center		
Total Deliveries			
		Deliveries Patient Days	

# 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

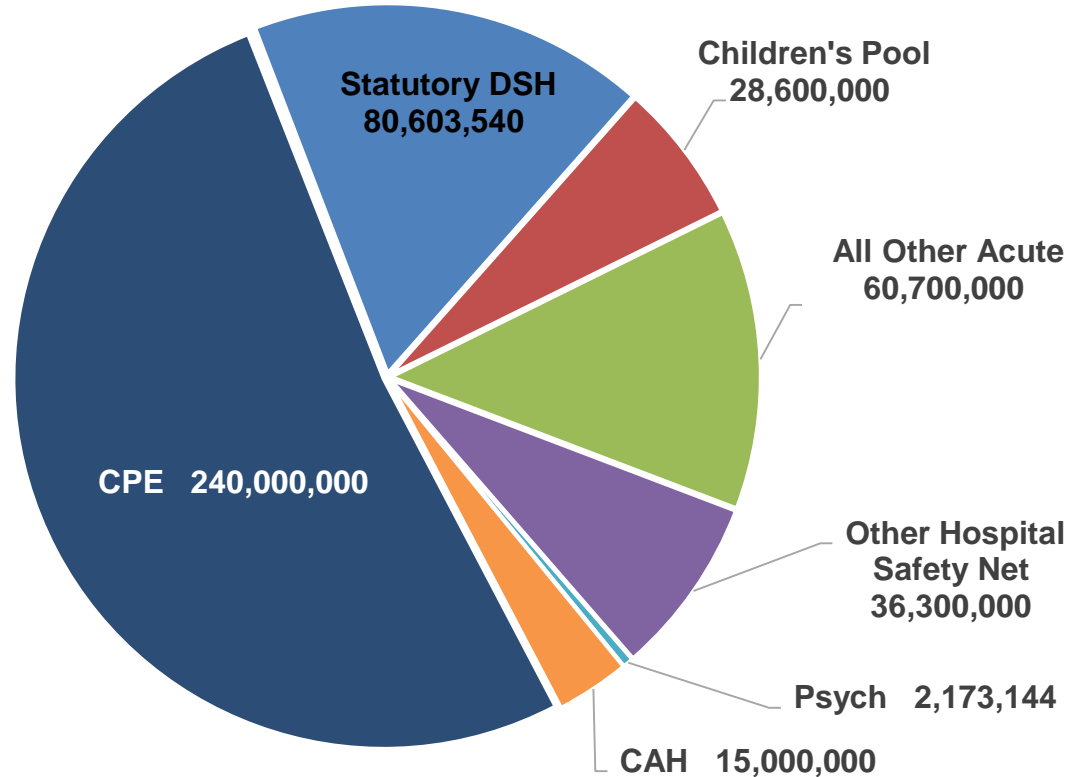
or

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

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

# FY2021 Allocation of Virtual DSH \$463.9m



# How is a Hospital's Payment Determined Virtual DSH

- 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 or not 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%

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

# 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**

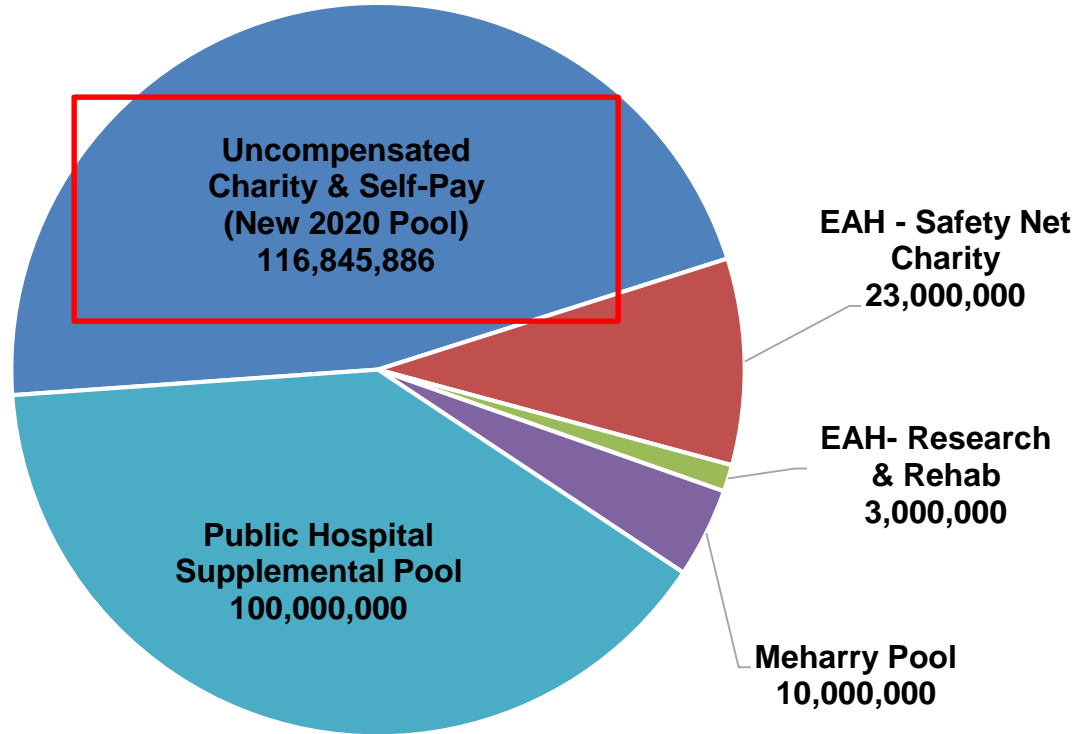
Hospital A -  $\$1,820,097 / \$60m = 3.0335\%$   
 $3.0335\% \times 10m = \$303,350$

