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Springfield, Illinois 62763-0002

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March 18, 2016

**ACTION NOTICE**

**PLEASE NOTE THE REQUIRED DEADLINES DESCRIBED BELOW**

To: Cost Reporting Hospitals: CEO, CFO, and Patient Account Manager

RE: Rate Year 2017 Determination for Disproportionate Share, Medicaid Percentage Adjustment, and County Trauma Center Adjustment Payments

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This notice describes the information required by the Department to determine which hospitals will qualify for Disproportionate Share Hospital Adjustment Payments, Medicaid Percentage Adjustment Payments, and County Trauma Center Adjustment Payments in accordance with the 89 Illinois Administrative Code Sections, 148.120, 148.122, and 148.100 in rate year 2017. **Claims data used in the determination must be adjudicated by the Department by June 30, 2016. The Illinois Administrative Code provides for no exceptions to that deadline.**

**DISPROPORTIONATE SHARE (DSH) and MEDICAID PERCENTAGE ADJUSTMENT (MPA) DETERMINATION**

The information required by the Department for the Disproportionate Share and Medicaid Percentage Adjustment determination is outlined below. Items 1 through 4 apply to all Illinois hospitals. Out-of-state cost reporting hospitals need only to submit the information required under items 1 and 4. The information needed to calculate Medicaid utilization levels for out-of-state hospitals will be obtained from the Medicaid agency in that state. **Please note that all required information submitted must be based on your hospital's 2014 cost reporting period statistics.**

- 1) Hospitals providing non-emergency obstetrical care to the general public must provide, in writing, the names of at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetrical services to individuals entitled to Illinois Medicaid. Hospitals not offering non-emergency obstetrical care to the general public must provide a statement to that effect. **Please complete Part I OR Part II of the Disproportionate Share Obstetrical Statement and return it to the Department by July 1, 2016.**
- 2) In making the determination, the Department will utilize final audited cost reports for each hospital's 2014 cost reporting period. In the absence of a final audited cost report, the Department will utilize the hospital's unaudited cost report. Data derived from audited cost reports will be considered final. **If your hospital's cost report is unaudited and you feel relevant data therein are incorrect, a corrected cost report must be received or postmarked by July 1, 2016 (metered dates are not acceptable). In accordance with section 148.120(c)(1), cost report corrections received or postmarked beyond July 1, 2016, cannot be considered.**

- 3) Certain types of inpatient days of care provided to Title XIX recipients are not available from the cost report. They are: (1) Medicare/Medicaid crossover days, (2) hospital residing long term care days, (3) Illinois Department of Alcohol and Substance Abuse (DASA) days, (4) Medicaid HMO days, and (5) Out-of-state Title XIX Medicaid utilization levels.
- a) The Department will utilize the Department's paid claims data for each hospital's 2014 cost reporting period to determine the number of Medicare/Medicaid crossover days, hospital residing long term care days, and DASA days. All claims must be adjudicated by June 30, 2016 to be included in the determination and rate setting process.
  - b) The Department will request a special report from each HMO to determine the number of HMO days for each hospital's 2014 cost reporting period.
  - c) Hospital statements and verification reports from other States will be required to verify out-of-state Medicaid recipient utilization levels. The information submitted must include only days of care provided to out-of-state Medicaid recipients during the hospital's 2014 cost reporting period.
- 4) Hospitals may also 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 fill out the attached Low Income Utilization Collection Form, and submit an audited certified financial statement for their 2014 cost reporting period.

**All information described in Sections 1 through 4 above is necessary to conduct the rate year 2017 Disproportionate Share and Medicaid Percentage Adjustment determination and must be received by, or postmarked to the Department no later than July 1, 2016, at the appropriate address listed below. Information for Sections 1 through 4 above that is postmarked after July 1, 2016, will not be considered for the Disproportionate Share or Medicaid Percentage Adjustment determination.**

## **OMNIBUS BUDGET RECONCILIATION ACT OF 1993 (OBRA'93)**

Due to proposed federal guidelines, it is imperative in rate year 2017 that the Department collect data found on the OBRA'93 data collection form from all hospitals. It is mandatory, therefore, that the following data be submitted by **all** hospitals for rate year 2017, regardless of DSH eligibility.

