



Albert Hawkins, Executive Commissioner

# Presentation to the House Select Committee on State Health Care Expenditures

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# Medicaid Disproportionate Share (DSH) Hospital Program for Non-state Texas Hospitals

# Introduction

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The Medicaid Disproportionate Share Hospital (DSH) Program is a source of reimbursement to non-state Texas hospitals that treat indigent patients. This presentation covers:

- How the program is funded
- The payment formula
- The number of hospitals receiving DSH funds
- Criteria for DSH eligibility
- New federal reporting requirements

# Intergovernmental Transfers

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Nine large public hospitals provide the intergovernmental transfers that equal the state match portion to draw down federal Medicaid funds.

For FY 2003, intergovernmental transfers totaled \$336.1 million which in turn drew down approximately \$504.3 million in federal funds.

Of the \$840.4 million in DSH funds noted above, these nine hospitals received \$540.3 million (\$336.1 million state match and \$204.1 million federal) through the DSH reimbursement formula for FY 2003.

# Overview of the Payment Formula

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After reimbursing state hospitals, the state divides the remaining fund into two equal funds to reimburse non-state hospitals on a pro rata arrangement based on their Medicaid inpatient days and low-income days.

# Non-state Hospitals Receiving DSH Payments

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In SFY 2003, the state identified and reimbursed 167 non-state hospitals from the Medicaid DSH fund.

- 9 large urban hospitals
- 7 children's hospitals
- 87 rural hospitals
- 64 urban hospitals

# Federal Criteria to Determine Eligibility for the Medicaid DSH Program

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- One percent Medicaid inpatient utilization rate
- Two physician rule: DSH hospitals must have two doctors with admitting privileges, who accept Medicaid and non-emergency obstetrical patients. (Children's Hospitals and certain other hospitals are exempt.)
- Hospital uninsured cost plus non-reimbursed Medicaid cost

# State Criteria to Determine Eligibility for the Medicaid DSH Program

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- Medicaid inpatient days
- Medicaid inpatient utilization rate
- Low-income utilization rate
- Progress toward or maintenance of trauma designation



# New Federal Reporting Requirements in the Medicare Prescription Drug Bill

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State must have annual independent certified audit of DSH program to:

- Verify that hospitals are not receiving more than caps
- Verify that hospitals are correctly reporting uninsured patient data
- Verify that the state is including all Medicaid payments, including supplemental payments in calculation of hospital caps -- the sum of a hospital's uninsured cost and non-reimbursed Medicaid costs.