2. If the original DSH payments did not fully expend the federal DSH allotment for any plan year, the remaining DSH allotment may be paid to hospitals that are under their hospital-specific DSH limit. These redistributions will occur proportionally based on each hospitals uncompensated care shortfall to the total shortfall, not to exceed each hospital's specific DSH limit.

(2) Disproportionate Share (DSH) Interim Payments.

(A) SFY 2012 interim DSH payments will be based on the 2011 state DSH survey after applying the trend factor published in *Health Care Costs* by DRI/McGraw-Hill for the current fiscal year.

1. For SFY 2013 and subsequent years, the interim DSH payments will be based on the state DSH survey completed by the hospitals using the third prior year Medicare Cost Report and adjusted for inflationary trends, volume adjustments, changes in reimbursement methodology, and/or other business decisions (i.e., expanded or terminated services) to reflect anticipated operations for the interim DSH payment period.

(B) Federally deemed DSH hospitals shall receive an interim DSH payment to the extent that it has room under its projected hospital-specific DSH limit based on the state DSH survey and shall be limited to the hospital's projected hospital-specific DSH limit. A federally deemed DSH hospital may refuse a DSH payment by submitting a request to the MO HealthNet Division on an annual basis.

(C) Hospitals, including federally deemed DSH hospitals, may elect to receive an upper payment limit payment in lieu of DSH payments.

1. Hospitals that elect to receive an upper payment limit payment rather than a DSH payment must submit a request to the MO HealthNet Division on an annual basis.
2. The upper payment limit calculation and upper payment limit payment calculation is set forth in section I.C.7-1.

(D) Disproportionate share payments will coincide with the semimonthly claim payment schedule.

1. An annual Disproportionate share payment will be calculated for each hospital at the beginning of each State Fiscal Year (SFY). The annual amount will be processed over the number of financial cycles during the SFY.

(E) New facilities will be paid the lesser of the estimated hospital specific DSH limit based on the estimated state DSH survey or the industry average estimated interim DSH payment. If a new facility does not have a third prior year Medicare Cost Report on which to base the state DSH survey, the second prior year shall be used. If a new facility does not have a second prior year Medicare Cost Report, the prior year shall be used. If a new facility does not have a prior year Medicare Cost Report, the state DSH survey shall be completed using facility projections to reflect anticipated operation for the interim DSH payment period. The industry average estimated interim DSH payment is determined from the state DSH survey as set forth below. A new facility's eligibility to receive DSH payments will be determined from the most recent cost report or supplemental data available from the hospital if they do not have a base year cost report on which the state DSH survey was based.

1. Hospitals receiving DSH payments based on the state DSH survey shall be divided into quartiles based on total beds;
2. DSH payments shall be individually summed by quartile and then divided by the total beds in the quartile to yield an average DSH payment per bed;
3. The number of beds for the new hospitals shall be multiplied by the average DSH payment per bed to determine the DSH payment.

(F) Facilities not providing a state DSH survey will have DSH payments calculated using the most recent hospital-specific information provided to the state by the independent auditor.

(3) Department of Mental Health Hospital (DMH) DSH Adjustments and Payments.

(A) Effective June 1, 2011, interim DSH payments made to DMH hospitals will be revised based on the results of a DMH state DSH survey which uses federally-mandated DSH audit standards. These revisions are to serve as interim adjustments until the federally-mandated DSH audits are complete in 2014.

(B) Beginning in SFY 2012 due to structural changes occurring at the DMH facilities, interim DSH payments will be based on the third prior base year cost report trended to the current SFY adjusted for the FRA assessment paid by DMH hospitals. The interim DSH payments calculated using the third prior base year cost report may be revised based on the results of a DMH state DSH survey. Additional adjustments may be done based on the results of the federally mandated DSH audits.

(C) If the original DSH payments did not fully expend the federal Institute for Mental Disease DSH allotment for any plan year, the remaining IMD DSH allotment may be paid to hospitals that are under their projected hospital-specific DSH limit. These redistributions will occur proportionally based on each hospitals uncompensated care shortfall to the total shortfall, not to exceed each hospital's specific DSH limit.

(4) Final DSH Adjustments.

(A)Final DSH adjustments will be made after actual cost data is available and the DSH audit is completed.

(5) Each hospital's inpatient adjusted net revenues and outpatient adjusted net revenues will be determined as follows:

(A). Obtain "Gross Total Charges" from Worksheet G-2, Line 25, Column 3, of the third prior year cost report for the hospital. Charges shall exclude revenues for physician services. Charges related to activities subject to the Missouri taxes assessed for outpatient retail pharmacies and nursing facility services shall also be excluded. "Gross Total Charges" will be reduced by the following:

1. "Nursing Facility Charges" from Worksheet C, Part I, Line 35, Column 6.
2. "Swing Bed Nursing Facility Charges" from Worksheet G-2, Line 5, Column 1.
3. "Nursing Facility Ancillary Charges" as determined from the Department of Social Services, MO HealthNet Division, nursing home cost report. (Note: To the extent that the gross hospital charges, as specified in section XVII-1.G.(5)(A)., include long-term care charges, the charges to be excluded through this step shall include all long-term care ancillary charges including skilled nursing facility, nursing facility, and other long-term care providers based at the hospital that are subject to the state's provider tax on nursing facility services.
4. "Distinct Part Ambulatory Surgical Center Charges" from Worksheet G-2, Line 22, Column 2.
5. "Ambulance Charges" from Worksheet C, Part I, Line 65, Column 7.
6. "Home Health Charges" from Worksheet G-2, Line 19, Column 2.