

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 785-0710
TTY: (800) 526-5812

March 26, 2012

Dear Chief Financial Officer / Chief Executive Officer:

In an effort to increase efficiency and reduce waste, the Department's annual 2013 disproportionate share determination action notice has been posted to the Department's web site at www.hfs.illinois.gov/hospitals/. The associated required forms are available for download at www.hfs.illinois.gov/costreports/.

As in prior years, these forms should be completed and mailed to the contact person and address specified on the form by the appropriate due date.

Completion of these forms is vital to the accurate completion of the annual determinations and could significantly impact a provider's qualification for a number of reimbursement programs administered by the Department.

If you have question, or problems downloading these files, please contact Kristy Sommer at 217/785-0710.

Sincerely,

F.N. Kopel
Administrator, Division of Finance

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 785-0710
TTY: (800) 526-5812

March 26, 2012

To: Chief Executive Officers, Chief Financial Officers, and Patient Account Managers

Attached you will find an Action Notice from the department reminding hospitals of the information used to calculate Disproportionate Share Hospital Adjustment Payments, Medicaid Percentage Adjustment Payments, Critical Hospital Adjustment Payments, and County Trauma Center Adjustment Payments.

The purpose of the attached notice is to remind hospitals that the department will make determinations based on data on hand and allow you to update information you feel is incomplete. As described in the attachments, claims must be adjudicated no later than June 30, 2012, and other data must be received or postmarked no later than July 1, 2012. Data used to determine eligibility and calculate rates are not from the current period, but from either your hospital's 2010 cost reporting period (DSH and MPA) or the State's 2011 (July 1, 2010 to June 30, 2011) fiscal year (CHAP and TCA). If you have any questions regarding this notice, please contact the Disproportionate Share Unit at (217) 785-0710.

Sincerely,

F.N. Kopel
Administrator, Division of Finance

Attachments

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 785-0710
TTY: (800) 526-5812

March 26, 2012

Action Notice

Please Note the Required Deadlines Described Below

To: Cost Reporting Hospitals: CEO, CFO, and Patient Account Manager

Re: Rate Year 2013 Determination for Disproportionate Share, Medicaid Percentage Adjustment, Critical Hospital Adjustment, and County Trauma Center Adjustment Payments

This notice describes the information required by the Department to determine which hospitals will qualify for Disproportionate Share Hospital Adjustment Payments, Medicaid Percentage Adjustment Payments, Critical Hospital Adjustment Payments, and County Trauma Center Adjustment Payments in accordance with the 89 Illinois Administrative Code Sections, 148.120, 148.122, 148.290(c), and 148.295 in rate year 2013. **Claims Data must be adjudicated by the Department by June 30, 2012. The Illinois Administrative Code provides for no exceptions to that deadline.**

CRITICAL HOSPITAL ADJUSTMENT PAYMENTS (CHAP) and COUNTY TRAUMA CENTER ADJUSTMENT PAYMENTS (TCA)

In order to determine eligibility and payment rates for both Critical Hospital Adjustment Payments and County Trauma Center Adjustments, all data defined in Sections 148.290(c), and 148.295 of the Illinois Administrative Code must be adjudicated by June 30, 2012. This includes trauma admissions, obstetrical days, general care admissions, and certain rehabilitation admissions as defined in the sections cited above. Services provided in state fiscal year 2011 (July 1, 2010 - June 30, 2011) for which claims have been received and adjudicated by June 30, 2012, will be used to determine eligibility for these payments. **Claims that have not been adjudicated by June 30, 2012 cannot be considered by the Department.**

DISPROPORTIONATE SHARE (DSH) and MEDICAID PERCENTAGE ADJUSTMENT (MPA) DETERMINATION

The information required by the Department for the Disproportionate Share and Medicaid Percentage Adjustment determination is outlined below. Items 1 through 4 apply to all Illinois hospitals. Out-of-state cost reporting hospitals need only to submit the information required under items 1 and 4. The information needed to calculate Medicaid utilization levels for out-of-state hospitals will be obtained from the Medicaid agency in that state. **Please note that all required information submitted must be based on your hospital's 2010 cost reporting period statistics.**

