Report to the Office of the Legislative Fiscal Analyst

The Distribution of Medicaid Funds Passed through to Local Government Entities

Prepared by the Division of Medicaid and Health Financing
Utah Department of Health

June 1, 2015

UTAH DEPARTMENT OF HEALTH

EXECUTIVE SUMMARY

This report is submitted in response to the following intent language passed in HB0003 by the 2015 Legislature:

> The Legislature intends the Departments of Health, Human Services, and Workforce Services and the Utah State Office of Rehabilitation provide to the Office of the Legislative Fiscal Analyst by June 1, 2015 a report outlining how funds are distributed within the state when passed through to local government entities or allocated to various regions and how often these distributions are reviewed and altered to reflect the relevant factors associated with the programs.
>
> (1) Is the program considered a statewide program (this would include something that serves all rural areas)?
>
> a. Is the implementation of the program really statewide? If not, is there a compelling reason why?
>
> (2) Who gets the money (by county)?
>
> (3) What is the methodology for distributing the money?
>
> a. How does the distribution compare to actual need as expressed by population?
>
> i. [If distributions are not reflecting current need (as represented by population), please explain why not?]
>
> b. If not done by population, what is the reason?
>
> (4) Does statute say anything about distribution and equity for the program?

There are several programs within Utah Medicaid that involve passing funds to local government entities. This report includes details for the following programs:

- Disproportionate Share Hospital (DSH)
- Government-Owned Outpatient Hospital Supplemental Payments
- Non-State Government Nursing Facility Supplemental Payments
- Medicaid Prepaid Mental Health Plans (PMHP)
- Local Health Departments Targeted Case Management and Client Education

Introduction

1. Disproportionate Share Hospital (DSH)

Federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a large number of Medicaid and uninsured individuals.

Federal law establishes an annual DSH allotment for each state that limits Federal Financial Participation (FFP) for total statewide DSH payments made to hospitals. Federal law also limits FFP for DSH payments through the hospital-specific DSH limit. Under the hospital-specific DSH limit, FFP is not available for state DSH payments that are more than the hospital's eligible uncompensated care cost, which is the cost of providing inpatient hospital and outpatient hospital services to Medicaid patients and the uninsured, minus payments received by the hospital on or on the behalf of those patients.[1]

Utah's Medicaid State Plan, Amendment 4.19-A, specifies how the payments are to be made and the timing of those payments. Qualifying DSH hospitals submit documentation of their uncompensated care costs for Medicaid and the uninsured to the Department and, based on those reports, payments are generated to the providers.

There are several categories upon which payments are dispersed. Those categories are as follows:

1. Add-on
2. General Acute Rural
3. Depressed Frontier County Hospitals
4. Institutions for Mental Diseases (IMD)
5. State Teaching Hospital

The categories each are set to pay out certain funds based on the annual federal DSH allotment. The Add-on category of DSH is the only category for which General Fund appropriations cover the non-federal share of the payment. The hospitals in the other categories are State government or non-State government owned and, as a result, may provide the non-federal share, or "seed", of the total payment.

[1] http://www.medicaid.gov/medicaid-chip-program-information/by-topics/financing-and-reimbursement/medicaid-disproportionate-share-hospital-dsh-payments.html

For the purposes of DSH, the term "Uncompensated Care" means the amount of non-reimbursed costs written-off as non-recoverable for services rendered to the uninsured and includes the difference between the cost of providing services to those eligible for medical assistance under the State Plan and the payment for those services by the State, by Medicaid, or any other payer. (Uninsured is defined as any individual who does not have any credible third-party coverage for hospital services covered in this section. Qualifying hospitals should make every reasonable effort to determine if an individual has credible third-party coverage. The hospitals are the definitive source for uninsured information).[2]

Is the program considered a statewide program (this would include something that serves all rural areas)? a. Is the implementation of the program really statewide? If not, is there a compelling reason why?

The DSH program is considered a statewide program. All qualifying hospitals may receive DSH monies as allowed.

Who gets the money (by county)?

See Exhibit 1.

What is the methodology for distributing the money? a. How does the distribution compare to actual need as expressed by population? i. If distributions are not reflecting current need (as represented by population), please explain why not? b. If not done by population, what is the reason?

The total DSH allotment for each federal fiscal year is determined by CMS and the information is distributed to the states. The total amount for the state is divided into the following categories: Add-On, General Acute Rural, Depressed Frontier County Hospitals, Institutions for Mental Disease (IMD), and State Teaching Hospital. More specific information is available in Utah's Medicaid State Plan, Attachment 4.19-A. Following is a brief summary of that information:

[2] http://www.health.utah.gov/medicaid/stplan/A_4-19-A.pdf

1. Add On – An amount of 12.5 percent of the annual Utah allotment is distributed to each qualifying hospital based on the uncompensated care provided by the facility and the total adjusted Medicaid reimbursement the facility received.

