



COLORADO

Department of Health Care
Policy & Financing

Special Financing Division
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FFY 2015-16 Upper Payment Limits

Background

The hospital Upper Payment Limit (UPL) is the maximum amount the Colorado Department of Healthcare Policy and Financing (HCPF) can pay hospitals for Medicaid and still receive federal matching dollars. There are separate UPLs for hospital inpatient services and hospital outpatient services. Further, there are separate UPLs for state government hospitals, non-state governmental hospitals and private hospitals. Accordingly there are six distinct UPL categories:

- State government hospital inpatient UPL
- State governmental hospital outpatient UPL
- Non-state government hospital inpatient UPL
- Non-state government hospital outpatient UPL
- Private hospital inpatient UPL
- Private hospital outpatient UPL

The UPL for any given category is quite simply the estimated costs hospitals incur to provide Medicaid services. It is important to note that the UPLs are aggregate limits that payments to hospitals cannot exceed. There is no hospital-specific UPL. In other words payments to any given hospital may or may not exceed that hospital's Medicaid costs.

For Federal Fiscal Year (FFY) 2015-16 the UPLs are as follows:

	<u>Inpatient UPL</u>	<u>Outpatient UPL</u>
State government hospitals	\$116,172,753	\$63,680,060
Non-state governmental hospitals	\$297,874,352	\$230,661,260
Private hospitals	<u>\$1,023,184,341</u>	<u>\$660,868,309</u>
Totals	<u>\$1,437,231,446</u>	<u>\$955,209,629</u>

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The Hospital Provider Fee (HPF) is used to generate funds sufficient enough to maximize hospital payments up to the UPL. For FFY 2015-16 Inpatient and outpatient payments (excluding HPF supplemental payments) represent 54.3% and 69.38% of total inpatient and outpatient UPLs, respectively. HPF supplemental payments bring these percentages up to 95.7% and 97.2%, respectively. HPF supplemental payments to any given hospital are not determined by that hospital's proportion of the UPL. HPF supplemental payments are determined by HCPF to meet the HPF goals as outlined by the Hospital Provider Fee Oversight and Advisory Board.

UPL Calculations

There are two separate UPL calculations – one for the inpatient UPL and one for the outpatient UPL. Within each of these calculations, hospitals are grouped into one of three ownership categories – state government, non-state governmental and private.

Inpatient UPL

The inpatient UPL calculation sums routine and ancillary Medicaid cost information derived from hospital cost reports (CMS Form 2552-10) filed during calendar year 2013. For ancillary departments, Cost to Charge Ratios (CCR) are calculated for each department and are multiplied by departmental Medicaid charges and then summed to derive total Medicaid ancillary cost. For routine cost centers, a cost per-diem is calculated for each department and multiplied by the corresponding departmental Medicaid days. Departmental Medicaid costs are summed to derive total Medicaid routine cost. Adjustment factors for utilization and inflation are then used to adjust the costs forward to FFY 2016. A portion of the FFY 2015-16 Provider Fee, representing the amount of fee associated with Medicaid patient days, is also added in to determine total estimated Medicaid inpatient costs (UPL).

Outpatient UPL

The outpatient UPL utilizes ancillary and outpatient information from hospital cost reports (CMS Form 2552-10) filed during calendar year 2013 and outpatient charge information from the Medicaid Management Information System (MMIS) for the corresponding period of time. A CCR is calculated for all ancillary and outpatient departments combined. This CCR is multiplied by Medicaid outpatient charges to derive Medicaid costs for outpatient services. Adjustment factors for utilization and inflation are then used to adjust the costs forward to FFY 2016. A portion of the FFY 2015-16 Provider Fee, representing the amount of fee associated with Medicaid outpatient charges, is also added in to determine total estimated Medicaid outpatient costs (UPL).

