Hospital Indigent Care Pool Technical Advisory Committee Summary

NYS Department of Health

June 13, 2007

The Charge to the Indigent Care Technical Advisory Committee

- Assist the Commissioner of Health and the Chairs of the Senate and Assembly Health Committees in their evaluation of the $847 million in hospital indigent care pool monies
- Evaluate the type and amount of services provided by hospitals and the costs incurred by hospitals in relation to receipt of monies from the indigent care pool
- Evaluate the relationship between the indigent care pool monies and the hospitals' obligation under the newly enacted hospital patient financial aid law

Evaluation Process For Technical Advisory Committee

➢ June 13, 2007	First meeting of TAC to review current law,rules and data
➢ July/August 2007	Public hearings in NYC and Syracuse
➢ September 2007	Meeting of TAC in NYC
➢ November 2007	Final meeting of TAC in Albany
➢ December 2007	Commissioner of Health issues report

Overview of Indigent Care Pool

- **Public Health Law (PHL) and Regulations set forth the funding and distribution methodologies for the pool**
- **$847M annually funded through state Medicaid appropriations**
- **Payments are Medicaid Disproportionate Share Payments (DSH) and are subject to Federal Disproportionate Share payment caps**
  - ✓ DSH are Medicaid payments to hospitals to recognize the additional costs in treating larger numbers of Medicaid and low income patients
- **PHL allocates pool resources to provide specified subsidies for:**
  - ✓ Public hospitals
  - ✓ Voluntary hospitals
  - ✓ Rural hospitals (federal or state rural designation or low density population within their service area)
  - ✓ Voluntary high need hospitals
- **Distributions from these allocations are based upon several different methodologies**

Funding Sources for $847M Indigent Care Pool

- **50% Federal Title XIX(I.e., Medicaid) matching funds for hospital DSH payments**

