

ADDITIONAL CLASS OF DISPROPORTIONATE SHARE PAYMENTS

The Commonwealth of Pennsylvania is dedicated to ensuring the availability of quality care to low-income pregnant women and children. Access to obstetrical and neonatal health care services across the Commonwealth is necessary for all MA recipients and is crucial to ensure a positive prenatal experience for the mother and the best outcome for the infant. In order to maintain the system for obstetrical and neonatal health care services, the Department will make disproportionate share payments to hospitals that meet certain qualifying criteria.

A rural hospital, which is defined as being located in a county outside a Metropolitan Statistical Area ("MSA") established by the United States Office of Management and Budget or is the only hospital licensed by the Department of Health to provide obstetrical services located in a county of the 6th, 7th or 8th class, must meet one of the following qualifying criteria in order to be eligible for the disproportionate share hospital (DSH) payment:

- (a) The hospital is licensed to provide neonatal intensive care services.
- (b) The hospital is licensed to provide obstetrical services and ranks in the top 1/3 of rural hospitals in terms of volume of obstetrical cases for Pennsylvania (PA) MA recipients during the most recent fiscal year with available data.
- (c) The hospital is licensed to provide obstetrical services and has greater than 50% of all of its obstetrical cases for PA MA recipients during the most recent fiscal year with available data.
- (d) The hospital is the only hospital licensed to provide obstetrical services within the county.

A nonrural hospital must be licensed to provide obstetrical and/or neonatal intensive care services and must meet one of the following qualifying criteria in order to be eligible for the DSH payments:

- (a) The hospital ranks in the top 1/3 of nonrural hospitals in terms of volume of obstetrical cases for PA MA recipients during the most recent fiscal year with available data.
- (b) The hospital has greater than 50% of all of its obstetrical cases for PA MA recipients during the most recent fiscal year with available data.
- (c) The hospital provides obstetrical care services and is located within five miles of any hospital that closed its obstetrical service during the previous three years.
- (d) The hospital ranks in the top 1/3 of nonrural hospitals in terms of volume of neonatal intensive care cases for PA MA recipients during the most recent fiscal year with available data.
- (e) The hospital has greater than 50% of all of its neonatal intensive care cases for PA MA recipients during the most recent fiscal year with available data.
- (f) A children's hospital with greater than 40% of all of its cases for PA MA recipients during the most recent fiscal year with available data.

The Department will make DSH payments to those hospitals that meet the qualifying criteria using the following payment methodology.

- (a) 15% of the total amount available will be paid to qualified rural hospitals as follows:
 - (i) Of the amount available for distribution to rural hospitals, 75% will be distributed to qualified rural hospitals with obstetrical cases for PA MA recipients using the following formula:
 - (A) For each hospital, determine the ratio of the hospital's obstetrical cases for PA MA recipients to all obstetrical cases for the hospital.
 - (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's obstetrical cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the amount available for distribution to rural hospitals by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (F) For rural hospitals located in counties whose ratio of MA eligible persons to total county population exceeds one standard deviation above the mean for all rural counties but less than 1.3 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.50. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.3 standard deviations above the mean for all rural counties but less than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.75. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 2.0.

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- (ii) Of the amount available for distribution for rural hospitals, 10% will be distributed to qualified rural hospitals with neonatal intensive-care cases for PA MA recipients using the following formula:
- (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA recipients to all neonatal intensive-care cases for the hospital.
 - (B) For each hospital multiply: the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the amount available for distribution to rural hospitals by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (F) For rural hospitals located in counties whose ratio of MA eligible persons to total county population exceeds one standard deviation above the mean for all rural counties but less than 1.3 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.50. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.3 standard deviations above the mean for all rural counties but less than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 1.75. For rural hospitals located in counties whose ratio of MA eligible persons to total county population is equal to or greater than 1.6 standard deviations above the mean for all rural counties, multiply the product in clause (E) by 2.0.
- (iii) 15% of the funds available for rural hospitals will be distributed equally among qualified rural hospitals with obstetrical cases for PA MA recipients.
- (iv) To ensure that payments do not exceed available funds, the Department will adjust payments to each hospital using the following formula:
- (A) The calculated total amount of payments for each hospital under steps (i), (ii) and (iii) in this section is divided by the total calculated amount for all hospitals to obtain a percentage, which is a ratio of each hospital's respective share of the calculated amount.
 - (B) The resulting percentage for each hospital in clause (A) is multiplied by the total available funds to obtain a proportional payment for each hospital.
- (b) 85% of the total amount available will be paid to qualified nonrural hospitals as follows:
- (i) Of the eighty-five percent, 52.5% will be distributed to qualified nonrural hospitals with obstetrical cases for PA MA recipients covered by MA using the following formula:
 - (A) For each hospital, determine the ratio of the hospital's obstetrical cases for PA MA recipients to all obstetrical cases for the hospital.
 - (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's obstetrical cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the amount available for distribution to nonrural hospitals by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (ii) Of the amount available for distribution to nonrural hospitals, 32.5% will be distributed to qualified nonrural hospitals with neonatal intensive-care cases for PA MA recipients using the following formula:
 - (A) For each hospital, determine the ratio of the hospital's neonatal intensive-care cases for PA MA recipients to all neonatal intensive-care cases for the hospital.
 - (B) For each hospital, multiply the ratio under clause (A) by the number of the hospital's neonatal intensive-care cases for PA MA recipients.
 - (C) Add the products under clause (B) for all hospitals.
 - (D) Divide the 32.5% by the sum under clause (C).
 - (E) Multiply the quotient under clause (D) by the product under clause (B).
 - (iii) Of the amount available for distribution to nonrural hospitals, 15% will be distributed equally among qualified nonrural hospitals with obstetrical cases for PA MA recipients.

For Fiscal Year 2009-2010 the fiscal impact of this additional class of DSH payments is \$9,957,955 (\$4.50 million in State General Funds and \$5,457,955 in Federal Funds upon approval by the Centers for Medicare and Medicaid Services).

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