In order to determine if the Department meets federal guidelines set forth in the Omnibus Budget Reconciliation Act of 1993 (OBRA'93), all cost reporting hospitals must complete and send the OBRA'93 Data Collection Form to the Department BY AUGUST 15, 2016 (mail postmarked on or before that date is acceptable: metered dates are not acceptable), with the following information for the hospital's 2014 cost reporting period.

1. The dollar amount of Illinois inpatient Medicaid charges.
- 2a. The dollar amount of total inpatient and outpatient hospital charity care charges incurred for services provided to individuals without health insurance or other source of third party coverage
- 2b. The dollar amount of total inpatient and outpatient bad debt incurred by the hospital, less any recoveries for services provided to individuals without health insurance or other source of third party coverage (not including charges reported under charity care, above)
3. The dollar amount of total inpatient and outpatient charges incurred by the hospital (includes all financial classes).

### **NOTES:**

For items 2a and 2b, do not include unpaid co-pays or third party obligations of **insured patients**, contractual allowances, or the hospital's charges or reduced charges attributable to services provided under its obligation pursuant to the federal Hill-Burton Act).

For items 2a and 2b, state or unit of local government payments made to a hospital on behalf of indigent parties (ie. Transitional Assistance and Family and Children Assistance), shall not be considered to be a form of insurance or a source of third party coverage. Therefore, unreimbursed charges for persons covered under these programs may be included.

In the case of a new hospital, please submit the above-required information from the time your hospital began operating through the hospital's cost reporting period. Please indicate the date your hospital began operating.

**FAILURE TO PROVIDE THE REQUIRED OBRA'93 INFORMATION, SEPARATED BY INPATIENT AND OUTPATIENT CHARGES, BY AUGUST 15, 2016, MAY RESULT IN THE HOSPITAL RECEIVING A LOWER DISPROPORTIONATE SHARE RATE OR BEING INELIGIBLE FOR DISPROPORTIONATE SHARE PAYMENTS IN RATE YEAR 2017.**

### **APPEALS**

The Department will post to the HFS reimbursement website the rate year 2017 TCA, DSH and MPA rate notices to all cost reporting hospitals. In accordance with section 148.310 of the Illinois Administrative Code, hospitals will have thirty days from the date of the rate notice to make appeals. **All appeals must include detailed challenges to the rate. The Department cannot accept appeals submitted beyond the thirty day limit nor can it accept, as a substantive appeal, letters that only request an extension of the thirty day limit.**

## **SUBMITTAL OF INFORMATION**

Corrected cost report information, LIU collection form in addition to audited certified financial statements, and the OBRA'93 data collection form must be submitted to the following address:

Illinois Department of Healthcare and Family Services  
Bureau of Health Finance  
Hospital Audit Section  
Attention: Chris Dirks  
201 South Grand Avenue East  
Springfield, Illinois 62763-0001  
FAX (217) 782-2812

Note: Audited certified financial statements must only be submitted if the hospital's low income utilization rate exceeds 25% for the Disproportionate Share and Medicaid Percentage Adjustment determination. Corrected cost reports must only be submitted if your hospital's 2014 cost report is unaudited and you feel it is incorrect.

All other information required for the Disproportionate Share and Medicaid Percentage Adjustment determination (obstetrical statement and out-of-state Medicaid utilization levels) must be submitted to:

Illinois Department of Healthcare and Family Services  
Bureau of Rate Development and Analysis  
Disproportionate Share Unit  
Attention: Kristy Sommer  
201 South Grand Avenue East, 2nd Floor  
Springfield, Illinois 62763-0001  
FAX (217) 524-9403

Questions regarding cost report information, certified financial statements and the OBRA'93 form should be directed to the Bureau of Health Finance at (217) 524-4540. All other questions should be directed to the Bureau of Rate Development and Analysis at (217) 785-0710.

Dan Jenkins, Bureau Chief,  
Bureau of Rate Development and Analysis