- 1) Hospitals providing non-emergency obstetrical care to the general public must provide, in writing, the names of at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetrical services to individuals entitled to Illinois Medicaid. Hospitals not offering non-emergency obstetrical care to the general public must provide a statement to that effect. **Please complete Part I OR Part II of the Disproportionate Share Obstetrical Statement and return it to the Department by July 1, 2012.**
- 2) In making the determination, the Department will utilize final audited cost reports for each hospital's 2010 cost reporting period. In the absence of a final audited cost report, the Department will utilize the hospital's unaudited cost report. Data derived from audited cost reports will be considered final. **If your hospital's cost report is unaudited and you feel relevant data therein are incorrect, a corrected cost report must be received or postmarked by July 1, 2012, (metered dates are not acceptable). In accordance with section 148.120(c)(1), cost report corrections received or postmarked beyond July 1, 2012, cannot be considered.**
- 3) Certain types of inpatient days of care provided to Title XIX recipients are not available from the cost report. They are: (1) Medicare/Medicaid crossover days, (2) hospital residing long term care days, (3) Illinois Department of Alcohol and Substance Abuse (DASA) days, (4) Medicaid HMO days, and (5) Out-of-state Title XIX Medicaid utilization levels.
 - a) The Department will utilize the Department's paid claims data for each hospital's 2010 cost reporting period to determine the number of Medicare/Medicaid crossover days, hospital residing long term care days, and DASA days. All claims must be adjudicated by June 30, 2012, to be included in the determination and rate setting process.
 - b) The Department will request a special report from each HMO to determine the number of HMO days for each hospital's 2010 cost reporting period.
 - c) Hospital statements and verification reports from other States will be required to verify out-of-state Medicaid recipient utilization levels. The information submitted must include only days of care provided to out-of-state Medicaid recipients during the hospital's 2010 cost reporting period.
- 4) Hospitals may also qualify for Disproportionate Share status if their low income utilization rate exceeds 25%. To calculate a hospital's low income utilization rate, the hospital must fill out the attached Low Income Utilization Collection Form, and submit an audited certified financial statement for their 2010 cost reporting period.

All information described in Sections 1 through 4 above is necessary to conduct the rate year 2013 Disproportionate Share and Medicaid Percentage Adjustment determination and must be received by, or postmarked to the Department no later than July 1, 2012, at the appropriate address listed below. Information for Sections 1 through 4 above that is postmarked after July 1, 2012, will not be considered for the Disproportionate Share or Medicaid Percentage Adjustment determination.

Omnibus Budget Reconciliation Act of 1993 (Obra'93)

Due to proposed federal guidelines, it is imperative in rate year 2013 that the Department collect data found on the OBRA'93 data collection form from all hospitals. It is mandatory, therefore, that the following data be submitted by **all** hospitals for rate year 2013, regardless of DSH eligibility.

In order to determine if the Department meets federal guidelines set forth in the Omnibus Budget Reconciliation Act of 1993 (OBRA'93), all cost reporting hospitals must complete and send the OBRA'93 Data Collection Form to the Department **by August 15, 2012, (mail postmarked on or before that date is acceptable: metered dates are not acceptable)**, with the following information for the hospital's 2010 cost reporting period.

1. The dollar amount of Illinois inpatient Medicaid charges.
- 2a. The dollar amount of total inpatient and outpatient hospital charity care charges incurred for services provided to individuals without health insurance or other source of third party coverage
- 2b. The dollar amount of total inpatient and outpatient bad debt incurred by the hospital, less any recoveries for services provided to individuals without health insurance or other source of third party coverage (not including charges reported under charity care, above)
3. The dollar amount of total inpatient and outpatient charges incurred by the hospital (includes all financial classes).

