



Summary of the Executive proposal to raise the DSH hard cap

The Executive budget increases the disproportionate share hospital (DSH) cap of \$89,877,700 for the Maricopa Medical Center which is managed by the Maricopa Integrated Health System (MIHS) in both State Fiscal Year (SFY) 2015 and SFY 2016. MIHS currently receives a \$4,202,300 DSH payment and the remaining federal portion of MIHS' DSH allocation is deposited in the General Fund.

Overall Arizona DSH payments are limited to an annual allotment (maximum) established each year by the federal government. The Arizona budget then allocates this overall allotment into several "pools." Since Arizona typically uses its entire allotment, when one pool is increased, another pool(s) must be decreased by a corresponding amount.

Specifically, the Executive budget would increase the MIHS cap to \$105,945,500 in SFY 2015 and \$113,818,500 in SFY 2016 and lower the pool 5 allocation by the same amount. Since the federal portion of the DSH payment for MIHS is deposited into the state General Fund, this would increase the state General Fund deposit by approximately \$11 million in SFY 2015 and \$16.5 million in SFY 2016. This would result in a corresponding decrease in pool 5 payments from approximately \$32 million in SFY 2015 to approximately \$16 million and from approximately \$34 million in SFY 2016 to \$10 million. The federal government has not yet finalized the SFY 2015 and SFY 2016 allotments, so SFY 2015 and SFY 2016 amounts may vary slightly.

Frequently asked questions are listed below.

Frequently asked questions

Does the Executive budget have any impact on pools 1 or 2?

No. Pools 1 and 2, which provide payments to private hospitals, would still retain a \$9,284,800 appropriation. The state match portion of pools 1 and 2 is provided by the General Fund.

What are the differences between the pools?

In Arizona, there are four different DSH pools.

- **Pools 1 and 2** provide payments to private hospitals which have a large amount of uncompensated care and/or Medicaid recipients. In recent years, a \$9,284,00 appropriation has been included in the state budget for pools 1 and 2 combined. The federal government provides an approximate 2:1 match, and the remainder is paid for by the General Fund.
- **Pool 4** payments are allocated to the only two Arizona public hospitals: the Maricopa Medical Center, which is managed by MIHS, and the Arizona State Hospital (ASH). Public hospitals document their uncompensated care through a certified public expenditure process (CPE), which are used as the state match for these payments. The

federal government provides an approximate 2:1 match for these expenditures, up to their cap. For ASH, the federal government has capped payments at \$28,474,900. In recent years, the state budget has also capped payments for MIHS to \$89,877,700. The federal portion of DSH payments, with the exception of a \$4,202,300 allocation for MIHS specified in the state budget, is then deposited into the state General Fund.

- **Pool 5:** The remaining allotment (ranging from \$27 million to \$34 million annually) is allocated to pool 5. In order to receive a payment from pool 5, hospitals must be eligible for pools 1 or 2 and partner with a political subdivision that is willing to provide the state match portion of the DSH payment.

In the past, Arizona also had a private pool 3, but this pool was eliminated after SFY 2010.

How would this proposal impact pool 5 payments to individual hospitals?

Payments to each hospital are dependent on a number of factors including whether a hospital qualifies for the pool 1 or 2 private payments, whether a hospital is able to partner with a political subdivision, the number of participating hospitals, the amount of uncompensated care a hospital provides, the percentage of Medicaid inpatient days, and the comparison of these factors relative to other hospitals. The following hospitals have been allocated money for pool 5 in at least one year since SFY 2010:

- Banner Good Samaritan Hospital
- Banner Page Hospital
- Carondelet Holy Cross
- Carondelet St. Mary's Hospital
- Cobre Valley Community Hospital
- Copper Queen Hospital
- Kingman Regional Medical Center
- Little Colorado Medical Center
- Los Niños Hospital
- Mt. Graham Regional Medical Center
- Northern Cochise Community Hospital
- Phoenix Children's Hospital
- St. Joseph's Hospital (Phoenix)
- Tucson Medical Center
- University of Arizona Medical Center – University Campus
- University of Arizona Medical Center – South Campus

A reduction in the pool 5 allocation will typically result in lower payments to those hospitals, but it will not necessarily be evenly distributed across all the pool 5 hospitals.

A recent history of payments can be found at:

<http://www.azahcccs.gov/commercial/Downloads/HospitalSupplements/DisproportionatePayments.pdf/>.

What is the timing of DSH payments?

Since the division of DSH payments by pool appears in the Medicaid Section 1115 Demonstration Waiver, AHCCCS must annually update and receive approval from the Centers for Medicare and Medicaid Services (CMS), which typically occurs after a state budget has been passed. Pool 4 DSH payments (MIHS and ASH) are typically made around June and Pool 1 and 2 payments are typically made around November. Since CMS allows for a 2-year claiming period, AHCCCS typically allows at least one year for participating pool 5 hospitals to finalize their agreement with a partner and for their partner to submit a valid intergovernmental agreement and matching monies to AHCCCS.

For the SFY 2015 DSH appropriation, AHCCCS estimates that pool 4 payments will be made in May or June 2015, pools 1 and 2 payments will be made in November 2015, and pool 5 payments will be made between January 2016 and June 2017.

For any additional DSH questions, please contact Amy Upston at Amy.Upston@azahcccs.gov.