

DISPROPORTIONATE SHARE HOSPITAL PAYMENTS

January 2011

DSH Background

The disproportionate share hospital (DSH) increase is an add-on to payments for inpatient hospital services under the Medical Assistance (MA) fee for service program. Payments are established under guidelines and limits of the federal government and set under Minnesota law. DSH payments are 50% federal and 50% state.

DSH payment factors for individual hospitals are calculated as the difference between a hospital's MA patient days and the mean MA patient days of all Minnesota hospitals in a base year. For example, a hospital with 15% MA business would have a 5% DSH if the mean was 10%. The DSH factor is also increased by ten percent for hospitals with MA patient days above the mean plus one standard deviation. The add-on payment to the hospital is determined by multiplying the DSH factor by the hospital's regular payment for inpatient services. Essentially, a hospital's DSH payment increases as their percentage of MA business increases. The DSH factors vary from less than 1% to more than 59% at a Children's hospital.

Federal DSH Limits

The federal government has established limits on DSH payments to hospitals. The first is a statewide aggregate limit on the federal share of payments. From 2003 to 2008, this has grown at 16% per year to approximately \$68 million in 2008. After 2008, it grows with the consumer price index. However, the FFY09 and FFY10 limits were increased 2.5% each year under the American Recovery and Reinvestment Act of 2009. This increases the federal share of the limits by \$1.9 million in each year.

The second limit is the hospital specific DSH limit. This limits individual hospitals DSH payment to financial losses under the MA program, the costs of the uninsured and the GAMC program. This limit has been the subject of federal audits in many states including Minnesota. The federal government requires an independent, certified audit of each hospital's DSH payments and limit.

The DSH payment is no different than any other payment under MA for inpatient services except that it is limited separately from other payments. All MA payments, including DSH, require a state share of payments before the federal government will match the payment. In recent years, federal scrutiny has tightened because states attempted to use the entire aggregate limit with state share financing mechanisms that include intergovernmental transfers and certified public expenditures.

DSH Payments

Under current Minnesota law, there are three types of DSH payments. The first is the hospital specific fee for service payment described above. For FFY2009, this results in \$25.5 million in federal payments. The second is a federal matching payment on inpatient and outpatient GAMC fee-for-service payments. For FFY2009, this results in \$31.5 million in federal payments. The third type of DSH payment uses certified public expenditures (CPE) that will result in federal payments on the CPE of two hospitals. The GAMC and CPE payments are expected to use up the aggregate DSH limit.

STATE OF MINNESOTA DEPARTMENT OF HUMAN SERVICES
MINNESOTA INPATIENT HOSPITAL MA UTILIZATION PERCENTAGES AND DPA FACTORS
2010