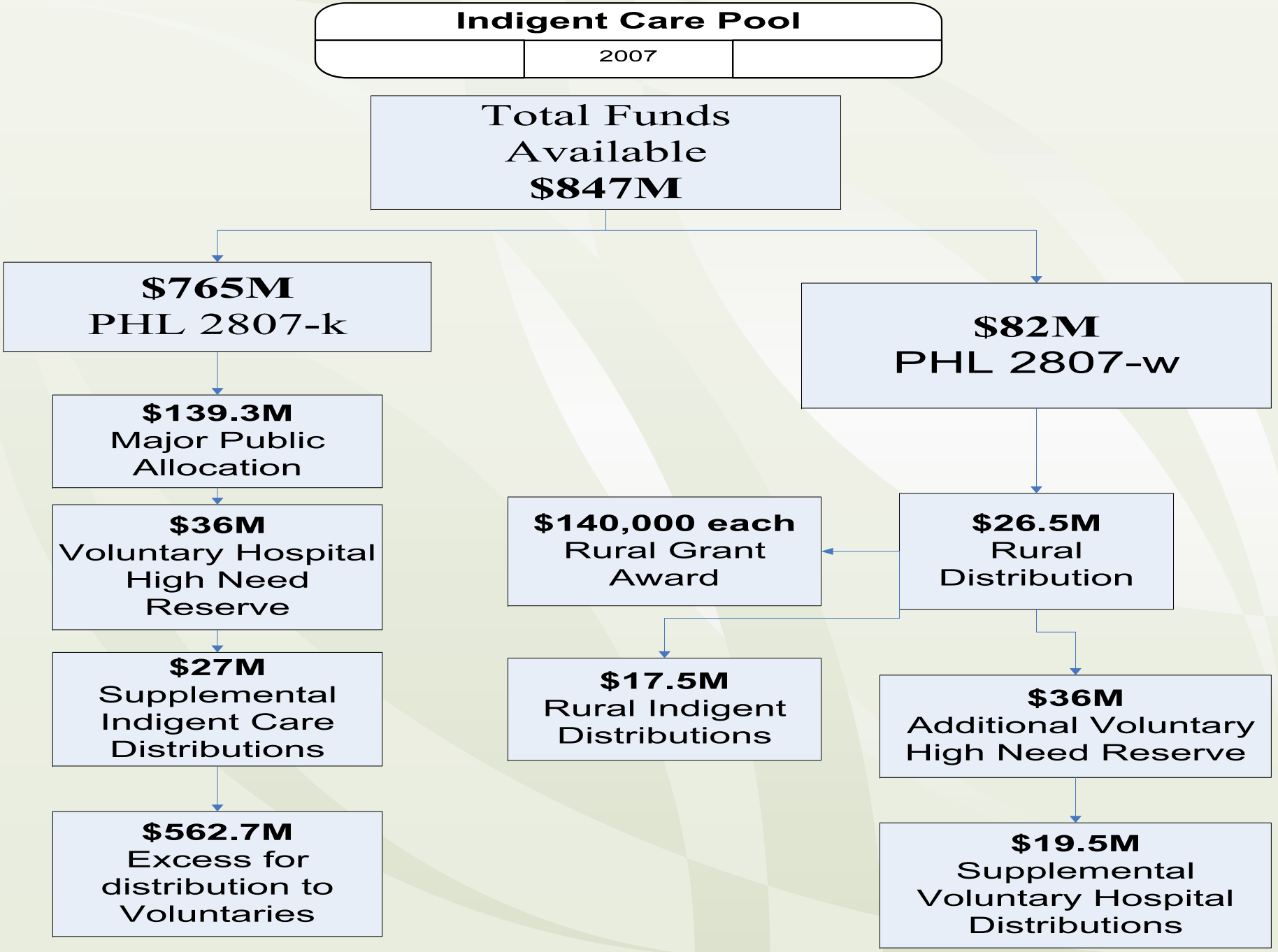
- **50% NYS HCRA Pool proceeds including:**
  - ✓ Patient services surcharges on specified revenue received for hospital, comprehensive diagnostic and treatment centers and freestanding ambulatory surgery rendered services
  - ✓ Covered-Lives assessment applies to insurers for each enrolled resident
  - ✓ 1% Assessment on hospital net inpatient revenues
  - ✓ Dedicated receipts from the sale of stocks to convert Empire Blue Cross and Blue Shield to a for-profit insurer
  - ✓ A portion of NYS Cigarette tax receipts

Medicaid Disproportionate Share Payments

- Medicaid Disproportionate Share (DSH) payments
  - ✓ Allows us to fund these expenditures through a 50% federal match.
  - ✓ Federal law limits each hospital's receipt of such payments to their annually established Medicaid and Self Pay losses (DSH Cap)
  - ✓ Medicaid State Plan requires that each hospital's annual DSH cap be determined by losses reported through Exhibit 47 of the ICR submitted by the hospital

- For any portion of an annual award that remains above the "final" DSH Cap, State law allows the hospital to receive the non-Federal share component (i.e., 50%) of such amount

- Only 6 hospitals had their Indigent Care distributions reduced due to the DSH cap for 2004, which resulted in a gross impact of $13.2M


Indigent Care Pool
2007
Total Funds Available $847M
$765M PHL 2807-k
$82M PHL 2807-w
$139.3M Major Public Allocation
$36M Voluntary Hospital High Need Reserve
$27M Supplemental Indigent Care Distributions
$562.7M Excess for distribution to Voluntaries
$140,000 each Rural Grant Award
$17.5M Rural Indigent Distributions
$26.5M Rural Distribution
$36M Additional Voluntary High Need Reserve
$19.5M Supplemental Voluntary Hospital Distributions

