

HOSPITAL PAYMENT CALCULATION INSTRUCTIONS

Key Points:

Discharges and inpatient bed-days are limited to those from the acute care portion of a hospital.

The Federal rule excludes the following from being considered in the payment calculations. The following should be excluded from the Medicare Cost Report information:

- Nursery bed days and nursery discharges for newborn discharges.
- Swing bed days that are used to furnish skilled nursing facility or nursing facility level of care.
- Services rendered in the psychiatric unit of the hospital which is a distinct part of the hospital
- Services rendered in the rehabilitation unit of the hospital which is a distinct part of the hospital
- Medicaid acute inpatient-bed-days may not include those patients for which Medicare paid a share (dually eligible recipients).
- Charity care should not include bad debt charges.

Calculator Instructions:

Enter the base hospital fiscal year:

Base Year: The base year is the hospital fiscal year which ends in the federal fiscal year prior to the payment year. For example, if you are requesting a payment for 2012, the previous federal fiscal year would be 10/1/2010-9/30/2011. If your hospital fiscal year ends 6/30, you would use the one which ended 6/30/2011 and falls within that federal fiscal year, consequently, 2011 would be the base year. If your hospital fiscal year ends 12/31, you would use the one which ended 12/31/2010 and falls within the federal fiscal year, consequently, 2010 would be the base year.

When the base year is entered, the previous 3 years will automatically populate on the calculator. Enter the appropriate information from the specified fiscal year cost report as identified on the form.

Depending on whether you are using the 2552-10 or the 2552-96 Medicare Cost Report form, you will pull the specific information from the cost reports. When the data has been entered, select the Calculation Tab. Scroll to the bottom to see the estimated payment amounts which are calculated over three years.

Payments:

Medicaid will calculate payments for all eligible hospitals using information submitted on the hospital's enrollment document. The amount of the calculation will be presented to the hospital for review prior to final eligibility determination. It is a requirement that auditable data sources be used to calculate EHR hospital incentive amounts. The most recent Medicare cost reports will be used to validate the information. Payments to eligible hospitals will be made over a three-year time period:

- 50 percent in the first year,
- 40 percent in the second year
- 10 percent in the third year.

Formula for Calculation:

As set forth in the Federal rule, the formula for calculating Medicaid hospital EHR incentive payments is based on the product of two factors:

Overall Amount which is the sum of the base amount plus the discharge related amount application for each year as well as the transition factor applicable for each year.

Medicaid Share which equals the(Medicaid inpatient bed days + Medicaid managed care bed days) divided by (total inpatient bed days) times (estimated total charges minus charity care charges) divided by (estimated total charges)

Overall Amount

The overall EHR amount is based upon the sum over four years of payment where the amount for each year is the product of three factors: 1. An Initial Amount, 2. The Medicare Share, and 3. A Transition Factor applicable to each of a theoretical four years.

The Initial Amount *is* the sum of a \$2 million base amount and the product of a per discharge amount (of \$200) and the number of discharges (for discharges between 1,150 and 23,000 discharges). This determines the average growth rate for a hospital based on discharges reported in the Medicare Cost Reports over the most recent three years prior to the base year. If a hospital's average annual rate of growth is negative over the 3 year period, it will be applied as such.

The transition factor which phases down the incentive payments over the four-year period is shown below:

Year	Transition Factor
Year 1	1
Year 2	0.75
Year 3	0.50
Year 4	0.25

Medicaid Share

The numerator of the Medicaid Share is the sum of: 1) estimated number of Medicaid acute inpatient-bed-days*; and, 2) the estimated number of Medicaid managed care acute inpatient-bed-days.

The denominator of the Medicaid Share is the product of: 1) estimated total number of acute inpatient-bed-days for the eligible hospital during that period; and, 2) the estimated total amount of the eligible

hospital's charges during that period, not including any charges that are attributable to charity care divided by the estimated total amount of the hospital's charges during that period.

