Colorado Indigent Care Program

Department of Health Care Policy & Financing
Safety Net Financing Section

Annual Provider Meeting

January 25, 2005

Colorado Department of Health Care Policy & Financing

- Colorado Medicaid
- Children's Basic Health Plan
  - Child Health Plan Plus (CHP+)
- Safety Net Financing
  - Colorado Indigent Care Program (CICP)
  - Comprehensive Primary & Preventive Care (CPPC) Grant Program
  - Old Age Pension (OAP) Health & Medical Care Program
  - Disproportionate Share Hospital Payments
  - Financing Projects to Maximize Federal Medicaid Revenue

Reimbursement Presentation Outline

- General Terms
- Federal Oversight
- Federal Funding
  - Inpatient UPL
  - DSH Cap
- State Share
  - Certification of Public Expenditure
- CICP Reimbursement Methodology
- Summary
- Questions

General Terms

- **CICP** → Colorado Indigent Care Program
- **CPE** → Certification of Public Expenditures
  - Expenditure by a County, City or Local Entity
  - Receive Federal Matching Dollars
- **Public-Owned Hospital**
  - A Facility in the Possession of a State, County, City or Tax District
- **UPL** → Medicare Upper Payment Limit
  - Maximum State Medicaid Can Reimburse Providers and Still Receive a Federal Medicaid Match
- **DSH** → Disproportionate Share Hospital
  - Serve a Large Number of Medicaid or Low-Income Clients
- **DSH Cap** → Disproportionate Share Hospital Payment Cap
  - Maximum Amount of Federal Dollars for Reimbursement to Disproportionate Share Hospital
  - **All CICP Hospital Providers Receive DSH Federal Dollars**

Federal Oversight

- Centers for Medicare & Medicaid Services (CMS)
  - Formerly Known As:
    Health Care Financing Administration (HCFA)
- Responsibility:
  - Administration of Medicare
  - Oversight of Medicaid
  - Oversight of Disproportionate Share Hospital Payments
- Federal Rules & Regulations
  - Social Security Act
  - Federal Code of Regulations
  - Medicaid Manual
  - Dear Medicaid Director Letters

For More Information On Medicare & Medicaid visit CMS at www.cms.hhs.gov

Federal Funding

- Federal Financial Participation (FFP) or Federal Match
  - Based on State Per Capita Income Level Relative to the National Average, with the Following Constraints:
    - 50% is Lowest Possible Match
    - 83% is Highest Possible Match
- Colorado
  - 50% State Funds & 50% Federal Funds
- Other States
    - Highest FFY 2004: Mississippi at 77.08%
    - Lowest FFY 2004: 12 Other States at 50%

Federal Funding Sources

Inpatient UPL

DSH Cap

Inpatient Upper Payment Limit (UPL)

- Applicable to Medicaid Payments Made to a Hospital for Inpatient Services
- Maximum Allowable Medicaid Reimbursement Eligible for the Federal Match
- Basically a Federal Expenditure Cap on Medicaid Payments
- Reasonable Estimate of the Reimbursement to Providers for Providing Medicaid Services Using Medicare Payment Principles
- Calculated by the State Medicaid Department
- Calculated for the Following Three Provider Groups:
  - State-Owned Hospital Providers
  - Local-Owned Hospital Providers
  - Private-Owned Hospital Providers

DSH Cap

- A fixed sum of Federal Funds Available to Hospital Providers to Compensate for Low-Income Clients
- Each State Has a Different Formula for Distributing these funds – In Colorado the Funds are Primarily Used to Fund the CICP
- Balanced Budget Act of 1997 Established Declining Limits on the Amount of Federal Funds Available to States for DSH Payments
- For FFY 2001 Additional Federal Legislation Maintained the FFY 2000 Allotment Plus Inflation for Two Years
- For FFY 2004 the Medicare Prescription Drug, Improvement and Modernization Act dramatically Increased the DSH Cap

DSH Cap Amounts

Federal Fiscal Year	Max Federal Funds
1997-98	$93,000,000
1998-99	$85,000,000
1999-00	$79,000,000
2000-01	$81,765,000
2001-02	$83,890,890
2002-03	$75,110,000
2003-04	$87,127,600
2004-05	$87,127,600

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State Funding Sources

- All Federal Funds Must Be Matched with a State Share – Medicaid is a Joint Federal and State Program
- State Share is General Fund or
  Certification of Public Expenditures
- General Fund →
  Private-Owned Hospitals
  - **Amount Available SFY 2004-05 $9,432,484**
    This Draws a Federal Match, Equaling 18,864,968 in Total Payments
- Certification of Public Expenditure →
  Public-Owned Hospitals
  - **Amount Available SFY 2004-05 $236,800,000**
    This Draw a Federal Match, Equaling $118,400,000 in Total Payments