Glossary of Key Terms for Need Based Methodologies

- **Uncompensated Care (PHL 2807-k)**
  - ✓ The cost of Bad Debts and Charity Care (BDCC) for hospital inpatient and outpatient services, excluding referred ambulatory services (ancillary services provided by hospital as a result of an outside physician's referral)
- **Bad Debts (Part 86-1.11)**
  - ✓ Amounts which are considered to be uncollectible from payers (including self pay) related to services provided to patients. Bad debts are determined in accordance with generally accepted accounting principles which recognize the direct charge-off method, the reserve method, or a combination of the direct charge-off method and the reserve method (bad debts include co-pay and deductibles not paid; insured services which are denied payment; or patients who do not pay their bill)
- **Charity Care (Part 86-1.11)**
  - ✓ The reduction in charges made by the provider of services because the patient is "indigent or medically indigent." Courtesy allowances, such as free or reduced-charges to other than the "indigent or medically indigent", are not considered charity care (charity care includes services rendered to patients without financial means to pay for such services)

Glossary of Key Terms for Need Based Methodologies (con't)

- **Targeted Need** (PHL 2807-k)
  - ✓ The relationship of Bad Debt and Charity Care need (BDCC) to hospital costs expressed as a percentage
- **Nominal Payment Amount (NPA)** (PHL 2807-k)
  - ✓ The total dollars attributable to the application of an increasing coverage scale applied to the hospital's BDCC
- **Uninsured Care** (PHL 2807-k(1)(e))
  - ✓ Losses from the cost of bad debts and charity care (BDCC) of a general hospital for inpatient and ambulatory services (excluding referred ambulatory services), which are not eligible for payment in whole or in part by a governmental agency, insurer or other third-party payor on behalf of a patient

New York State Public Health Law establishes the methodology for distributions for each sub-allocation of the Indigent Care Pool

- Funds for Voluntary Hospitals, Supplemental Voluntary, Supplemental, Rural and Voluntary High Need distributions are allocated based upon “uncompensated care need”

- Funds in the Major Public, Rural and Supplemental Indigent Care allocations are distributed based upon alternative methodologies

