

Disproportionate Share Hospital (DSH) Payment Validation

Background: Disproportionate Share Hospital (DSH) was enacted as part of the Consolidated Omnibus Budget Reconciliation Act of 1985 as a means of offsetting the cost of uncompensated care for hospitals. It is based upon the calculation of a Disproportionate Patient Percentage as a test of whether a hospital's uncompensated care warrants help from the federal government (Medicare). The DPP formula is:

$$\text{Medicare DPP} = \frac{\text{SSI Rate} \times \text{SSI Days}}{\text{Total Medicare Days}} + \frac{\text{Medicaid-Eligible Days}}{\text{Total Patient Days}}$$

Once the DPP is calculated, a hospital is categorized as a means of determining the DSH Payment qualification, provided that that hospital's DPP is at least 15%. The following table delineates the classification criteria and the formula for calculating the hospital's DSH payment based upon its categorization.

HOSPITALS	# OF BEDS	DPP%	APPLICABLE FORMULA
Urban Hospital	<100 Beds	≥15% but ≤20.2%	2.5% + [.65 x (DPP – 15%)] Not to Exceed 12%
Urban Hospital	<100 Beds	≥20.2%	5.88% + [.825 x (DPP – 20.2%)] Not to Exceed 12%
Urban Hospital	≥100 Beds	≥15% but ≤20.2%	2.5% + [.65 x (DPP – 15%)] Uncapped
Urban Hospital	≥100 Beds	≥20.2%	5.88% + [.825 x (DPP – 20.2%)] Uncapped
Rural Referral Center (RRC)	Not applicable	≥15% but ≤20.2%	2.5% + [.65 x (DPP – 15%)] Uncapped
Rural Referral Center (RRC)	Not applicable	≥20.2%	5.88% + [.825 x (DPP – 20.2%)] Uncapped
Other Rural Hospital	<500 Beds	≥15% but ≤20.2%	2.5% + [.65 x (DPP – 15%)] Not to Exceed 12%
Other Rural Hospital	<500 Beds	≥20.2%	5.88% + [.825 x (DPP – 20.2%)] Not to Exceed 12%
Other Rural Hospital	≥500 Beds	≥15% but ≤20.2%	2.5% + [.65 x (DPP – 15%)] Uncapped
Other Rural Hospital	≥500 Beds	≥20.2%	5.88% + [.825 x (DPP – 20.2%)] Uncapped

Once the DSH payment percentage is determined using the applicable formula (see table above), it is applied to the hospital's IPPS payment total for the fiscal year in order to arrive at the actual DSH payment due the hospital. Note that certain classifications of hospitals are subject to a 12% cap on their DSH payment.

A practical example of this is as follows:

Hospital A is a 250-bed acute care facility in an urban setting with IPPS payments totaling \$25M for the year. The hospital's SSI rate as calculated by CMS is .1204, its Medicaid-eligible days are 12,400, and its Total Patient Days are 78,872. Its fiscal year ends June 30th.

$$\begin{aligned}\text{Medicare DP} &= .1204 + (12400 / 78872) \\ &= .1204 + .1572 \\ &= \mathbf{.2776}\end{aligned}$$

Based upon that DPP and the location and size of the hospital (urban with ≥ 100 beds), the appropriate DSH payment percentage formula is:

$$\begin{aligned}\text{DSH Payment Percentage} &= 5.88\% + [.825 \times (\text{DPP} - 20.2\%)] \\ &= 5.88\% + [.825 \times (.2776 - 20.2\%)] \\ &= \mathbf{.121 \text{ or } 12.1\%}\end{aligned}$$

Hospital A's expected Medicare DSH payment is **\$3,025,000**.

So, how can TBS help?

By reviewing both the SSI rate calculation and the Medicaid-eligible days, opportunity exist to improve those two factors, thus increasing the hospital's DPP and the resulting DSH payment percentage. Let's look at the impact in our example.

If, through analysis, TBS is able to uncover an additional 600 Medicaid-eligible days, the resulting factor is .1648 instead of .1572. If, at the same time, TBS determines that a more favorable SSI calculation of .13 is available, based upon Hospital A's fiscal year instead of the default federal fiscal year, the new DPP becomes .2948. When the adjusted DPP is applied to the DSH Payment Percentage calculation, the result is a DSH payment percentage of 13.5% instead of the previous 12.1%. The expected adjusted Medicare DSH payment is **\$3,375,000**, an improvement of **\$350,000** over the original calculation, *simply by re-evaluating the hospital's patient population's eligibility and SSI rate for the particular year.*