2. General Acute Rural - This DSH payment is based on the lesser of $876,800 per federal fiscal year per hospital or the hospital's uncompensated care cost to Medicaid and the uninsured. The additional DSH payment is adjusted annually to reflect increases or decreases in the DSH allotment provided by the Centers for Medicare and Medicaid Services to the Department.

3. Depressed Frontier County Hospitals - This DSH payment is based on the lesser of $1,017,000 per federal fiscal year per hospital or the hospital's uncompensated care cost. The additional DSH payment is adjusted annually to reflect increases or decreases in the DSH allotment provided by the Centers for Medicare and Medicaid Services to the Department.

4. IMD - The annual limit for IMD DSH payments is the lesser of (1) the annual federal DSH limit for institutions for mental disease (IMD) or (2) the amount of uncompensated care costs.

5. State Teaching Hospital - In addition to the above, any DSH monies not paid to other qualifying hospitals will be paid to the State Teaching Hospital.

The distribution is based on the uncompensated care costs for services rendered to Medicaid recipients or the uninsured by qualifying hospital facilities that choose to participate in the program. Uncompensated care cost is an overall measure of hospital care provided for which no payment was received.

If the facility chooses not to participate, it will not receive a DSH payment. If the facility chooses to participate but does not qualify or have uncompensated care costs, it will not receive a DSH payment. Only those facilities that qualify and have uncompensated care costs can participate.

The DSH program is required to follow the Social Security Act (SSA), Title 19, Section 1923.

Does statute say anything about distribution and equity for the program?

DSH payments are to help offset uncompensated costs for Medicaid and uninsured persons.[3] The Utah Medicaid State Plan DSH allocation methodology governs the

[3] http://www.ssa.gov/OP_Home/ssact/title19/1923.htm

distribution of DSH monies for Utah Medicaid. The methodology was developed in consultation with the Utah Hospital Association and other interested stakeholders. There is not state statute that addresses DSH payments.

2. Government-Owned Outpatient Hospital Supplemental Payments

Federal regulation prohibits Medicaid from reimbursing hospitals above what Medicare would pay for similar services. The amount Medicare would have paid is referred to as the upper payment limit (UPL). Utah's Medicaid State Plan, Attachment 4.19-B, outlines a methodology for government-owned hospitals to receive a supplemental payment for outpatient hospital services based on a reasonable cost methodology.

Is the program considered a statewide program (this would include something that serves all rural areas)? a. Is the implementation of the program really statewide? If not, is there a compelling reason why?

Yes, it is a statewide program as far as it covers all government-owned hospitals.

Who gets the money (by county)?

See Exhibit 2.

What is the methodology for distributing the money? a. How does the distribution compare to actual need as expressed by population? i. If distributions are not reflecting current need (as represented by population), please explain why not? b. If not done by population, what is the reason?

Utah's Medicaid State Plan, Attachment 4.19-B, details the methodology for these payments. In short, quarterly payments are made that reflect one-fourth of the total projected annual supplemental payment. The annual projection reflects the gap between Medicaid reimbursement and Medicare's reimbursement. The payments reflect the maximum that is allowed to be paid to these providers by Medicaid.

The payments are not made based on population. Rather, they are made as allowed in federal regulation.

Does statute say anything about distribution and equity for the program?

No

3. Non-State Government Nursing Facility Supplemental Payments

Federal regulation prohibits Medicaid from reimbursing nursing facilities above what Medicare would pay for similar services. The amount Medicare would have paid is referred to as the upper payment limit (UPL). Utah's Medicaid State Plan, Attachment 4.19-D, outlines a methodology for non-state government nursing facilities to receive a supplemental payment for nursing facility services based on a reasonable cost methodology.

Is the program considered a statewide program (this would include something that serves all rural areas)? a. Is the implementation of the program really statewide? If not, is there a compelling reason why?

Yes, it is a statewide program as far as it covers all non-state government owned nursing facilities.

Who gets the money (by county)?

See Exhibit 3.

What is the methodology for distributing the money? a. How does the distribution compare to actual need as expressed by population? i. If distributions are not reflecting current need (as represented by population), please explain why not? b. If not done by population, what is the reason?

Utah's Medicaid State Plan, Attachment 4.19-D, details the methodology for these payments. In short, the difference in payment by Medicaid and Medicare is calculated for each qualifying nursing facility. The per diem gap is used to make quarterly payments to the nursing facilities based on service days paid in the preceding quarter. The payments reflect the maximum that is allowed to be paid to these providers by Medicaid.

