



SFY 2020 Additional Supplemental Pool Payments

TennCare currently has \$144 million in unused spending authority under the 1115 Waiver to compensate hospital providers for their unreimbursed costs of treating uninsured patients. Distributing these funds will be extremely beneficial in supporting hospitals' continued provision of uncompensated care to indigent patients.

As the state is still waiting for CMS approval, any payments calculated for these new pools will likely be distributed toward the end of FY 2020. All other supplemental pool payments will continue to be paid out as they have been in the past.

Strategic Planning Committee Requested Principles for Distribution

- The methodology should be as consistent as possible with the current methodology used for Virtual DSH and the Charity Care Fund.
- Payments will align with each facility's TennCare volume and unreimbursed self-pay and charity care costs.
- Payments will be based on remaining unreimbursed cost after the regular Virtual DSH and Charity Care Fund payments.
- Payments will be determined at the Medicare cost report level.
 - JAR data for facilities that are reported on the same cost report will be combined.
- The maximum Charity Care Fund amount available is \$116.8 million and the Virtual DSH amount is \$27.3 million.
- The increased expense for the hospitals covered by the assessment will be offset by an increase in the directed payments.
- Psych, Rehab, LTAC, CAH and other acute care facilities that qualify for any payment under the Virtual DSH or Charity Care Fund are eligible to receive payments from the additional pool.
- No facility (rolled to the cost report level) should receive more than 10 percent of the new Charity Care Fund payment or Virtual DSH payment.
- The three hospitals that participate in the Public Hospital Supplemental Pool (PHSP) will be excluded from receiving these pools.

Pool Distribution

- Unused Virtual DSH – The \$27.3 million in unused Virtual DSH funding will be paid to providers according to the existing points-based methodology used for the current Virtual DSH payments. Hospitals are assigned points based on their TennCare volume and charity costs. If a hospital has a larger point total, it will receive a larger proportion of the new \$27.3 million funding.

Application:

- Only hospitals that are currently projected to receive a Virtual DSH payment in 2020 are eligible to receive a distribution from the new \$27.3 million.
 - The \$27.3 million will be proportionally added to the existing pools.
- Unused Charity Care Fund – The \$116.8 million unused Charity Care Fund payments will be paid to providers according to each provider's proportional, remaining charity and unreimbursed self-pay costs,¹ after TennCare pays the historic Waiver payments, including the CPE pool. Limiting payment amounts based on remaining, unreimbursed costs is consistent with federal payment limitations.

Application:

- Calculate each facility's projected 2020 Virtual DSH and Charity Fund payments (rolled up to the cost report level).
- Using 2017 JAR data, calculate each facility's unreimbursed TennCare costs, charity costs, and unreimbursed self-pay costs.
- Offset the unreimbursed costs by the projected 2020 Virtual DSH and Charity Fund payments (including projected CPE)– first exhausting the remaining unreimbursed TennCare costs, then charity costs, and finally self-pay costs—to calculate the remaining unreimbursed charity and self-pay costs.
- Assess whether any hospital's combined remaining charity and self-pay costs represent more than 10% of the aggregate remaining costs. If so, cap the hospital(s) at 10%, and recalculate the proportions for the remaining hospitals.
- Apply each facility's proportional costs to the \$116.8 million in available funding to project each facility's distribution from the new pool.

¹ Based on JAR reporting.