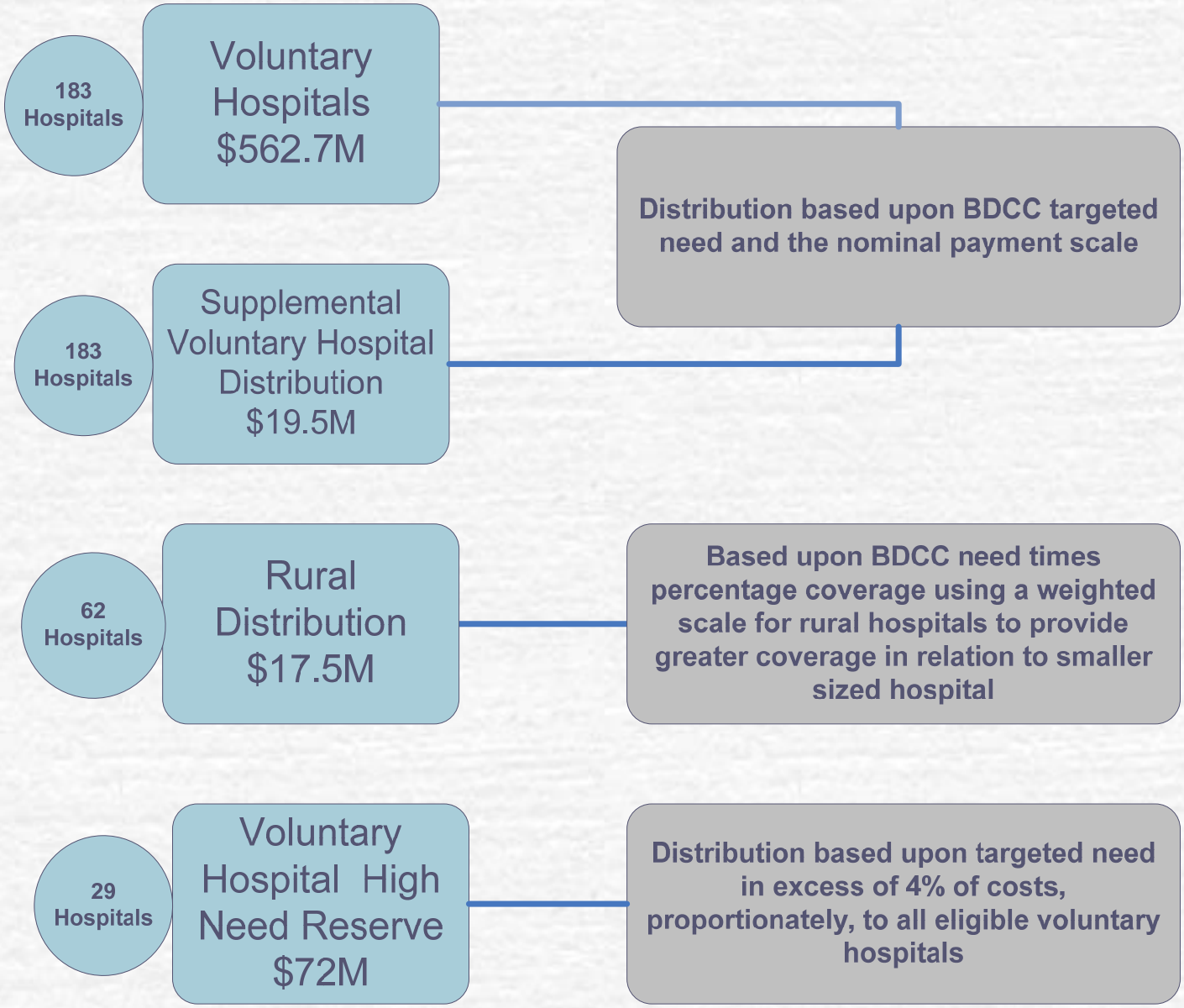
Example of Calculation of BDCC

Data Elements		
Inpatient Costs	$ 80,000,000	
Inpatient Reported Charges	$ 200,000,000	
Inpatient Charge Converter	40%	
Inpatient Reported Bad Debts	$ 4,000,000	
Inpatient Reported Charity Care	$ 4,250,000	
Inpatient Bad Debt & Charity Care at Cost (Line 4 +Line 5) X Line 3		$ 3,300,000
Outpatient Costs	$ 20,000,000	
Outpatient Reported Charges	$ 40,000,000	
Outpatient Charge Converter	50%	
Outpatient Reported Bad Debts	$ 1,400,000	
Outpatient Reported Charity Care	$ 1,000,000	
Outpatient Bad Debt and Charity Care at Cost (Line 10 + Line 11) x Line 9		$ 1,200,000
Hospital Inpatient and Outpatient Uncompensated Care at Cost (Line 6+Line 12)		$ 4,500,000