Certification of Public Expenditures

- Expenditure = Reasonable Cost
- Health Care Cost Incurred by the Provider
- No Provider Shall Be Reimbursed More Than Cost
  - General Rule for All Payments
- No Private-Owned Facilities
- One Entity Concept – Local Government & State Are the Same to CMS
  - CMS Does Not Make a Distinction Between a Health Care Expenditure by the State or by a Local Owned Facility
- An Expenditure by the State is a Payment for a Service, While an Expenditure by a Public-Owned Hospital is the Cost of Providing a Service

Certification Process

- Colorado Medicaid Does Not Reimburse Providers at 100% of Cost for Medicaid or CICP Services
- Public-Owned Providers Certify the Uncompensated Medicaid Expenditures (Provider Incurred Cost)
  - The Provider Sends a Letter to the Department Certifying Their Uncompensated Expenditures on Medicaid Clients for UPL Federal Match
  - The Provider Sends a Letter to the Department Certifying Their Uncompensated Expenditures On CICP Clients for the DSH Cap Federal Match
- The State Does Not Need to Actually Pay General Fund to the Provider to Receive the Federal Match
  - The Federal Match is Granted Solely on the Certification Letter
  - The State Transfers Only the Federal Dollars, No State Funds

Certification Example

- Certification of Public Expenditures - A Simple Example
  - Providers Upper Payment Limit Calculation:

UPL Maximum	Medicaid Payment	Difference
$81,200,00	$44,800,000	$36,400,000

  - Provider has Incurred an Uncompensated Cost of $36,400,000
  - Provider Sends A Letter Certifying The $36,400,000 In Uncompensated Expenditures On the Medicaid Population
  - Receive A Federal Match At 50% Rate
    - $18,200,000 Paid to the Provider in Federal Funds
    - State Does Not Pay the Remaining $18,200,000 in General Funds
  - Provider Receives More Federal Funds at No Cost to the State

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New Methodology Chronology

- November 1, 2002: FY 2003-04 Budget Request
- June 3, 2003: State Plan Amendment Submitted to CMS, Approved on February 2, 2004
- In addition, CMS Reviewed a Revised Calculation for the Inpatient UPL, Approved on May 27, 2004
- August 10, 2004: Another State Plan Amendment to CMS to Combine the New Reimbursement Formula & Revised Inpatient UPL Calculation for FY 2003-04, Approved on December 15, 2004
- December 28, 2004: Retroactive FY 2003-04 Payments Were Released to CICP Hospital Providers

New Methodology Outcome

- More Simplified System
- Single Individual Can Calculate the Reimbursement
- Equitable Distribution
  - Previously, Some Providers Received Over 100% of CICP Costs, While Others Capped at 30% Reimbursement
  - **Now, All Providers with the Relatively Same CICP and Medicaid Utilization Receive the Same Cost Reimbursement Percentage**
- Maximize Federal Funds
  - **New $6.1 Million Under New Reimbursement Methodology**
  - **New $24.0 Million Under the Revised UPL**

New Methodology Process

- FY 2003 Charges * CCR = FY 2003 Costs
- FY 2003 Costs * Inflation Index = Inflated FY 2005 Costs
- Inflated FY 2005 Costs Weighted (increase) by % CICP Days & % Medicaid Days
  - **High Medicaid Utilization Providers Extra Weight = % Medicaid**
  - **High CICP Utilization Providers Extra Weight = % CICP**
- Provider Weighted Costs Relative to Total Weighted Costs Determine the Reimbursement to the Provider
  - **If Provider is 15% of All Weighted Costs = 15% of Total Funding**

