

# EVALUATION OF UNCOMPENSATED CARE FINANCING FOR CALIFORNIA DESIGNATED PUBLIC HOSPITALS

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JUNE 10, 2016

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# INTRODUCTION



## PURPOSE OF THE REPORT

## PURPOSE OF THE REPORT – BACKGROUND

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- Since 2005, the California 1115 Waivers have included some level of support for uncompensated care to the uninsured for designated public hospital systems
- Uncompensated care is defined as care provided to individuals with no third party coverage for the services received
- Medicaid Demonstration Waivers are generally renewed every five (5) years, and Medi-Cal's most recent renewal was finalized in December 2015
- The current Demonstration Waiver, referred to as the "Medi-Cal 2020 Demonstration Waiver," shifted Disproportionate Share Hospital (DSH) and Uncompensated Care Pool (UCP) disbursements into a new program called the Global Payment Program (GPP) for those Designated Public Hospitals participating in the GPP
- The size of the UCP component of the GPP for SFY 2015/16 as defined in the Medi-Cal 2020 Demonstration Waiver is \$472 million total, and \$236 million in federal funds

## PURPOSE OF THE REPORT – CMS MANDATE

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- The purpose of this report is to satisfy a requirement from the Centers for Medicare and Medicaid Services (CMS) for the first of two reports as specified in items 178 – 180 in the Special Terms and Conditions (STCs) associated with the Medi-Cal 2020 Demonstration Waiver
- The first report focuses on uncompensated care at the California Designated Public Hospitals (DPHs). Specifically, the STCs say the report should document,

“The first report, due May 15, 2016, will focus on Designated Public Hospitals. The objective of this report will be to support a determination of the appropriate level of Uncompensated Care Pool funding at those providers in years two through five of the demonstration.

The cost of uncompensated care provided to uninsured individuals, distinguishing between costs associated with charity care from those associated with bad debt, and the extent that historical pool payments have addressed these costs.”

## PURPOSE OF THE REPORT – PROCESS

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- The report and analysis were developed by Navigant in close collaboration with BSCF, DHCS, and CAPH
- DHCS and CAPH provided the data and information used to complete the report and vetted the report and analysis
- Development of the report began in the first week of March, 2016
- DHCS submitted the report to CMS on May 15, 2016 and received the first round of comments related to the report and analysis from CMS on June 7, 2016
- According to the Demonstration Waiver STCs, CMS will be determining the amount of the uncompensated care pool within 60 days of the report submission date; thus response from CMS is due on July 14, 2016



# REPORT OVERVIEW



## REPORT OVERVIEW

# COMPONENTS OF THE REPORT

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- The main components of the report are an analysis of the following:
  - Costs at DPHs for providing care in FY2013/2014
  - Reimbursement to DPHs for services provided
  - Payment-to-cost analysis
  - Description of some challenges for safety net providers in California
- The components were necessary to satisfy the CMS requirements
- Since funding streams are an important component of the report, background information on these various funding streams applicable to DPHs as well as uncompensated care reimbursement is provided in the report
- The report also describes the role of DPHs in California and their importance to the safety net

## REPORT OVERVIEW

### SOURCES OF DATA

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- Hospital cost and payment information included in the report is based primarily on existing P14 cost report data submitted by DPHs in addition to supplemental information provided by DPHs for the purposes of these analyses
- Supplemental cost and payment summaries were developed for hospital outpatient services and distinct part nursing facility services for the Medicaid fee-for-service program
- Supplemental summaries were developed for estimation of charity care versus bad debt
- Timeframe for the data is State Fiscal Year 2013-2014
  - The Low Income Health Program (LIHP) including Health Care Coverage Initiative (HCCI) and Medicaid Coverage Expansion (MCE) populations existed in the first half this fiscal year
  - Medicaid expansion under the PPACA was implemented for the second half of this state fiscal year (beginning on January 1, 2014)