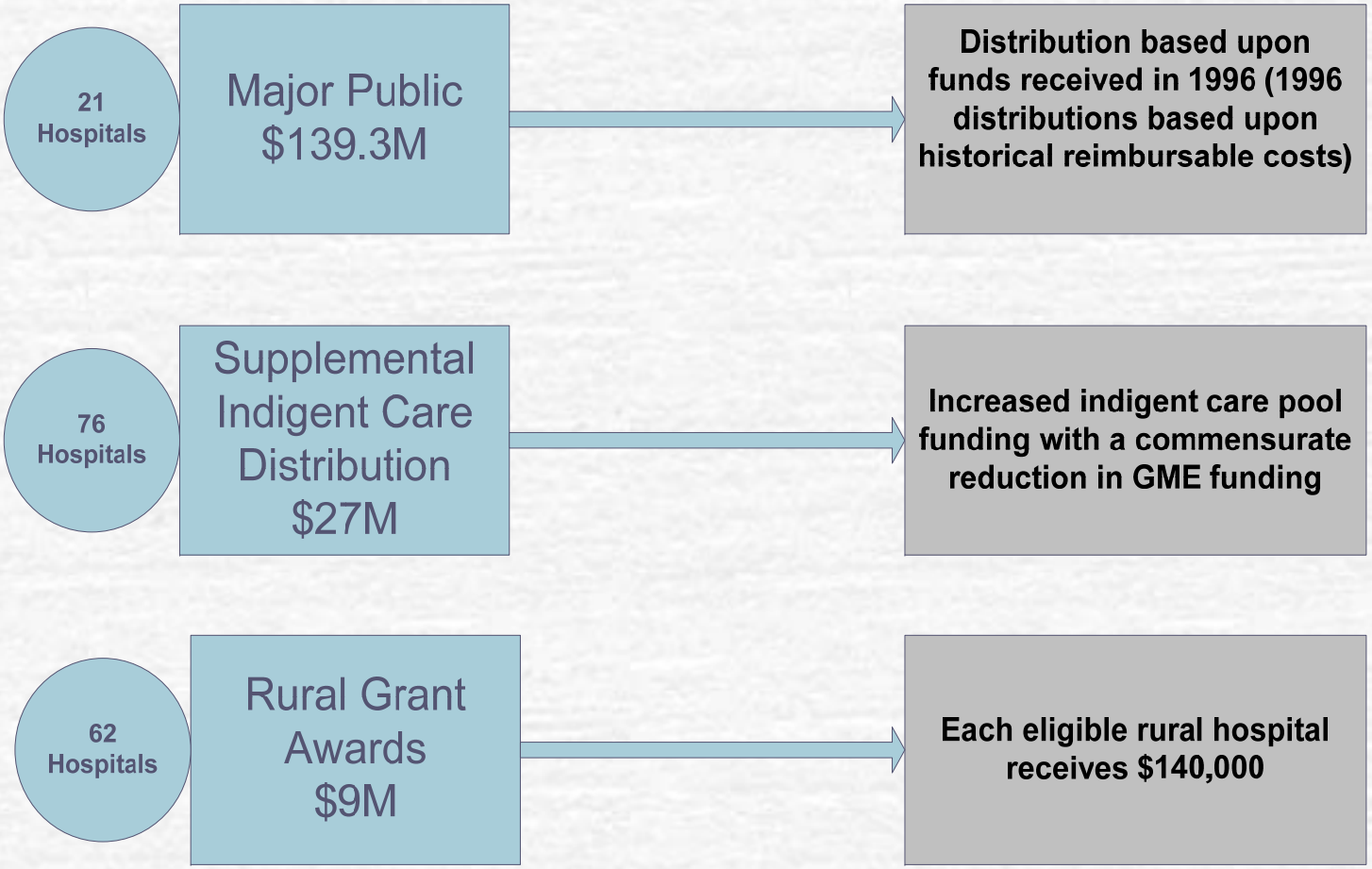
Calculation of Nominal Payment Amount and Distribution

Elements:			
Hospital Inpatient and Outpatient Uncompensated Care	**$ 4,500,000**		
Hospital Inpatient and Outpatient Cost	**$ 100,000,000**		
Targeted Need Percentage:	**4.50%**		
Targeted Need Percentage of Costs	**Targeted Need**	**Statutory Coverage Ratio**	**Nominal Payment Amount**
> 0% to < .5%	**$ 50,000**	**60%**	**30,000**
>.5% to < 2%	**$ 1,500,000**	**65%**	**975,000**
> 2% to < 3%	**$ 1,000,000**	**70%**	**700,000**
> 3% to < 4%	**$ 1,000,000**	**75%**	**750,000**
> 4% to < 5%	**$ 950,000**	**80%**	**760,000**
> 5% to < 6%	**$ -**	**85%**	**-**
> 6% to < 7%	**$ -**	**90%**	**-**
> 7% to < 8%	**$ -**	**95%**	**-**
>8%	**$ -**	**100%**	**-**
Total	**$ 4,500,000**		**$ 3,215,000**
Resources Available			**$ 562,700,000**
Total Voluntary Nominal Payment Amount (NPA)			**773,364,486**
Coverage Ratio of NPA			**72.8%**
Hospital Projected Distribution:			**$ 2,339,234**