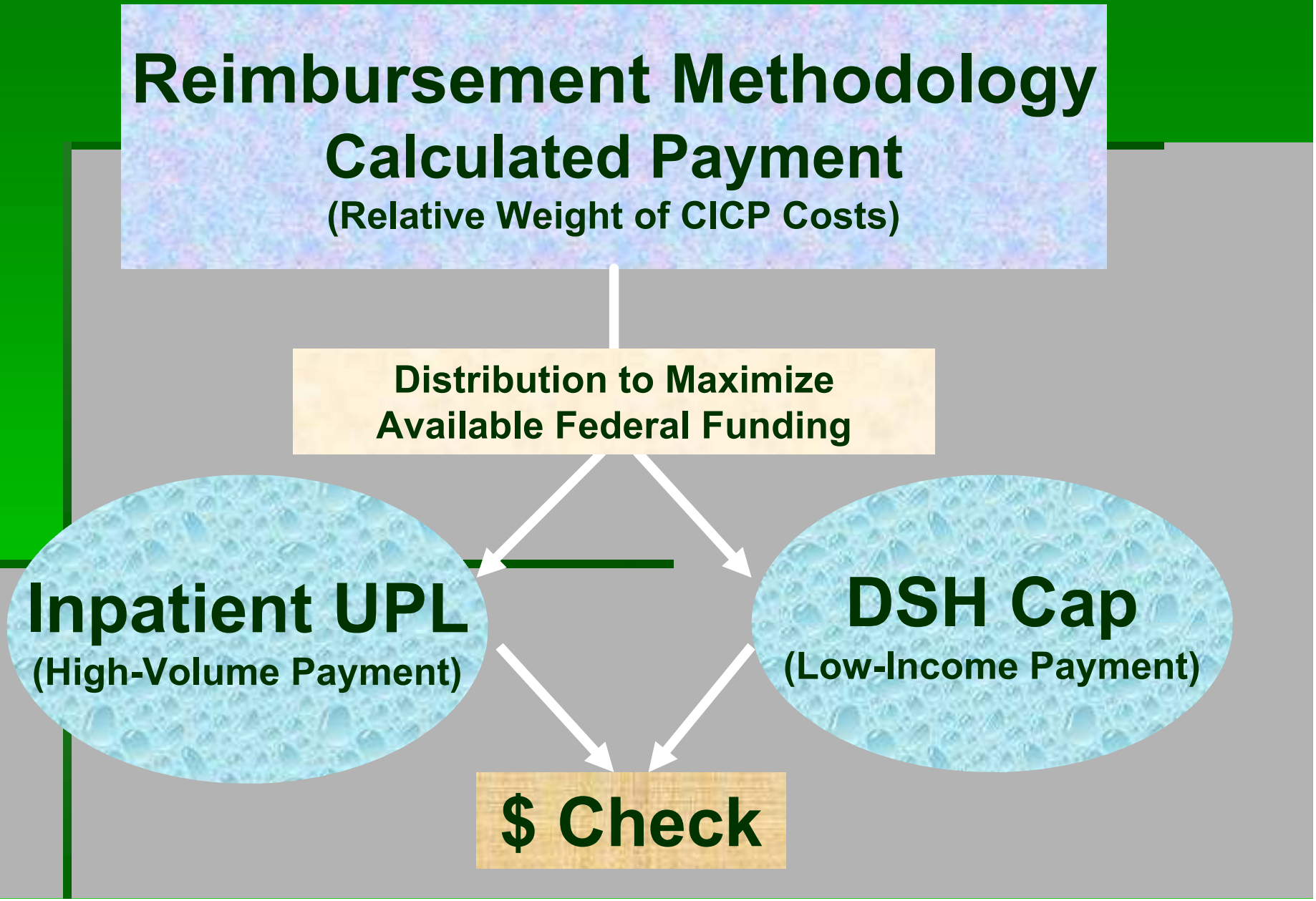
High Medicaid & CICP Utilization

Hospital	Percent Medicaid Days	Percent CICP Days	Percent Total Medicaid + CICP
Denver Health	49.4%	28.3%	77.7%
Arkansas Valley	40.7%	9.7%	50.4%
San Luis Valley	40.1%	8.3%	48.4%
University Hospital	36.3%	11.3%	47.6%
Spanish Peaks	32.8%	7.9%	40.7%
Parkview Medical	33.9%	6.2%	40.1%
Average All CICP Hospitals	21.4%	3.5%	24.9%

Hospital Payment

- Privately Owned Hospitals
  - 50% General Fund, 50% Federal Fund
  - No Certification of Public Expenditures
  - Prior to July 2003, Reimbursement Entirely DSH Payment
  - Starting July 2003, Reimbursement Consists of DSH Payment (Low-Income Payment) & Private Upper Payment Limit (High-Volume)
- Public-Owned Hospitals
  - Starting July 2001, 100% Federal Fund
  - Certification of Public Expenditure
    - Medially Indigent Uncompensated Costs
    - Medicaid Uncompensated Costs
  - Starting July 2001, Reimbursement Consists of DSH Payment (Low-Income Payment) & Public Upper Payment Limit (High-Volume Payment)

Payment Summary



Clinic Payment

- July 2002, Pediatric Major Teaching Hospital = Clinic Payment
  - Receives A Federal Match
- Fixed Pool of General Fund – Determined by General Assembly
  - $6,119,760
- Funds are Distributed Based on Relative Costs
  - No Weighting of Costs

Funding Summary

- Program Created By State To Reimburse Providers For Serving Indigent Population
- Clinic's Payment
  - 50% General Fund & 50% Federal Funds
  - Payment Made Through Children's Hospital
- Hospital's Payment
  - Private Hospitals – 50% General Fund & 50% Federal Funds
  - Public Hospitals – 100% Federal Funds, Using CPE
- Upper Payment Limit Funding
  - Certification Of Medicaid Expenditures
- DSH Cap Funding
  - Certification Of CICP Expenditures

Questions ?

Reimbursement ?

DSH ?

UPL ?

CICP ?

Certification ?