Notes:

For items 2a and 2b, do not include unpaid co-pays or third party obligations of **insured patients**, contractual allowances, or the hospital's charges or reduced charges attributable to services provided under its obligation pursuant to the federal Hill-Burton Act).

For items 2a and 2b, state or unit of local government payments made to a hospital on behalf of indigent parties (ie. Transitional Assistance and Family and Children Assistance), shall not be considered to be a form of insurance or a source of third party coverage. Therefore, unreimbursed charges for persons covered under these programs may be included.

In the case of a new hospital, please submit the above-required information from the time your hospital began operating through the hospital's cost reporting period. Please indicate the date your hospital began operating.

Failure to Provide The Required Obra'93 Information, Separated by Inpatient, Outpatient, and Hospital Based Clinic Charges, by August 15, 2012, May Result in the Hospital Receiving a Lower Disproportionate Share Rate or Being Ineligible for Disproportionate Share Payments in Rate Year 2013.

Appeals

The Department will mail rate year 2013 CHAP, TCA, DSH and MPA rate notices to all cost reporting hospitals. In accordance with section 148.310 of the Illinois Administrative Code, hospitals will have thirty days from the date of the rate notice to make appeals. **All appeals must include detailed challenges to the rate. The Department cannot accept appeals submitted beyond the thirty day limit nor can it accept, as a substantive appeal, letters that only request an extension of the thirty day limit.**

Submittal of Information

Corrected cost report information, audited certified financial statements, and the OBRA'93 data collection form must be submitted to the following address:

Illinois Department of Healthcare and Family Services
Bureau of Health Finance
Hospital Audit Section
Attention: Chris Dirks
201 South Grand Avenue East
Springfield, Illinois 62763-0001
FAX (217) 782-2812

Note: Audited certified financial statements must only be submitted if the hospital's low income utilization rate exceeds 25% for the Disproportionate Share and Medicaid Percentage Adjustment determination. Corrected cost reports must only be submitted if your hospital's 2010 cost report is unaudited **and** you feel it is incorrect.

All other information required for the Disproportionate Share and Medicaid Percentage Adjustment determination (obstetrical statement and out-of-state Medicaid utilization levels) must be submitted to:

Illinois Department of Healthcare and Family Services
Bureau of Rate Development and Analysis
Disproportionate Share Unit
Attention: Kristy Sommer
201 South Grand Avenue East, 2nd Floor
Springfield, Illinois 62763-0001
FAX (217) 524-9403

Questions regarding cost report information, certified financial statements and the OBRA'93 form should be directed to the Bureau of Health Finance at (217) 524-4540. All other questions should be directed to the Bureau of Rate Development and Analysis at (217) 785-0710.

F.N. Kopel
Administrator, Division of Finance

Attachments

Disproportionate Share Obstetrical Statement
Rate Year 2013

Complete Either Part I or Part II

PART I: To be completed only by those hospitals providing non-emergency obstetrical services to the general public.

The following obstetricians have staff privileges at the hospital named below and have agreed to provide non-emergency obstetrical services for Illinois Medicaid beneficiaries:

Physician's Name: _____
(Typed)

Physician's Name: _____
(Typed)

Additional names may be submitted as an attachment to this form.

PART II: To be completed only by those hospitals that do not provide non-emergency obstetrical services to the general public.

Federal law prohibits States from making disproportionate share payment adjustments to hospitals that discontinue providing non-emergency obstetrical services to the general public after December 22, 1987. Hospitals that do not offer non-emergency obstetrical services to the general public must state so below:

_____ has not offered
(Name of Hospital)
non-emergency obstetrical services to the general public since _____.
(Date)

Return the form by July 1, 2012, to:

Illinois Department of Healthcare and Family Services
Bureau of Rate Development and Analysis
Disproportionate Share Unit
201 South Grand Avenue East, 2nd Floor
Springfield, IL 62763-0001

(Signature)

(Typed Signature)

(Title)

(Typed Hospital Name)

(Typed Address)

(Typed Address)

(Phone Number/FAX Number)

Completion of this form is voluntary; however failure to do so may affect the Department's action. Form approved by the Forms Management Center.

