

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. Claims used in the determination of the net revenue must be adjudicated by the Department by June 30th of the filing due date. The Illinois Administrative Code provides for no exceptions to that deadline. The Department will utilize its paid claims data for each hospital's costs reporting period to determine the Illinois portion of net revenue.

Subsection Direct - Report claims revenue paid (net revenue), supplemental (ACA, CTCA, etc.) revenues paid the hospital, and gross assessments (FFS and MCAP) revenues paid the hospital separately. Do not report assessments (FFS and MCAP) revenues for more than the period requested, regardless of when the payment was received. Additionally, do not report the assessments (FFS and MCAP) 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 (FFS and MCAP) revenue (reported in 1.a.) are not included in the revenues paid the hospital for patient services, include the cash subsidies and gross assessment (FFS and MCAP) in the lines provided. Do not report the assessment (FFS and MCAP) 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 (FFS and MCAP) 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.