

PRELIMINARY DSH LIMIT CALCULATION TEMPLATE

Hospital Name _____

Medicare ID# _____

Fiscal Year for DSH Limit Calculation (Indicate From/To)

From: _____

To: _____

Type of Facility (acute care, psychiatric, rehabilitation, children's, etc) _____

OVERVIEW

PRELIMINARY DISPROPORTIONATE SHARE LIMIT CALCULATION

The attached template provides a process through which a hospital can calculate its preliminary hospital specific disproportionate share (DSH) limit for the fiscal year the fee program will begin. The hospital specific DSH limit as specified in 1923(g)(1)(A) of the Social Security Act prohibits federal matching funds for any Medicaid disproportionate share payments made in excess of a hospital's DSH limit.

The DSH limit is the difference between Medicaid costs plus costs for treating the uninsured minus Medicaid payments and any payments received on behalf of the uninsured. Payments received on behalf of the uninsured exclude payments made to a hospital for services provided to indigent patients made by a State or a unit of local government, including Charity Care.

The calculation includes both inpatient and outpatient costs and payments for both fee-for-service and managed care programs. Both in state and out-of-state Medicaid and uninsured costs and payments are included in this calculation. In addition, Medicare costs and payments for individuals covered under both the Medicare and Medicaid programs (dual eligibles) are counted for DSH limit calculation purposes. Payments from other third-party payers made on behalf of Medicaid beneficiaries must also be counted.

The result of the calculation provides the estimated maximum amount of DSH payments a hospital may receive for which federal matching funds would be available. Since the calculation is for a future fiscal period, the hospital is best positioned to calculate the most accurate DSH limit for its own facility based on its own projections of services, cost trends and revenue trends. **It is recommended that CMS Market Basket be utilized for cost trending purposes.***

CMS requires the DSH limits to be audited once the actual data for the fiscal year is available. This is required regardless of whether the hospital does projections. The audit is typically two to three years after the year for which the projected DSH limit was calculated. If CMS finds through these audits that a hospital received DSH payments in excess of the audited DSH limit, CMS will require the state to refund the federal share of the overpayment. The state will also recoup the nonfederal share of a DSH overpayment from the hospital. For this reason, it is important for the preliminary hospital specific (DSH) limit to be as accurate as possible to minimize the hospital's risk. If the preliminary limit is higher than the final audited limit and the hospital received DSH payments above the audited DSH limit, the hospital will need to return the overpayment. If the preliminary limit is lower than the final audited limit and the preliminary limit was used to limit DSH payments, the hospital could potentially lose out on DSH payments it otherwise was scheduled to receive. **The projected DSH limit is unlikely to perfectly match the audited DSH calculation, but should be as close as possible to avoid potential overpayments or underpayments, as the hospitals will bear the risk, not the State.**

The attached template is intended as guidance in calculating a hospital's preliminary DSH limit. Its structure is based on data that is generally available through the hospital cost reporting process, paid claims data and other hospital financial records. Costs are derived based on charges and overall hospital inpatient and outpatient cost to charge ratios. However, if a hospital has a more accurate method of determining costs using Medicare cost reporting principles, the hospital should use its own amount. This guidance is provided solely for the purpose of technical assistance. Reliance on this document does not preclude future recovery from CMS or the State.

* Market Basket history and forecasts | *Developed by IHS Global Insight*

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/MarketBasketData.html>

As one tabs through the template, the user will be able to enter the data in the cells. Orange cells are calculated fields and protected so formulas are not inadvertently overwritten. NOTE: for DSH limit calculation purposes, costs and payments for individuals covered under both the Medicare and Medicaid programs (dual eligibles) are counted as Medicaid. Also payments received from other third party payers made on behalf of Medicaid beneficiaries must also be counted. When entering Medicaid cost and payment data, out-of-state Medicaid data should be included.

INPATIENT CHARGES CONVERTED TO COSTS

- Line 1** Enter Medicaid (MA) inpatient fee for service (FFS) charges for the referenced fiscal year.
- Line 2** Enter inpatient FFS charges for individuals eligible for both Medicaid and Medicare (dual eligibles) for the referenced fiscal year.
- Line 3** Enter MA inpatient managed care (MCO) charges for the referenced fiscal year.
- Line 4** Enter inpatient MCO charges for dual eligibles for the referenced fiscal year.
- Line 5** Enter inpatient charges for uninsured individuals for the referenced fiscal year.
- Line 6** Sum of inpatient charges Lines 1-5.
- Line 7** Enter the hospital's Medicare Cost to Charge ratio from the hospital's Medicare cost Report (2552-10) for the referenced fiscal year. The ratio is calculated by dividing Total Hospitals Costs from Worksheet C Part I Column 1 Line 202 by Total Hospital Charges from Worksheet C Part I Column 8 Line 202.
- Line 8** Multiply the hospital cost to charge ratio from Line 7 with the total inpatient charges from Line 6 to determine estimated inpatient costs.