Low Income Utilization Rate and Form Instructions

Low Income Utilization Rate

Hospitals may qualify for Disproportionate Share status if their low income utilization rate exceeds 25%. To calculate a hospital's low income utilization rate, the hospital must complete the Low Income Utilization Collection Form, submit an audited certified financial statement for the cost reporting period requested, and attach any supporting documentation not included in the audited certified financial statement.

According to the Social Security Act section 1923 the term "low-income utilization rate" means, for a hospital, the sum of –

(A) the fraction (expressed as a percentage)— (i) the numerator of which is the sum (for a period) of (I) the total revenues paid the hospital for patient services under a State plan under this title (regardless of whether the services were furnished on a fee-for-service basis or through a managed care entity) and (II) the amount of the cash subsidies for patient services received directly from State and local governments, and (ii) the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the period; and

(B) a fraction (expressed as a percentage)— (i) the numerator of which is the total amount of the hospital's charges for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in clause (i)(II) of subparagraph (A) in the period reasonably attributable to inpatient hospital services, and (ii) the denominator of which is the total amount of the hospital's charges for inpatient hospital services in the hospital in the period.

The numerator under subparagraph (B)(i) shall not include contractual allowances and discounts (other than for indigent patients not eligible for medical assistance under a State plan approved under this title).

The Low Income Utilization Form collects this data in the following manner –

Total revenues paid the hospital for patient services under a State plan under title 19 are captured in the total amounts of (1a) total direct and indirect revenues. Cash subsidies for patient services received directly from State and local governments are captured in the total amounts of (1b). Total revenues paid the hospital for patient services (including the amount of such cash subsidies) are captured in the total amounts of (2).

The total amount of the hospital's charges for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies is captured in the inpatient net charity charges of (3). The total amount of the hospital's charges for inpatient services in the hospital is captured the inpatient amount of (4).

The LIU calculation, from the Low Income Utilization form, is:

$$\frac{[1a + 1b \text{ (inpatient and outpatient)}]}{[2 \text{ (inpatient and outpatient)}]} = \text{Title 19 revenues paid percentage}$$
$$\frac{[3 \text{ (inpatient)}]}{[4 \text{ (inpatient)}]} = \text{inpatient charity percentage}$$

Title 19 revenues paid percentage plus inpatient charity percentage equals the low income percentage.

Low Income Utilization Form Instructions

The amounts reported on the low income utilization form are subject to revenue principles addressed in Generally Accepted Accounting Principles (GAAP). The accrual basis of accounting should be applied.

Section 1a – Report total revenues paid (net revenue) the hospital for patient services under a State plan under title 19 by (1) hospital inpatient and outpatient (2) Illinois and Other States.

Subsection Direct - Report claims revenue paid (net revenue), supplemental (CHAP, SNAP, OAP, Tertiary Care, etc.) revenues paid the hospital, and gross assessments (access improvement) revenues paid the hospital separately. Do not report assessments (access improvement) revenues for more than the period requested, regardless of when the payment was received. Additionally, do not report the assessments (access improvement) revenues net of the assessment tax paid by the hospital. The assessment tax is considered an operating expense.

Subsection Indirect – Report (1) managed care entity revenues paid (net revenue) the hospital under Title 19, (2) third party revenues (insurance, etc.) paid the hospital for patient services under Title 19, and (3) Medicare revenues paid the hospital for dual-eligible Medicare/Medicaid crossover claims.

Section 1b – Report the amount of cash subsidies for patient services received directly from State and local governments. Eligible cash subsidies would be for those patient services that would, in the absence of the cash subsidy, be considered charity care. Cash subsidies must be reported separately for inpatient and outpatient.