Distributions based upon Uncompensated Care Need

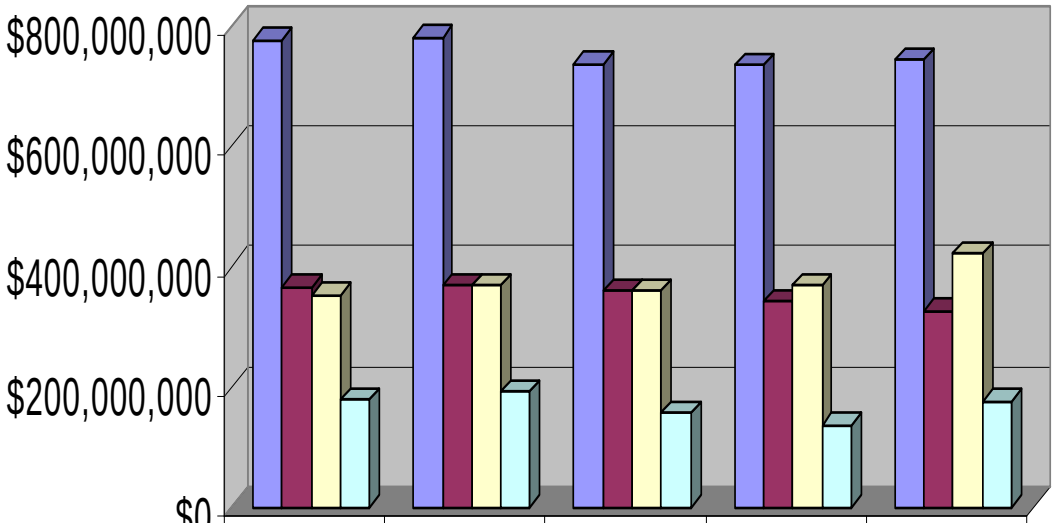


Distributions Based Upon Alternative Methodologies



Hospitals report almost twice as much Bad Debt as they do Charity Care

for both Voluntary and Public Hospitals



	2000	2001	2002	2003	2004
Voluntary Bad Debt	$778,224,217	$782,337,475	$737,721,911	$737,213,829	$745,976,366
Voluntary Charity	$367,384,007	$367,939,945	$360,144,589	$342,145,428	$327,268,558
Public Bad Debt	$354,393,899	$370,086,323	$360,726,490	$369,315,812	$422,719,699
Public Charity	$178,075,167	$191,092,261	$156,089,898	$135,740,796	$176,424,386

Since 2000, voluntary hospitals on average have received in excess of 60 cents for each dollar of reported BDCC from the Indigent Care Pool

Pool Year	Pool Resources/Distributions	BDCC [(1)]	Overall Coverage Ratio
2000	$707.7	$ 1,031.2	68.6%
2001	$707.7	$ 1,138.6	62.2%
2002	$707.7	$ 1,145.6	61.8%
2003	$707.7	$ 1,151.3	61.5%
2004	$707.7	$ 1,086.7	65.1%
2005	$707.7	$ 1,080.6	65.5%
2006	$707.7	$ 1,073.2	65.9%

(In Millions)

(1) Based upon two year prior to pool year

Coverage ratios for individual voluntary hospitals range from 46% to 352% of reported uncompensated care need