## REPORT OVERVIEW

# SOURCES OF DATA

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- The following services were included in the cost and payment numbers:
  - Hospital services for fee-for-service (FFS), Medicaid managed care, dually eligible (Medicare and Medicaid), and uninsured recipients
  - Medical services provided in hospital-based distinct part nursing facilities for the FFS and uninsured populations
  - Medical services provided in hospital-based Federally Qualified Health Centers (FQHCs) for the FFS population and the uninsured
  - Professional component of hospital-based physician and non-physician practitioner services provided in hospital inpatient, outpatient, skilled nursing facility, and clinic settings to the FFS, managed care, and uninsured populations
  - Medical services provided in contracted hospitals and non-hospital clinics for the LIHP and the uninsured population
- Costs and payments for Health Care Coverage Initiative (HCCI) and Medicaid Coverage Expansion (MCE) populations existing in the first half of fiscal year 2013/14 were included as part of the Medicaid fee-for-service program

## REPORT OVERVIEW

# BACKGROUND ON THE NUMBERS

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- Medi-Cal reimbursement for uncompensated care in California has historically been paid through the Disproportionate Share Hospital (DSH) program and the Uncompensated Care Pool (UCP) program
- A federal statute unique to California exists which allows Medi-Cal to receive federal matching for up to 175% of DSH allowable costs incurred at “high DSH” hospitals. 19 of the 21 DPHs in California qualify as “high DSH”
- Total computable DSH payment in SFY 2013/14 was \$2.3 billion, of which an estimated \$1.6 billion was applied to the uninsured (the rest was applied to Medicaid shortfall)
- Total computable UCP payment in SFY 2013/14 was \$611 million

## REPORT OVERVIEW

# AGGREGATE MEDI-CAL FINANCING FOR DPHs

Mapping of numbers on this Slide to numbers in the Report:

Row in Table on this Slide	Location in Report
1	Payment and Cost on Figure 14
2	Payment and Cost on Figure 15
3	Payment Reduced by CPEs and IGTs and Cost on Figure 16
4	Payment Reduced by CPEs and IGTs on Figure 16 and Cost on Figure 15

Medi-Cal and Uninsured Recipients					
Row		Payment	Cost	Pay-to-Cost Ratio	Cost Above Payment
1	Independent of funding source; Excluding additional 75% of DSH costs	\$ 10,424,106,367	\$ 9,544,012,501	109%	\$ -
2	Independent of funding source; Including additional 75% of DSH costs	\$ 10,424,106,367	\$ 10,649,371,744	98%	\$ 225,265,377
3	Offsetting for funding source; Excluding additional 75% of DSH costs	\$ 6,770,427,104	\$ 9,544,012,501	71%	\$ 2,773,585,397
4	Offsetting for funding source; Including additional 75% of DSH costs	\$ 6,770,427,104	\$ 10,649,371,744	64%	\$ 3,878,944,639

# REPORT OVERVIEW

## FINANCING FOR CARE OF THE UNINSURED – ALL DPHS

### Mapping of numbers on Slide 15 to numbers in the Report

Row in Table in Presentation	Location in Report for Payment	Location in Report for Cost
1	Total Payments column in Figure 13	Sum of Cost column in Figure 13 plus 75% of Claimable DSH Cost column in Figure 15
2	Pymt set to half of Total Payments column in Figure 13	Sum of Cost column in Figure 13 plus 75% of Claimable DSH Cost column in Figure 15
1	Total Payments column in Figure 13	Charity cost calculated using method in Figure 9 and with extra 75% of DSH claim costs (from Figure 15) added to Uninsured Cost from Figure 9
2	Pymt set to half of Total Payments column in Figure 13	Charity cost calculated using method in Figure 9 and with extra 75% of DSH claim costs (from Figure 15) added to Uninsured Cost from Figure 9
1	Total Payments column in Figure 13	Imputed charity cost calculated using method in Figure 9 and with extra 75% of DSH claim costs (from Figure 15) added to Uninsured Cost from Figure 9
2	Pymt set to half of Total Payments column in Figure 13	Imputed charity cost calculated using method in Figure 9 and with extra 75% of DSH claim costs (from Figure 15) added to Uninsured Cost from Figure 9

## REPORT OVERVIEW

# FINANCING FOR CARE OF THE UNINSURED – ALL DPHs

1 - Care of the Uninsured - Total Costs					
Row		DSH <sup>1</sup> and UCP Payment	Cost	Pay-to-Cost Ratio	Cost Above Payment
1	Independent of funding source; Including additional 75% of DSH costs	\$2,404,215,953	\$3,227,267,401	74%	\$ 823,051,448
2	Offsetting for funding source; Including additional 75% of DSH costs	\$1,202,107,976	\$3,227,267,401	37%	\$2,025,159,424