Example:

The Hospital Payment Calculation Tool will automatically calculate the amount of the payment, but this is an example of the hospital payment calculation process:

Step 1: Determine the Average Growth Rate:

Fiscal Year	Discharges	Growth Rate	Increase/Decrease
2008	5000	Initial year	
2009	4695	-6.10%	-305
2010	4650	-0.96%	-45
2011 (base year)	4720	1.51%	+70
Average Growth Rate		-1.85%	

Step 2: Apply growth rate to the number of discharges and determine the eligible discharges:

Hypothetical Year	Reported Discharges	Growth Rate	Calculated Discharges
Base Year	5000	-1.85%	4720
Year 2	4695	- 1.85%	4633
Year 3	4650	- 1.85%	4547
Year 4	4720	- 1.85%	4463

Determine eligible discharges. Only discharges between 1,149 and 23,000 are to be used in the equation.

Hypothetical Year	Calculated Discharges	Eligible Discharges
Base Year	4720	3571
Year 2	4633	3484
Year 3	4547	3398
Year 4	4463	3314

Multiply the eligible discharges by \$200

Hypothetical Year	Eligible Discharges	Eligible Discharge Payment
Base Year	3571	\$ 714,200.00
Year 2	3484	\$ 696,800.00
Year 3	3398	\$ 679,600.00
Year 4	3314	\$ 662,800.00

Step 3: Add the base amount of \$2,000,000 to the eligible discharge payment

Hypothetical Year	Eligible Discharge Payment	Discharge Payment + Base Amount
Base Year	\$ 714,200.00	\$ 2,714,200.00
Year 2	\$ 696,800.00	\$ 2,696,800.00
Year 3	\$ 679,600.00	\$ 2,679,600.00
Year 4	\$ 662,800.00	\$ 2,662,800.00

Step 4: Use Eligible Discharge Payment and Medicaid Transition Factor to create Overall EHR Amount

Hypothetical Year	Discharge Payment + Base Amount	Transition Factor	Overall Amount
Base Year	\$ 2,714,200.00	1	\$ 2,714,200.00
Year 2	\$ 2,696,800.00	.75	\$ 2,022,600.00
Year 3	\$ 2,679,600.00	.5	\$ 1,339,800.00
Year 4	\$ 2,662,800.00	.25	\$ 665,700.00
Total Payment			\$ 6,742,300.00

Step 5: Compute the overall EHR amount for 4 years: \$6,742,300.00

Step 6: Computation of Medicaid Share from the Medicare Cost Report

The number of Inpatient Medicaid Bed Days, Total Inpatient Bed Days, Total Charges (for all discharges), and Total Charity Care (for all discharges)

Medicaid IP Bed Days	Total IP Bed Days	Total Charges	*Charity Care
2905	23220	\$ 212,600,100.00	\$ 12,759,310.00

*note: only charity care charges should be included, bad debt charges cannot be included as charity care.

Calculate the Medicaid Bed Day Ratio

Medicaid IP Bed Days	Total IP Bed Days	Medicaid Bed Day Ratio
2905	23220	12.51%

Calculate the Non-Charity Care Share Ratio

Total Charges – Charity Care	Divided by Total Charges	Non-Charity Care Share percentage
\$12,759,310	\$ 212,600,100.00	94.00%

Calculate the Medicaid Share. Used to weight Medicaid's impact on total bed days.

Total hospital days	Multiply by the non-charity percentage	Total Medicaid and HMO Medicaid days divided by non-charity hospital days x 100
23,220	94.00%	13.31%

Medicaid share is 13.31% in this example

Step 7: Computation of Medicaid aggregate EHR incentive amount.

Multiply the Overall EHR Amount (from Step 4) by the Medicaid Share. Determines Total Payment

Overall Amount	Medicaid Share	Medicaid Aggregate Payment
\$ 6,742,300.00	13.31%	\$ 897,400.11

Step 8: Distribute payment over three years:

Payment Year	Percentage	Medicaid Aggregate Payment
Year 1	50%	\$448,700.07
Year 2	40%	\$358,960.05
Year 3	10%	\$89,740.01