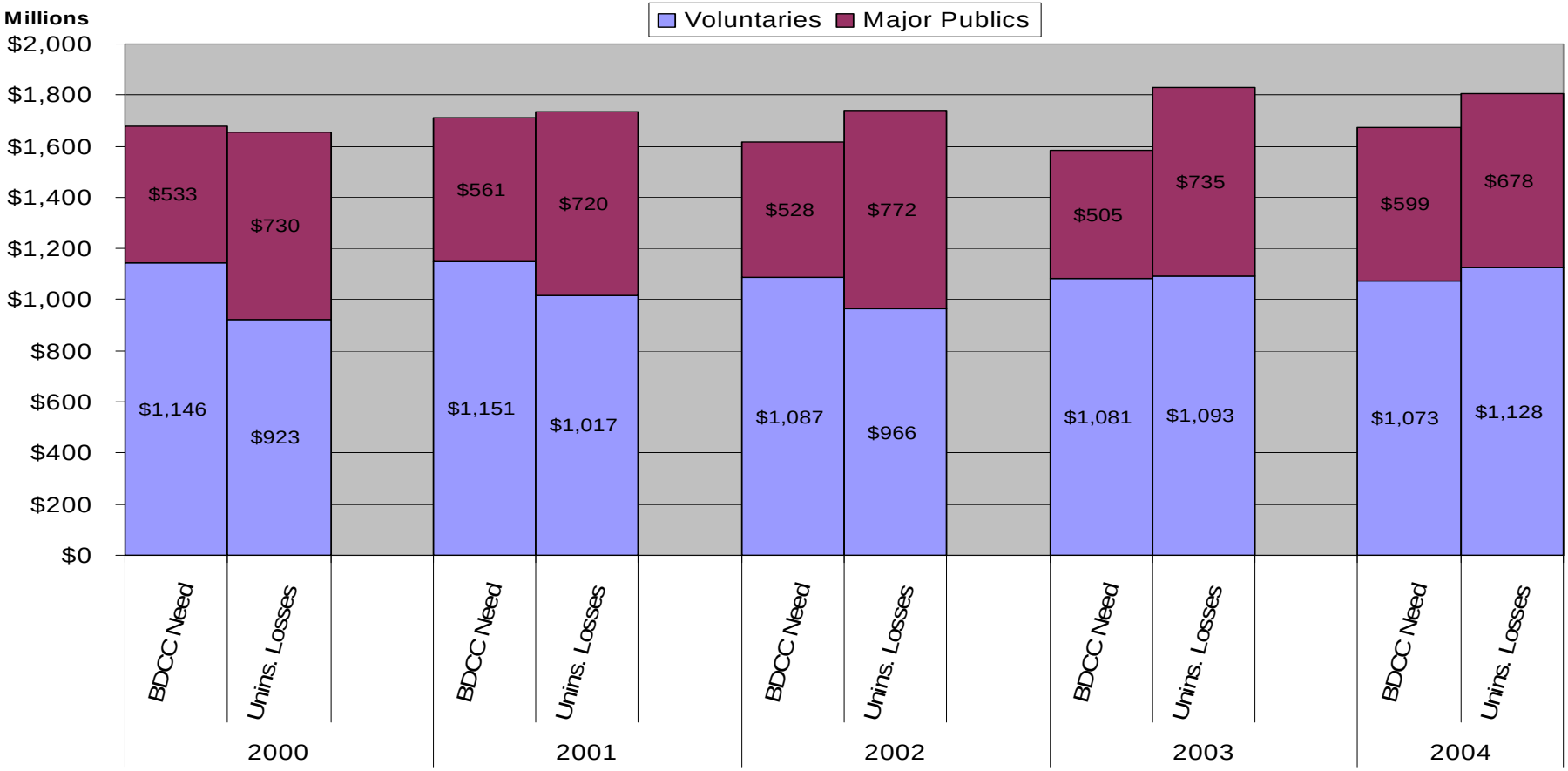
Since 2000, public hospitals on average have received in excess of 20 cents for each dollar of report BDCC from the Indigent Care Pool

	Pool Resources	BDCC	Coverage Ratio
Pool Year	Public	Public	Public **(1)**
2000	$139.3	$668.5	20.8%
2001	$139.3	$646.6	21.5%
2002	$139.3	$532.5	26.2%
2003	$139.3	$561.2	24.8%
2004	$139.3	$528.0	26.4%
2005	$139.3	$505.1	27.6%
2006	$139.3	$599.1	23.3%

(In Millions)

(1) Does not reflect supplemental payments totaling $411M, which increases coverage ratio to over 100% in some cases

