ILLINOIS DEPARTMENT OF
Healthcare and
Family Services

Bruce Rauner, Governor
Felicia F. Norwood, Director

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November 18, 2016

Mercy Hospital
Attn: Chief Financial Officer
2525 S. Michigan Avenue
Chicago, IL 60616

Dear Chief Executive Officer:

This letter is in response to the October 24, 2016 appeal of the 2017 disproportionate share hospital (DSH) adjustment determination, which was submitted by Mike Caddick on behalf of Mercy Hospital. The appeal states that the number of HMO days used in the rate year 2017 DSH calculation was understated by 2,088 eligible days.

After a review of the data submitted, it has been determined by the Department that 2,075 of the requested days are eligible for inclusion in a recalculation of your hospital's Medicaid inpatient utilization rate (MIUR) and associated DSH rates. Thirteen of the requested days were with managed care organizations who do not have contracts with the state.

Included with this letter are updated attachments detailing your facility's recalculated Medicaid percentage adjustment (MPA) and Medicaid high volume adjustment (MHVA) rates, which will be retroactive to all inpatient days from October 1, 2016 and will continue through September 30, 2017.

While your facility qualifies as a disproportionate share hospital, due to projected payments from the department, it appears that the payments will exceed your cost of services for those receiving medical assistance or having no health insurance. As a result, your disproportionate share funds will be reduced pursuant to section 1923(g) of the Social Security Act, to be in compliance with sections 1923(c) of that Act. Therefore, your disproportionate share rate will be reduced to $0.00.

This is the final decision by the Department regarding this matter.

Please contact Kristy Sommer at 217/785-0710 if you have questions.

Sincerely,

Dan Jenkins, Chief
Bureau of Rate Development and Analysis

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MERCY-CHICAGO Chicago, IL

DISPROPORTIONATE SHARE (DSH), MEDICAID HIGH VOLUME (MHVA), AND MEDICAID PERCENTAGE ADJUSTMENT (MPA) DETERMINATION for Rate Year 2017 (October 1, 2016-September 30, 2017)

DSH CRITERIA

1) Have a Medicaid inpatient utilization rate (MIUR) of at least the statewide mean plus one standard deviation;
2) Have a low income utilization rate of at least 25%;

MPA & MHVA CRITERIA

1) Have a Medicaid inpatient utilization rate (MIUR) of at least the statewide mean plus one-half standard deviation:
2) Have a low income utilization rate (LIUR) of at least 25% and had an LIUR of 25% for rate year 2014;
3) Be an Illinois hospital, that on July 1,1991,had a MUR of at least the mean and was located in a planning area with one-third or fewer excess beds, and that as of June 30, 1992, was located in a Health Professional Shortage area;
4) Be an Illinois hospital that has a MUR of at least the statewide mean and a Medicaid obstetrical inpatient utilization rate of at least the mean plus one standard deviation;
5) Be a hospital devoted exclusively to caring for children; or
6) Be an out-of-state hospital meeting the federal definition of a DSH hospital.

Your hospital qualifies for Disproportionate Share under criteria:	1,2
Your hospital qualifies for Medicaid Percentage Adjustment and Medicaid High Volume under criteria:	1,2,3

YOUR HOSPITAL'S 2017 MEDICAID INPATIENT UTILIZATION RATE CALCULATION

Medicaid Routine Days:	12,068	Total Hospital Routine Days:	38,711
Medicaid ICU Days:	4,178	Total Hospital ICU Days:	9,249
Medicaid Psychiatric Days:	3,261	Total Hospital Psychiatric Days:	6,792
Medicaid Rehabilitation Days:	540	Total Hospital Rehabilitation Days:	3,958
Medicaid Nursery Days	3,128	Total Hospital Nursery Days:	3,726
	-		
Total Mdcd Days from Cost Report	23,175		
Medicaid Out-of-State Days:	-		
Medicaid HMO Days:	3,333		
Medicaid DASA Days:	-		
Medicaid Denied Days:	-		
Medicaid Inappropriate Level of Care Days:	-		
Medicaid/Medicare Crossover Days:	10,675		
Total Medicaid Days from Other Sources:	14,008		
TOTAL MEDICAID INPATIENT DAYS	37,183	TOTAL HOSPITAL INPATIENT DAYS:	62,436
YOUR HOSPITAL'S RY17 MEDICAID INPATIENT UTILIZATION RATE			59.55%

Your hospital's state fiscal year 2014 total Medicaid obstetrical days:	2,160
Your hospital's state fiscal year 2014 total Medicaid days:	10,301
Your hospital's obstetrical inpatient utilization rate:	20.97%
Your hospital's low income utilization rate:	51.46%
Illinois' total Medicaid inpatient utilization days:	2,350,131
Illinois' total hospital inpatient days:	7,031,472
Illinois' statewide mean Medicaid inpatient utilization rate:	33.42%
One-half of a standard deviation above the statewide mean Medicaid inpatient utilization rate:	43.24%

MERCY-CHICAGO

Chicago, IL

MEDICAID PERCENTAGE ADJUSTMENT (MPA) AND MEDICAID HIGH VOLUME (MHVA) CALCULATION

For Rate Year 2017 (October 1, 2016 - September 30, 2017)

1) Illinois mean Medicaid inpatient utilization rate:	33.42%
2) One-half a standard deviation above the mean Medicaid inpatient utilization rate:	43.24%
3) One standard deviation above the mean Medicaid inpatient utilization rate:	53.07%
4) One and one-half standard deviations above the mean Medicaid inpatient utilization rate:	62.89%
5) Your hospital's Medicaid inpatient utilization rate:	59.55%

Medicaid Percentage Adjustment

6) Medicaid MPA add-on per day **:	$85.42
7) Medicaid MPA add-on per day capped:	$85.42
8) Medicaid MPA add-on per day inflated by the lesser of the percent change in the statewide average payment rate or the DRI	$175.63

(Line 7 * 1.0397 * 1.0395 * 1.0329 * 1.0301 * 1.0275 * 1.0257 * 1.0290 * 1.0286 * 1.0308 * 1.0346 * 1.0295 * 1.0339 *1.0285 * 1.0369 * 1.0326 * 1.0583 * 1.0251 * 1.0417 * 1.0414 * 1.0215 * 1.0191 * 1.0207 * 1.0076 * 1.0177)

** MIUR=Medicaid Inpatient Utilization Rate						MPA Add-On (Children's hospital rates are multiplied by 2)
MIUR is	<	33.42				$25.00
MIUR is	>=	33.42	but	<	53.07	$25.00 Plus $1.00 for every percent over 33.42
MIUR is	>=	53.07	but	<	62.89	$40.00 Plus $7.00 for every percent over 53.07
MIUR is	>=	62.89				$90.00 Plus $2.00 for every percent over 62.89

MEDICAID HIGH VOLUME INPATIENT PAYMENT ADJUSTMENT

1) Medicaid high volume adjustment (MHVA) per day:	$60.00
2) MHVA per day inflated from 1993 to 2017 by lesser of the percent change in the statewide average payment rate or the DRI	$123.36

(Line 1 * 1.0397 * 1.0395 * 1.0329 * 1.0301 * 1.0275 * 1.0257 * 1.0290 * 1.0286 * 1.0308 * 1.0346 * 1.0295 * 1.0339 * 1.0285 * 1.0369 * 1.0326 * 1.0583 * 1.0251 * 1.0417 * 1.0414 * 1.0215 * 1.0191 * 1.0207 * 1.0076 * 1.0177):

PLEASE NOTE: Calculations may vary due to rounding and line 5 has been adjusted accordingly for out-of-state hospitals.