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

# How is a Hospital's Payment Determined Charity Care Pool

- Almost all charity care payments are allocated based on a hospital's *proportion* of charity care cost, unreimbursed self-pay cost, or both.

# FY2021 Allocation of Charity Care Pool \$252.8m



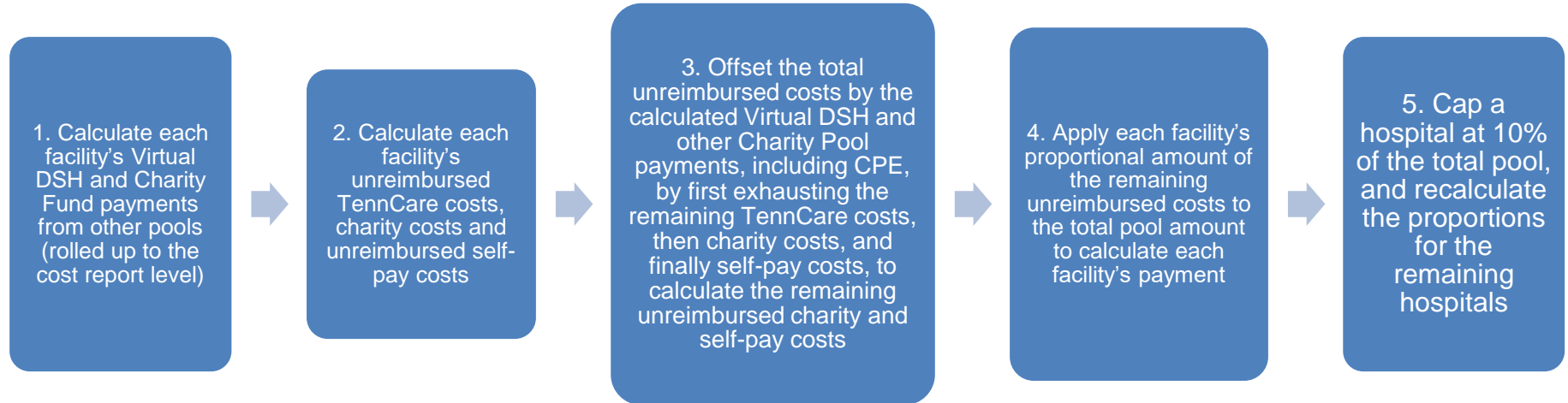
# New Charity & Self-Pay Sub Pool

- New 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 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 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
<b>Total</b>	<b>\$ 653,350</b>

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

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

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 2018 JAR but will not update the final 2018 JAR data base
  - THA will make the corrections to the 2018 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 maintains 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 2018 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](mailto:Lonnie.Matthews@tn.gov) with the Department of Health
  - Copy THA (Amanda Newell, [anewell@tha.com](mailto:anewell@tha.com) ) on the email
  - Request a return e-mail from Lonnie indicating the changes have been accepted and placed in the hospital file
- **Corrections should be submitted by August 7th.**
- **Going forward, no corrections will be accepted after the 1st quarter of payments have been made.**

# Questions

**Amanda Newell** [anewell@tha.com](mailto:anewell@tha.com)