2 - Care of the Uninsured - Charity Care Costs Only					
Row		DSH <sup>1</sup> and UCP Payment	Cost	Pay-to-Cost Ratio	Cost Above Payment
1	Independent of funding source; Including additional 75% of DSH costs	\$2,404,215,953	\$2,331,332,089	103%	\$ -
2	Offsetting for funding source; Including additional 75% of DSH costs	\$1,202,107,976	\$2,331,332,089	52%	\$1,129,224,113

3 - Care of the Uninsured - Imputed Charity Care Costs Only					
Row		DSH <sup>1</sup> and UCP Payment	Cost	Pay-to-Cost Ratio	Cost Above Payment
1	Independent of funding source; Including additional 75% of DSH costs	\$2,404,215,953	\$2,728,237,601	88%	\$ 324,021,649
2	Offsetting for funding source; Including additional 75% of DSH costs	\$1,202,107,976	\$2,728,237,601	44%	\$1,526,129,625

<sup>1</sup> In all tables on this slide, the DSH payments are those remaining after covering Medicaid shortfall.

## REPORT OVERVIEW

# FINANCING FOR CARE OF THE UNINSURED – NO UCs<sup>2</sup>

1 - Care of the Uninsured - Total Costs					
Row		DSH <sup>1</sup> and UCP Payment	Cost	Pay-to-Cost Ratio	Cost Above Payment
1	Independent of funding source; Including additional 75% of DSH costs	\$ 1,979,246,937	\$ 2,646,077,561	75%	\$ 666,830,624
2	Offsetting for funding source; Including additional 75% of DSH costs	\$ 989,623,468	\$ 2,646,077,561	37%	\$ 1,656,454,092

2 - Care of the Uninsured - Charity Care Costs Only					
Row		DSH <sup>1</sup> and UCP Payment	Cost	Pay-to-Cost Ratio	Cost Above Payment
1	Independent of funding source; Including additional 75% of DSH costs	\$ 1,979,246,937	\$ 2,034,751,820	97%	\$ 55,504,883
2	Offsetting for funding source; Including additional 75% of DSH costs	\$ 989,623,468	\$ 2,034,751,820	49%	\$ 1,045,128,351

3 - Care of the Uninsured - Imputed Charity Care Costs Only					
Row		DSH <sup>1</sup> and UCP Payment	Cost	Pay-to-Cost Ratio	Cost Above Payment
1	Independent of funding source; Including additional 75% of DSH costs	\$ 1,979,246,937	\$ 2,328,461,222	85%	\$ 349,214,285
2	Offsetting for funding source; Including additional 75% of DSH costs	\$ 989,623,468	\$ 2,328,461,222	43%	\$ 1,338,837,754

<sup>1</sup> In all tables on this slide, the DSH payments are those remaining after covering Medicaid shortfall

<sup>2</sup> Payment and costs from same location as tables in Slide 15 – only difference is removal of 6 UC hospitals



## REPORT OVERVIEW

# CONCLUSION

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- Even with exclusion of the UC hospitals and with inclusion of only charity care, there is cost above reimbursement incurred by the County DPHs for care of the uninsured
- When reducing payment for local contribution of the State share, cost above reimbursement increases significantly
- With scheduled reductions in DSH payments in upcoming years, the need for an UCP program will increase further



PUBLIC HOSPITAL  
COMMENTARY

# PUBLIC HOSPITAL COMMENTARY

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- DSH and SNCP have been critical sources of funding to support the safety net; public health care systems are excited about the opportunity presented in restructuring these funds under the GPP
- Navigant report justifies the ongoing funding of SNCP for the GPP through 2020
- While the purpose of this report is to determine funding levels for the SNCP, the report also shows ongoing costs associated with providing substantial amounts of non-federal share for the Medi-Cal program



QUESTIONS?

## FOLLOW-UP QUESTIONS

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- Please send additional questions after this meeting to the following email address:

[WaiverRenewal@dhcs.ca.gov](mailto:WaiverRenewal@dhcs.ca.gov)