Section 2 – Report revenues paid (net revenue) the hospital for patient services. If cash subsidies (reported in 1.b.) or gross assessment (access improvement) revenue (reported in 1.a.) are not included in the revenues paid the hospital for patient services, include the cash subsidies and gross assessment (access improvement) in the lines provided. Do not report the assessment (access improvement) net of the assessment tax paid by the hospital. If the amount reported in total revenues paid the hospital for patient services includes only the net amount, use the adjustment line to increase adjusted revenues to the gross amount of assessment (access improvement) received for the cost reporting period requested.

Section 3 – Report the amount of the hospital's charges for hospital services which are attributable to charity care in a period, less cash subsidies described in (1.b.) in the period reasonably attributable to hospital services. Contractual allowances and discounts shall NOT be included (other than for indigent patients not eligible for medical assistance under a State plan under Title 19). Charity care charges must be reported separately for inpatient and outpatient.

Section 4 – Report the amount of the hospital's total charges for services in the hospital. Charges must be reported separately for inpatient and outpatient.

Certification – An officer of the hospital authorized to certify the information provided is true and correct to the best of their knowledge must sign the Low Income Utilization Form. The officer's signature, name, title, date, and phone number must also be reported on the form as well as the preparer's contact information.

LOW INCOME UTILIZATION COLLECTION FORM
Hospital Cost Report Period Ending in 2010

Response Required by July 1, 2012
INCOMPLETE FORMS WILL BE REJECTED

Hospital: _____ **City / State:** _____
2010 Hospital Cost Reporting Period **Begin Date:** _____ **End Date:** _____, 2010

	<u>Inpatient Amount</u>	<u>Outpatient Amount</u>	<u>Total Amount</u>	<u>Supporting Document</u>
1. a. Total revenues paid the hospital for patient services under a State plan under title 19 (regardless of whether the services were furnished on a fee-for-service basis or through a managed care entity)				
Direct				
> Total claims revenue paid the hospital for patient services under Title 19 (excluding supplemental, assessments & TPL)	Illinois _____ Other States _____	_____	_____	_____
> Supplemental revenues paid the hospital for patient services under Title 19 (CHAP, SNAP, OAP, Tertiary Care, etc.)	Illinois _____ Other States _____	_____	_____	_____
> Gross assessments (access improvement) revenues paid the hospital for patient services under Title 19	Illinois _____ Other States _____	_____	_____	_____
Indirect				
> Managed Care Entity revenues paid the hospital under Title 19 (HFS add-on payments should be reported in Direct)	Illinois _____ Other States _____	_____	_____	_____
> Third party revenues paid the hospital for patient services under Title 19 (excluding Medicare payments received for dual-eligible Medicare/Medicaid crossover days)	Illinois _____ Other States _____	_____	_____	_____
> Medicare revenues paid the hospital for patient services for dual eligible Medicare/Medicaid crossover claims	Illinois _____ Other States _____	_____	_____	_____
1. b. The amount of cash subsidies for patient services received directly from State and local governments	_____	_____	_____	_____
Total revenues paid the hospital for patient services under a State plan under title 19 (1.a.) and cash subsidies from State and local govts. (1.b.)	Total: _____	_____	_____	_____

2. Total revenues paid the hospital for patient services (including the amount of cash subsidies and assessments)				
> Total revenues paid the hospital for patient services	_____	_____	_____	_____
> Cash subsidies (reported in (1.b.) not reported in patient service revenue)	_____	_____	_____	_____
> Assessments (reported in (1.a.) not reported in patient service revenue)	_____	_____	_____	_____
Total adjusted revenues paid the hospital for patient services	Total: _____	_____	_____	_____

3. Total amount of the hospital's charges for hospital services which are attributable to charity care in a period, less cash subsidies described in (1.b.) in the period reasonably attributable to hospital services. Contractual allowance and discounts shall NOT be included (other than for indigent patients not eligible for medical assistance under a State plan under Title 19)				
> Charity Care Charges	_____	_____	_____	_____
> Less Inpatient/Outpatient Portion of Cash Subsidies Described in (1.b.)	_____	_____	_____	_____
> Net Charity Care Charges	Total: _____	_____	_____	_____

4. Total amount of the hospital's charges for hospital services in the hospital	Total: _____	_____	_____	_____
---	--------------	-------	-------	-------

I CERTIFY that to the best of my knowledge, the above information is true and correct.

