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November 22, 2011

Gateway Regional Medical Center  
ATTN: Chief Executive Officer  
2100 Madison Avenue  
Granite City, IL 62040

Dear Chief Executive Officer:

This letter is in response to your disproportionate share hospital (DSH) adjustment appeal for rate year 2012, dated October 27, 2011. In your letter, you claim that the Medicaid inpatient utilization rate (MIUR) calculated by the Department does not reflect all days of service provided to Medicaid clients. You claim that 101 eligible HMO days were excluded from the calculations, that an inaccurate number of cost report days were utilized in the calculations, and that your hospital should have received the minimum DSH add-on due to the hospital's low income utilization percentage of at least 25%.

After a review of the HMO days and supporting documentation you submitted with your appeal, the Department has determined that the 71 of the days submitted are eligible for inclusion in a revised calculation of your hospital's MIUR and associated rates. Of the days submitted, 9 were already included in the Department's original calculations, and 19 had admit dates that were outside of the fiscal year that was used in the calculations. For your facility, the admit dates must fall between 1/1/2009 and 12/31/2009.

Some of the modifications that you are requesting to your cost report were not received by the Department by the necessary deadline. The Department received changes to the hospital and psychiatric days of your cost report by July 1, 2011, but not the rehabilitation days that are being requested in your appeal. In accordance with the rules governing the DSH calculations, 89 Ill. Admin. Code 148.120(c)(B), in the absence of a final audited cost report, the Department will use the unaudited cost report for the hospital's base fiscal year. Due to the unaudited nature of the cost report, the hospital may submit revised cost report data no later than the first day of July preceding the calculations. For RY 2012, that was July 1, 2011. Your facility's request to use modified cost report data in its DSH appeal falls after the July 1, 2011, deadline for the RY2012 DSH calculations. For this reason, the Department is denying your request to modify the cost report days. Furthermore, per section 148.310(o) of the Ill. Admin. Code, the review procedures provided for in this section may not be used to submit any new or corrected information that was required to be submitted by a specific date. Enclosed is the relevant rule for your information and future reference.

The final part of your appeal states that your facility meets the LIU threshold for DSH eligibility, and should receive the minimum DSH add-on rate. While the Department agrees that facility does meet this threshold, the rate is set to zero because of the upper payment limitation. Section 148.120(h)(4) of the Illinois Administrative Code states that adjustments to hospitals' DSH payments shall be made if the sum of estimated Medicaid payments exceed the costs of providing services to Medicaid clients and persons without insurance. The adjustments shall reduce DSH spending until the costs and spending are equal or until the DSH payments are reduced to zero. It was determined that your facility's Medicaid payments would exceed its costs, and would, therefore, not receive the DSH add-on for rate year 2012.

Attached you will find the revised MIUR calculations as well as the new MPA and DSH rates, incorporating the additional eligible HMO days. The rates will be adjusted retroactively for all dates of service beginning October 1, 2011. This is the final decision by the Department regarding this matter.

Please contact Kristy Pickford, at 217/785-0710 should you have questions.

Sincerely,

F. N. Kopel, Administrator  
Division of Finance

Attachments

**DISPROPORTIONATE SHARE (DSH), MEDICAID HIGH VOLUME (MHVA), AND MEDICAID PERCENTAGE ADJUSTMENT  
(MPA) DETERMINATION for Rate Year 2012 (October 1, 2011-September 30, 2012)**

**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%;
- 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:

2

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

1,2

**YOUR HOSPITAL'S 2012 MEDICAID INPATIENT UTILIZATION RATE CALCULATION**

Medicaid Routine Days:	2,886	Total Hospital Routine Days:	13,121
Medicaid ICU Days:	758	Total Hospital ICU Days:	1,843
Medicaid Psychiatric Days:	10,967	Total Hospital Psychiatric Days:	28,048
Medicaid Rehabilitation Days:	109	Total Hospital Rehabilitation Days:	1,468
Medicaid Nursery Days:	524	Total Hospital Nursery Days:	684
	-		
Total Mdcd Days from Cost Report	<u>15,244</u>		
Medicaid Out-of-State Days:	303		
Medicaid HMO Days:	616		
Medicaid DASA Days:	-		
Medicaid Denied Days:	-		
Medicaid Inappropriate Level of Care Days:	-		
Medicaid/Medicare Crossover Days:	<u>4,067</u>		
Total Medicaid Days from Other Sources:	4,986		
<b>TOTAL MEDICAID INPATIENT DAYS</b>	<b>20,230</b>	<b>TOTAL HOSPITAL INPATIENT DAYS:</b>	<b><u>45,164</u></b>
<b>YOUR HOSPITAL'S RY12 MEDICAID INPATIENT UTILIZATION RATE</b>			<b>44.79%</b>

Your hospital's <u>state</u> fiscal year 2009 total Medicaid obstetrical days:	626
Your hospital's <u>state</u> fiscal year 2009 total Medicaid days:	13,367
Your hospital's obstetrical inpatient utilization rate:	4.68%
Your hospital's low income utilization rate:	34.43%
Illinois' total Medicaid inpatient utilization days:	2,427,554
Illinois' total hospital inpatient days:	7,696,693
Illinois' statewide mean Medicaid inpatient utilization rate:	31.54%
One-half of a standard deviation above the statewide mean Medicaid inpatient utilization rate:	41.58%

**MEDICAID PERCENTAGE ADJUSTMENT (MPA) AND MEDICAID HIGH VOLUME (MHVA) CALCULATION****For Rate Year 2012 (October 1, 2011 - September 30, 2012)**

1) Illinois mean Medicaid inpatient utilization rate:	31.54%
2) One-half a standard deviation above the mean Medicaid inpatient utilization rate:	41.58%
3) One standard deviation above the mean Medicaid inpatient utilization rate:	51.62%
4) One and one-half standard deviations above the mean Medicaid inpatient utilization rate:	61.66%
5) Your hospital's Medicaid inpatient utilization rate:	44.79%

**Medicaid Percentage Adjustment**

6) Medicaid MPA add-on per day **:	\$38.25
7) Medicaid MPA add-on per day capped:	\$38.25
8) Medicaid MPA add-on per day inflated by the lesser of the percent change in the statewide average payment rate or the DRI	\$72.18

(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 \* 1.0328 \* 1.0583 \* 1.0251 \* 1.0417 \* 1.0414)

** MIUR=Medicaid Inpatient Utilization Rate	MPA Add-On (Children's hospital rates are multiplied by 2)
MIUR is < 31.54	\$25.00
MIUR is >= 31.54 but < 51.62	\$25.00 Plus \$1.00 for every percent over 31.54
MIUR is >= 51.62 but < 61.66	\$40.00 Plus \$7.00 for every percent over 51.62
MIUR is >= 61.66	\$90.00 Plus \$2.00 for every percent over 61.66

**MEDICAID HIGH VOLUME INPATIENT PAYMENT ADJUSTMENT**

1) Medicaid high volume adjustment (MHVA) per day:	\$60.00
2) MHVA per day inflated from 1993 to 2012 by lesser of the percent change in the statewide average payment rate or the DRI	\$113.22

(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 \* 1.0328 \* 1.0583 \* 1.0251 \* 1.0417 \* 1.0414):

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