Reported Uninsured Losses Exceed Reported BDCC Need



- Consistent with PHL 2807-k(1)(e) for cost reporting purposes, uninsured is defined as patients without insurance or other third party coverage for the unit of service billed, including units of service, which, although provided to patients who are insured, are not covered. It shall not encompass instances of underinsurance for patients who may have some insurance
- Uninsured losses are determined as the difference between cost and revenue related to service provided to the uninsured patients for inpatient and outpatient services

Reported uninsured units of service

Category of Service	Voluntary Uninsured Units of Service [1]	Public Uninsured Units of Service [1]	Total Uninsured Units of Service
Inpatient			
Discharges	50,059	21,831	71,890
Exempt Patient Days	67,067	39,204	106,271
Emergency	696,117	335,237	1,031,354
Clinics [2]	897,251	837,021	1,734,272

(1)Uninsured units of service based upon 2004 self pay and free (no-pay) statistics reported on the Institutional Cost Report

(2) Does not include such services as Ambulatory Surgery, Methadone, Renal Dialysis and specialty services that are reimbursed above the clinic rate (i.e. chemotherapy)

In addition to submitting the annual cost report (ICR) hospitals must comply with the following to participate in the indigent care pools

- Incur uncompensated care costs greater than .50% of the hospital inpatient and outpatient costs
- Provide an annual Independent CPA certification that their billing, collection and account write-off procedures are consistent with standards specified in a certification statement as prescribed by law and regulations
- Comply with the requirements established by the hospital patient financial aid law effective January 1, 2007

Hospital Patient Financial Aid Statute

- **Laws of 2006 added a new subdivision to Article 2807-k setting forth new requirements for participation in the indigent care pool for 2009**

- **The new requirements included minimum financial aid eligibility standards including:**
  - ✓ caps on fees charged (may not exceed higher of Medicare, Medicaid or highest volume commercial carrier)
  - ✓ collection efforts
  - ✓ reporting requirements
  - ✓ applies to uninsured individuals with household incomes < or equal to 300% of FPL

- **Services required to be covered by the financial aid policies include emergency services for all low income uninsured residents of New York and non-emergent medically necessary services in the hospitals' primary service area**

- **Hospitals are not obligated to provide financial aid to insured patients**

Hospital Patient Financial Aid Statute Discounting Requirements

Income Level	Cap
Below 100% of FPL	Minimum established by Commissioner
Between 101% and 150%	Sliding fee schedule in equal increments up to 20% of Medicare, Medicaid or commercial carrier rates
Between 151% and 250%	Sliding fee schedule in equal increments of the Medicare, Medicaid or commercial carrier rates
Between 251% and 300%	No more than Medicare, Medicaid or commercial carrier rates

Federal Poverty Level (FPL) : $30,000 for Family of 4

Hospital Patient Financial Aid Statute

- **Adds new reporting requirements for hospitals effective January 1, 2007:**
  - ✓ Hospital costs incurred and uncollected amounts in providing services to eligible patient without insurance
  - ✓ Hospital costs incurred and uncollected amounts in providing services to eligible patient with insurance
  - ✓ Number of patients by zip code who applied for financial assistance
  - ✓ Reimbursement from the Indigent Care Pool
  - ✓ Funds expended from charitable bequests for the purpose of charity care
  - ✓ Where allowed, the number of Medicaid applications that hospitals assisted patients in completing
  - ✓ Hospital financial losses resulting from services provided under Medicaid
  - ✓ Number of liens placed on primary care residences through the hospitals collection process

Appendices

- **Appendix A**
  - ✓ Technical Advisory Committee Members
- **Appendix B: Public Health Law**
  - ✓ 2807-K
  - ✓ 2807-W
- **Appendix C: Regulations**
  - ✓ Part 86-1.11
- **Appendix D:**
  - ✓ 2006 Indigent Care Model
- **Appendix E:**
  - ✓ ICR Components
  - ✓ Exhibits 32, 33, 46 & 47