This form must be submitted to:
 Illinois Dept. of Healthcare and Family Services
 Bureau of Health Finance
 Hospital Audit Section
 201 S. Grand Avenue East
 Springfield, Illinois 62763-0001
 Phone (217)524-4540 Fax (217)782-2812

Authorized Signature (Hospital CEO or CFO)

 Name

 Title

 Date

 Phone

Preparer's Name _____
 Preparer's Title _____
 Preparer's Email Address _____

OBRA'93 DATA COLLECTION FORM
Hospital Cost Report Period Ending in 2010

Response Required by August 15, 2012
INCOMPLETE FORMS WILL BE REJECTED

HOSPITAL: _____

CITY / STATE: _____

ALL COST REPORTING HOSPITALS MUST SUBMIT THE FOLLOWING INFORMATION

2010 HOSPITAL COST REPORTING PERIOD **BEGIN DATE:** _____ **END DATE:** _____, **2010**

	<u>INPATIENT</u>	<u>OUTPATIENT (4)</u>	<u>TOTAL</u>
1. Illinois Medicaid Charges: (including charges for Medicaid MCO clients)	_____	_____	_____
2. a. Hospital charity care charges for services provided to individuals without health insurance or other source of third party coverage: (1) (2) (out of state hospitals provide Illinois only)	_____	_____	_____
b. Hospital bad debt less any recoveries for services provided. Do not include charges reported under charity care above: (1)			
All Patients: (out of state hospitals provide Illinois only)	_____	_____	_____
Insured Patients Only: (out of state hospitals provide Illinois only)	_____	_____	_____
Net Bad Debt for Uninsured Patients: (2) (all patients minus insured patients)	_____	_____	_____
3. Illinois Total Hospital Charges: (3)	_____	_____	_____

- (1) Do not include contractual allowances, or the hospital's charges attributable to services provided under its obligation pursuant to the federal Hill-Burton Act. State or unit of local government payments made to a hospital on behalf of indigent patients (e.g., Transitional Assistance, State Family and Children Assistance) shall not be considered to be a form of insurance or a source of third party coverage. Therefore, unreimbursed charges for persons under these programs may be included.
- (2) Federal law requires the collection of charity care and bad debt for uninsured patients only.
- (3) Hospital charges includes all financial classes.
- (4) Do not include non-hospital services. Examples of such services are hospital-based RHC, hospital-based FQHC, and hospital-based pharmacy (for services not incidental to inpatient or outpatient hospital services).

Hospital-based organized clinics must: a) have an administrative structure, staff program, physical setting, and equipment to provide comprehensive medical care, b) agree to assume complete responsibility for diagnosis and treatment of the patients accepted by the clinic, or provide, at no additional cost to the Department, for the acquisition of these services through contractual arrangements with external medical providers, and c) be adjacent to or on the premises of the hospital and be licensed under the Hospital Licensing Act or the University of Illinois Hospital Act. (Adm. Code, Title 89, Section 140.461)

I CERTIFY that to the best of my knowledge the above information is true and correct.

The above information is based upon: audited financial statements and supporting schedules.
 (please check the box that applies) unaudited financial statements and supporting schedules.

This form must be submitted to:
 Illinois Department of Healthcare and Family Services
 Bureau of Health Finance
 Hospital Audit Section
 201 South Grand Avenue East
 Springfield, Illinois 62763-0001
 Phone (217)524-4540 Fax (217)782-2812

Preparer's Name	_____	Authorized Signature (Hospital CEO or CFO)	_____
Preparer's Title	_____ () _____	Name	_____
Preparer's Email Address	_____	Title	_____
		Date	_____ () _____
		Phone	_____

Completion of this form or compliance with instructions is mandatory, and failure to do so may affect this Department's action.