The payments are not made based on population. Rather, they are made as allowed in federal regulation.

Does statute say anything about distribution and equity for the program?

No

4. **Prepaid Mental Health Plans (PMHP)**

Is the program considered a statewide program (this would include something that serves all rural areas)? a. Is the implementation of the program really statewide? If not, is there a compelling reason why?

PMHP- Background

The Department of Health, Division of Medicaid and Health Financing (DMHF), has approval from the Centers for Medicare and Medicaid Services (CMS), the federal Medicaid agency, to operate a freedom-of-choice managed care waiver program for delivering mental health and substance use disorder services to Medicaid recipients. This waiver program, which began in 1991, is called the Prepaid Mental Health Plan (PMHP). Under the waiver, Medicaid recipients living in counties covered under the PMHP must get their mental health and substance use disorder services through the PMHP contractor serving their county of residence.

Under state law, local county mental health and substance abuse authorities are responsible for the provision of public mental health and substance use disorder services to their county residents. In some areas of the state, counties have entered into inter-local agreements so that two or more counties provide services through the same service provider. In some areas of the state, services are provided directly through county governments and in other areas, the local county Authorities contract with private entities for provision of mental and substance use disorder services.

Medicaid State Match

Under federal Medicaid requirements, states are required to fund a portion of the Medicaid program. This is referred to as the state match. Also, under federal Medicaid regulations mental health/substance abuse services are optional services. This means that states are not required to offer these services under their Medicaid program. In the 1980s, the local county mental health authorities, and in the early1990s the local county substance abuse authorities, offered to provide the state portion or state match on mental health and substance abuse services so that these optional services could be covered under Utah's Medicaid program.

PMHP Coverage

The local county mental health and substance abuse authorities (as the entities statutorily responsible for the provision of public mental health and substance use disorder services and as the entities providing the Medicaid state match on mental health and substance use disorder services) determine how they want Medicaid services provided in their counties. All local county authorities have elected to have Medicaid services provided through the PMHP with two exceptions:

Bear River area (Box Elder, Cache and Rich counties)

The Bear River substance abuse authority has chosen to continue to provide outpatient substance use disorder services through Medicaid's fee-for-service program rather than through the PMHP program. Providers bill DMHF on a fee-for-service basis for outpatient substance use disorder services provided to Medicaid recipients residing in these counties.

On the mental health side, the Bear River mental health authority has chosen to provide mental health services under the PMHP program. The Bear River mental health authority provides public mental health services through Bear River Mental Health. Therefore, the DMHF contracts with Bear River Mental Health as the PMHP mental health provider for these three counties.

Wasatch County

The Wasatch local county mental health and substance abuse authority has chosen to provide both substance use disorder and mental health services through Medicaid's fee-for-service program rather than through the PMHP program. Providers bill the DMHF on a fee-for-service basis for outpatient mental health and substance use disorder services provided to Wasatch County Medicaid recipients.

Who gets the money (by county)?

PMHP premiums

The DMHF pays the PMHP contractors a monthly per member per month premium or a monthly rate for each Medicaid recipient in their coverage area. The premiums are actuarially certified and intended to help the contractors cover the cost of delivering inpatient and outpatient mental health services and outpatient substance use disorder services to their enrolled Medicaid recipients.

In turn, the local county mental health and substance abuse authorities pay the required Medicaid state match on the PMHP premiums (and on fee-for-service expenditures in

the two areas referenced above) to the DMHF. The table below shows the PMHP contractors by county.

Utah Medicaid Prepaid Mental Health Plan Contractors by County

County	Prepaid Mental Health Plan Contractor	Substance Use Disorder payments	Mental Health Payments
Beaver, Garfield, Iron, Kane & Washington	SOUTHWEST BEHAVIORAL HEALTH CENTER	$307,255.48	$5,371,975.71
Box Elder, Cache & Rich	BEAR RIVER MENTAL HEALTH (mental health services only)		$5,574,724.04
Carbon, Emery & Grand	FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH	$300,024.09	$2,456,757.84
Davis	DAVIS BEHAVIORAL HEALTH	$252,387.70	$7,532,229.81
Duchesne, Uintah, Daggett & San Juan San Juan	NORTHEASTERN COUNSELING CENTER (NCC) (In San Juan County, NCC provides mental health and substance use disorder services through San Juan Counseling Center)	$223,308.83	$3,110,731.44
Piute, Millard, Juab, Sanpete, Wayne & Sevier	CENTRAL UTAH COUNSELING CENTER	$124,889.94	$2,932,334.64
Salt Lake	SALT LAKE COUNTY DIVISION OF BEHAVIORAL HEALTH SERVICES (SL County contracts with Optum Health to manage a panel of private providers.)	$5,173,109.29	$35,269,299.35
Summit	VALLEY BEHAVIORAL HEALTH	$20,183.21	$483,656.04
Tooele	VALLEY BEHAVIORAL HEALTH	$137,156.75	$2,607,250.94
Utah	UTAH COUNTY DEPARTMENT OF DRUG & ALCOHOL PREVENTION & TREATMENT (substance use disorder services only)	$1,748,088.94	

