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November 23, 2016

St. Mary's Hospital
Attn: Chief Financial Officer
6420 Clayton Road
St. Louis, MO 63117

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 Brian Schmeidler on behalf of St. Mary's Hospital. The appeal states that the Medicaid inpatient utilization rate (MIUR) provided by the hospital was for the incorrect fiscal year, and provided an accurate MIUR for use in calculating new DSH and Medicaid inpatient utilization (MPA) rates for RY17.

After a thorough review of the data provided as well as the relevant DSH rules, it has been determined that the MIUR provided in the DSH appeal can be used in a new calculation of the hospital's RY17 DSH and MPA rates.

Included with this letter are updated attachments detailing your facility's recalculated DSH, 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 could exceed your cost of services for those receiving medical assistance or having no health insurance. As a result, your disproportionate share rate will be lowered pursuant to section 1923(g) of the Social Security Act, to be in compliance with sections 1923(c) of that Act. It will be reduced to \$47.59.

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

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

Sincerely,

Jonathon Grieser
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:

6

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):	53.72%
3) Amount over the mean plus one standard deviation {Line 2 / Line 1}:	1.01
4) Aggregate value of the amounts over the mean plus one standard deviation:	1.01
5) Proportional Value {Line 3 / Line 4}:	100%
6) Your hospital's estimated rate year 2015 utilization:	5,799
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}:	5,799
9) Total of all weighted days:	5,799
10) Your hospital's percent weighted days {Line 8 / Line 9}:	100.00%
11) Estimated spending of \$5.00 per day to eligible hospitals {Line 7 * \$5.00}:	\$81,785.00
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}:	\$47.59

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:	53.72%

Medicaid Percentage Adjustment

6) Medicaid MPA add-on per day **:	\$44.60
7) Medicaid MPA add-on per day capped:	\$44.60
8) Medicaid MPA add-on per day inflated by the lesser of the percent change in the statewide average payment rate or the DRI	\$91.69

(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.