Provider Number	Name	City	Base Year 2002 MA Utilization Rate (1)	CY 2007-12 MA DPA % (2)
435247500	CHILDRENS HEALTH CARE - MINNEAPOLIS	Minneapolis	64.90%	59.46%
141847500	CHILDRENS HOSPITALS & CLINIC - ST PAUL	St. Paul	48.36%	41.26%
996047300	GILLETTE CHILDRENS HOSPITAL	St. Paul	44.88%	37.43%
157245800	HENNEPIN COUNTY MEDICAL CENTER	Minneapolis	42.70%	35.04%
238245800	CAMBRIDGE MEDICAL CENTER	Cambridge	33.00%	24.37%
324845300	NEW ULM MEDICAL CENTER	New Ulm	27.82%	18.67%
616845100	UNIVERSITY OF MINNESOTA MEDICAL CENTER	Minneapolis	27.17%	17.95%
692847100	MILLER-DWAN MEDICAL CENTER INC	Duluth	26.52%	17.24%
422247400	REGIONS HOSPITAL	St. Paul	25.38%	15.98%
860747800	OLMSTED MEDICAL CENTER	Rochester	22.20%	12.49%
019545600	WEINER MEMORIAL MEDICAL CENTER INC	Marshall	21.08%	11.25%
314545000	NORTH COUNTRY REGIONAL HOSPITAL	Bemidji	19.98%	9.13%
502847700	UNIVERSITY MEDICAL CENTER - MESABI	Hibbing	19.60%	8.75%
589545600	HUTCHINSON AREA HEALTH CARE	Hutchinson	19.55%	8.70%
298745700	RICE MEMORIAL HOSPITAL	Willmar	19.15%	8.30%
573047300	ST MARYS MEDICAL CENTER	Duluth	18.65%	7.80%
623847500	OWATONNA HOSPITAL	Owatonna	18.35%	7.50%
038345700	GRAND ITASCA CLINIC & HOSPITAL	Grand Rapids	17.40%	6.55%
618245300	DEER RIVER HEALTHCARE CENTER	Deer River	16.97%	6.12%
883747300	ST CLOUD HOSPITAL	St. Cloud	16.87%	6.02%
921547600	HEALTHEAST BETHESDA HOSPITAL	St. Paul	16.86%	6.01%
174545000	ST MARYS REGIONAL HEALTH CENTER	Detroit Lakes	16.47%	5.62%
731047100	MERITCARE NORTHWEST MEDICAL CENTER	Thief River Falls	16.00%	5.15%
694245800	MERCY HOSPITAL	Coon Rapids	15.91%	5.06%
190247400	MILLE LACS HOSPITAL AND HOME	Onamia	15.67%	4.82%
030747500	SANFORD REGIONAL HOSPITAL	Worthington	15.30%	4.45%
712047800	HEALTHEAST ST JOSEPHS HOSPITAL	St. Paul	14.81%	3.96%
736045200	ST JOSEPHS MEDICAL CENTER	Brainerd	14.74%	3.89%
777545800	NORTH MEMORIAL HEALTH CARE	Robbinsdale	14.56%	3.71%
710047700	FAIRVIEW NORTHLAND REGIONAL HOSP	Princeton	14.55%	3.70%
890347600	AUSTIN MEDICAL CENTER	Austin	14.07%	3.22%
083547100	ST FRANCIS REGIONAL MEDICAL CENTER	Shakopee	13.68%	2.83%
468845700	FALLS MEMORIAL HOSPITAL	International Falls	13.65%	2.80%
155047100	MONTICELLO BIG LAKE COMMUNITY HOSP	Monticello	13.27%	2.42%
972847300	ST LUKES HOSPITAL	Duluth	12.99%	2.14%
408045900	ST JOSEPHS AREA HEALTH SERVICES	Park Rapids	12.93%	2.08%
114247000	LAKEWOOD HEALTH SYSTEM	Staples	12.92%	2.07%
281747100	UNITED HOSPITAL INC	St. Paul	12.91%	2.06%
304745800	IMMANUEL-ST JOSEPHS HOSPITAL OF	Mankato	12.80%	1.95%
380347300	ST GABRIELS HOSPITAL	Little Falls	12.45%	1.60%
716545500	ALBERT LEA MEDICAL CENTER - MHS	Albert Lea	12.25%	1.40%
624345200	UNITY HOSPITAL	Fridley	12.17%	1.32%
137745100	ABBOTT NORTHWESTERN HOSPITAL	Minneapolis	12.16%	1.31%
315245600	MERCY HOSPITAL & HEALTH CARE CENTER	Moose Lake	12.14%	1.29%
535845100	CUYUNA REGIONAL MEDICAL CENTER	Crosby	11.88%	1.03%
211047400	PERHAM MEMORIAL HOSPITAL AND HOME	Perham	11.75%	0.90%
982347600	RICE COUNTY DIST ONE HOSPITAL	Faribault	11.26%	0.41%
030047100	MEEKER COUNTY MEMORIAL HOSPITAL	Litchfield	11.22%	0.37%
209550500	FAIRVIEW RIDGES HOSPITAL	Burnsville	11.08%	0.23%
502347500	RENVILLE COUNTY HOSPITAL	Olivia	10.99%	0.14%

(1) MA utilization rate equals MA patient days divided by total patient days from the hospital's base year cost report.

(2) MA DPA equals hospital's MA utilization rate minus average utilization rate (10.85%). If the hospital's utilization rate is above the average plus 1 standard deviation (21%), the DPA is increased 10%.