Utah	WASATCH MENTAL HEALTH (mental health services only)		$15,123,330.00
Weber & Morgan	WEBER HUMAN SERVICES	$608,031.54	$8,173,019.06

What is the methodology for distributing the money? a. How does the distribution compare to actual need as expressed by population? i. If distributions are not reflecting current need (as represented by population), please explain why not? b. If not done by population, what is the reason?

These funds are distributed to each PMHP through a capitation payment for each Medicaid eligible individual that is enrolled in the PMHP. Capitation rates are based on historical utilization, projected enrollment, audited cost reports and projected budgets provided by each PMHP.

Does statute say anything about distribution and equity for the program?

No.

5. **Local Health Department Services**

Is the program considered a statewide program (this would include something that serves all rural areas)? a. Is the implementation of the program really statewide? If not, is there a compelling reason why?

Local Health Department- Background

The Department of Health, Division of Medicaid and Health Financing (DMHF) contracts with Local Health Departments (LHDs) to provide three services: (1) Child Health Evaluation and care (CHEC) health promotion and outreach case management, (2) Consumer education and assistance, and (3) Early Childhood Case Management Services.

The CHEC program facilitates access to and encourages comprehensive preventative health screenings for children to identify and treat potential health problems or conditions. The LHDs also encourage preventative oral health care. They also recruit,

educate and assist health care providers in their counties to ensure that services are available and accessible to Medicaid eligible children.

The Consumer Education and Assistance program provides information to new Medicaid recipients regarding their appropriate use of their Medicaid benefits. While state staff perform this function in the four Wasatch Front counties (Weber, Davis, Salt Lake, and Utah) LHD staff perform these functions in all the other counties of the state. LHD staff also assist recipients with choosing a primary care physician or a voluntary managed care plan in the county. LHD staff also recruit, educate and assist providers in their counties to participate in the Medicaid program to provide access to medical services.

All counties contract with Medicaid to provide one or more of the programs described above.

Who gets the money (by county)?

The table below shows the Local Health Departments that contract with Medicaid.

Utah Medicaid Prepaid Mental Health Plan Contractors by County

County	Local Health department	Expenditures (SFY2014)
Beaver, Garfield, , Kane &	Southwest Utah Public Health	$204,282
Box Elder, Cache & Rich	Bear River District Health	$233,042
Carbon, Emery, Grand County	Southeastern Utah District Health	$67,580
Davis	Davis County Health Department	$398,163
Duchesne, Uintah, Daggett	Tri-County Health Department	$30,270
Juab, Millard, Sanpete, Beaver, Piute, Wayne County	Central Utah Health Department	$79,813
Salt Lake	Salt Lake City/County Health	$886,695
Summit	Summit County Health Department	$1,290
Tooele	Toole County Health Department	$82,224

Wasatch	Wasatch City/County Health	$20,129
Utah	Utah County Health Department	$226,512
San Juan	San Juan County Health Department	$0*
Weber & Morgan	Weber/Morgan District Health	$110,430

*San Juan County contracted for these services through Southeastern Utah Health District until December 2014.

What is the methodology for distributing the money? a. How does the distribution compare to actual need as expressed by population? i. If distributions are not reflecting current need (as represented by population), please explain why not? b. If not done by population, what is the reason?

For CHEC and Consumer education and Assistance activities, each county invoices the state each month based on actual documented costs related to the number of FTE in the county performing these functions.

For Targeted Case Management, the county submits a claim to Medicaid for each TCM service provided to a Medicaid eligible child. Counties are responsible to pay the state match for the cost of these services. Each quarter, the Division bills the county for the state match based on the prior quarter claims payments to the county. A reconciliation is conducted once a year.

Does statute say anything about distribution and equity for the program?

No.

