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November 10, 2016

Ranken Jordan A. Pediatric Rehab Ctr
Attn: Chief Financial Officer
11365 Dorsett Road
Maryland Heights, MO 63043

Dear Chief Executive Officer:

This letter is in response to the November 7, 2016 email correspondence between the department and a representative of Ranken Jordan A. Pediatric Hospital regarding the 2017 disproportionate share hospital (DSH) adjustment determination. In the email, your facility questioned why it did not qualify as a disproportionate share hospital for rate year 2017, as it had in years past. According to the representative, the hospital had qualified in the past due to the low income utilization (LIU) criteria, and that, like other years, the RY17 LIU percentage exceeded that threshold. While it's important to note that the rate year's appeal period had already past, the department did feel it was important to look into the issue.

After a careful review, it was determined that the hospital did, indeed, qualify in its state by having a low income utilization (LIU) rate that exceeded 25%. While this was not an official appeal, the department determined that the hospital qualifies in Missouri by the federal definition of a dsh hospital and that by Illinois rule, qualifies as an out of state hospital in Illinois. For this reason, it has been determined that your facility should, indeed, be considered a dsh hospital in Illinois, and receive the calculated add-on rate.

Included with this letter are updated attachments detailing your facility's recalculated dsh rates, which will be retroactive to all inpatient days from October 1, 2016 and will continue through September 30, 2017.

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

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:

6

Your hospital qualifies for Medicaid Percentage Adjustment and Medicaid High Volume under criteria:

5

DISPROPORTIONATE SHARE ADJUSTMENT (DSH) CALCULATION**For Rate Year 2017 (October 1, 2016 - September 30, 2017)****DSH Adjustment**

| | |
|--|-------------|
| 1) Statewide mean plus one standard deviation: | 53.07% |
| 2) Hospital Medicaid Inpatient Utilization Rate (MIUR): | 49.38% |
| 3) Amount over the mean plus one standard deviation {Line 2 / Line 1}: | N/A |
| 4) Aggregate value of the amounts over the mean plus one standard deviation: | N/A |
| 5) Proportional Value {Line 3 / Line 4}: | N/A |
| 6) Your hospital's estimated rate year 2015 utilization: | 2,251 |
| 7) Total estimated rate year 2017 utilization for all hospitals whose Medicaid percentage is greater than one standard deviation above the mean: | 16,357 |
| 8) Your hospital's weighted days {Line 5 * Line 6}: | N/A |
| 9) Total of all weighted days: | N/A |
| 10) Your hospital's percent weighted days {Line 8 / Line 9}: | N/A |
| 11) Estimated spending of \$5.00 per day to eligible hospitals {Line 7 * \$5.00}: | \$81,785 |
| 12) Estimated pool for eligible hospitals {\$5,000,000 - Line 11}: | \$4,918,215 |
| 13) Federal DSH add-on per day {(Line 10 * Line 12) / Line 6} +\$5.00}: | \$5.00 |

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: | 49.38% |

Medicaid Percentage Adjustment

| | |
|--|----------|
| 6) Medicaid MPA add-on per day **: | \$81.91 |
| 7) Medicaid MPA add-on per day capped: | \$81.91 |
| 8) Medicaid MPA add-on per day inflated by the lesser of the percent change in the statewide average payment rate or the DRI | \$168.41 |

(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: | \$120.00 |
| 2) MHVA per day inflated from 1993 to 2017 by lesser of the percent change in the statewide average payment rate or the DRI | \$246.72 |

(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.