Exhibit 1

Supplemental Payments Summary

SuppPaymentType	DSH Supplemental Payment

Sum of ReimbursementAı CountyDescription	ProviderName	ServiceFFY 2013
BEAVER	BEAVER VALLEY HOSPITAL	$1,083,236
	MILFORD VALLEY MEM HOSP	$196,473
BOX ELDER	BEAR RIVER VALLEY HOSPITAL	$6,704
	BRIGHAM CITY COMM HOSP	$39,229
CACHE	LOGAN REGIONAL MED CENTER	$36,014
CARBON	CASTLEVIEW HOSPITAL LLC	$48,492
DAVIS	DAVIS HOSPITAL & MED CNTR	$7,517
	LAKEVIEW HOSPITAL	$7,435
GARFIELD	GARFIELD MEMORIAL HOSP	$464,460
GRAND	MOAB REGIONAL HOSPITAL	$739,909
IRON	VALLEY VIEW MEDICAL CTR	$62,635
JUAB	CENTRAL VALLEY MEDICAL CTR	$8,704
KANE	KANE COUNTY HOSPITAL	$1,092,417
MILLARD	DELTA COMMUNITY MED CNTR	$10,017
	FILLMORE HOSPITAL	$6,510
SALT LAKE	ALTA VIEW HOSPITAL	$7,581
	IHC RIVERTON HOSPITAL	$9,140
	INTERMOUNTAIN MEDICAL CENTER	$94,037
	JORDAN VALLEY HOSP LP	$29,690
	LDS HOSPITAL	$50,653
	SALT LAKE REG MED CNTR	$3,183
	SHRINERS HOSP FOR CHILDREN	$1,233
	ST MARKS HOSPITAL	$31,315
	UNIVERSITY OF UTAH HOSP	$21,803,213
	PRIMARY CHILDRENS HOSP	$924,584
SAN JUAN	BLUE MOUNTAIN HOSPITAL	$18,366
	SAN JUAN HOSPITAL	$1,045,658
SANPETE	GUNNISON VALLEY HOSPITAL	$392,248
	SANPETE VALLEY HOSPITAL	$19,227
SEVIER	SEVIER VALLEY MEDICAL CNTR	$26,081
SUMMIT	PARK CITY MEDICAL CENTER	$4,038
TOOELE	MOUNTAIN WEST MEDICAL CNTR	$32,624
UINTAH	ASHLEY REGIONAL MED CNTR	$28,890
UTAH	AMERICAN FORK HOSPITAL	$22,038
	MOUNTAIN VIEW HOSPITAL	$13,165
	OREM COMMUNITY HOSPITAL	$15,785
	TIMPANOGOS REGIONAL HOSP	$8,903
	UTAH STATE HOSPITAL	$934,586
	UTAH VALLEY REG MED CNTR	$135,144
WASATCH	HEBER VALLEY MEDICAL CTR	$12,915
WASHINGTON	DIXIE MEDICAL CENTER	$43,712
WEBER	MCKAY DEE HOSPITAL	$80,933
	OGDEN REGIONAL MEDICAL CTR	$13,143
Grand Total		**$29,611,837**

Exhibit 2

Supplemental Payments Summary		
SuppPaymentType	OP UPL Supplemental Payment	
Sum of ReimbursementAmount		ServiceFFY
CountyDescription	ProviderName	2013
BEAVER	BEAVER VALLEY HOSPITAL	$229,314
	MILFORD VALLEY MEM HOSP	$24,592
GARFIELD	GARFIELD MEMORIAL HOSP	$96,148
KANE	KANE COUNTY HOSPITAL	$17,382
SALT LAKE	UNIVERSITY OF UTAH HOSP	$4,715,170
SAN JUAN	SAN JUAN HOSPITAL	$58,488
SANPETE	GUNNISON VALLEY HOSPITAL	$48,692
Grand Total		**$5,189,786**

Exhibit 3

Supplemental Payments Summary		
SuppPaymentType	NF NSGO UPL Payment	
Sum of ReimbursementAı		ServiceFFY
CountyDescription	ProviderName	2014
DAVIS	ROCKY MTN CARE CLEARFIELD	$1,280,408
EMERY	EMERY COUNTY CARE & REHAB	$481,181
GRAND	CANYONLANDS CARE CENTER	$712,464
MILLARD	MILLARD CO CARE & REHAB INC	$886,724
SALT LAKE	ROCKY MTN CARE MURRAY LLC	$523,677
	ROCKY MTN CARE COTTAGE VINE	$771,848
TOOELE	ROCKY MOUNTAIN CARE TOOELE	$609,628
	ROCKY MTN WILLOW SPRINGS	$811,519
UINTAH	UINTAH CARE CENTER	$2,304,320
WASATCH	ROCKY MTN CARE - HEBER	$236,169
	ROCKY MTN CARE MNTN VIEW	$338,777
Grand Total		**$8,956,714**