OUTPATIENT CHARGES CONVERTED TO COSTS

- Line 9** Enter MA outpatient FFS charges for the referenced fiscal year.
- Line 10** Enter outpatient FFS charges for dual eligibles for the referenced fiscal year.
- Line 11** Enter MA outpatient MCO charges for the referenced fiscal year.
- Line 12** Enter outpatient MCO charges for dual eligibles for the referenced fiscal year.
- Line 13** Enter outpatient charges for uninsured individuals for the referenced fiscal year.
- Line 14** Sum of outpatient charges Lines 9-13.
- Line 15** Enter the hospital's Medicare Cost to Charge ratio from the hospital's Medicare cost Report (2552-10) for the referenced fiscal year. The ratio is calculated by dividing Total Hospitals Costs from Worksheet C Part I Column 1 Line 202 by Total Hospital Charges from Worksheet C Part I Column 8 Line 202.
- Line 16** Multiply the hospital cost to charge ratio from Line 15 with the total outpatient charges from Line 14 to determine estimated outpatient costs.

TOTAL COSTS TRENDED TO CURRENT YEAR

- Line 17** Add estimated inpatient costs from Line 8 and estimated outpatient costs from Line 16.
- Line 18** Enter a cost trend factor to trend costs forward from the data year to the current year using either the hospital's own cost inflation factor or the CMS inpatient hospital market basket. The market basket link is <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/MarketBasketData>
- Line 19** Multiply the total hospital costs from Line 17 by the cost trend factor from Line 18 to determine total costs for DSH limit calculation purposes.

MEDICAID AND DUAL ELIGIBLE SERVICE PAYMENTS

- Line 20** Enter MA FFS inpatient payments.
- Line 21** Enter MA FFS outpatient payments.
- Line 22** Enter MA MCO inpatient payments.
- Line 23** Enter MA MCO outpatient payments.
- Line 24** Total MA service payments. Sum Lines 20, 21, 22, 23.
- Line 25** Enter dual eligible FFS inpatient payments.
- Line 26** Enter dual eligible FFS outpatient payments.
- Line 27** Enter dual eligible MCO inpatient payments.
- Line 28** Enter dual eligible MCO outpatient payments.
- Line 29** Total dual eligible service payments. Sum Lines 25, 26, 27, 28.

SUPPLEMENTAL AND OTHER PAYMENTS

- Line 30** Enter MA supplemental FFS and/or MCO inpatient and outpatient payment. This does NOT include Charity Care Payments.
- Line 31** Enter payments received for services to the uninsured.
- Line 32** Enter any Section 1011 payments.

TOTAL PAYMENTS

- Line 33** Total payments for data year. Sum Lines 24, 29, 30, 31, 32.
- Line 34** Enter the estimated dollar amount of any Medicaid payment increases that occurred between the data year and the current year.
- Line 35** Total payments Sum Lines 33 and 34.

DSH LIMIT AND DSH ROOM

- Line 36** DSH upper limit. Subtract total payments from Line 35 from Total Costs from Line 19.
- Line 37** Enter hospital's Charity Care (DSH) payments for current year.
- Line 38** DSH Room. Subtract DSH payments from Line 37 from DSH Upper Limit from Line 36 to determine estimated remaining DSH room for hospital.

COST DETERMINATION CALCULATION

LINE	SOURCE	ENTRY/CALCULATION	ITEM	
1	Data	A	Medicaid (MA) FFS Inpatient Charges	
2	Data	B	MA/Medicare Dual Eligible FFS Inpatient Charges	
3	Data	C	MA MCO Inpatient Charges	
4	Data	D	MA/Medicare Dual Eligible MCO Inpatient Charges	
5	Data	E	Uninsured Inpatient Charges	
6	Calculated	F=A+B+C+D+E	Total Medicaid /Uninsured Inpatient Charges	
7	Data	G	Medicare Cost to Charge Ratio (See Instructions)	
8	Calculated	H=F*G	Estimated Medicaid /Uninsured Inpatient Costs	
9	Data	I	Medicaid (MA) FFS Outpatient Charges	
10	Data	J	MA/Medicare Dual Eligible FFS Outpatient Charges	
11	Data	K	MA MCO Outpatient Charges	
12	Data	L	MA/Medicare Dual Eligible MCO Outpatient Charges	
13	Data	M	Uninsured Outpatient Charges	
14	Calculated	N=I+J+K+L+M	Total Medicaid /Uninsured Outpatient Charges	
15	Data	O	Medicare Cost to Charge Ratio (See Instructions)	
16	Calculated	P=N*O	Estimated Medicaid /Uninsured Outpatient Costs	
17	Calculated	Q=H+P	Total Hospital Inpatient and Outpatient Costs for DSH calculation	
18	Data	R	Cost inflation factor (See Instructions)	
19	Calculated	S=Q*R	Total MA I/P and O/P Costs for DSH Limit Calc.	

MEDICAID SERVICE PAYMENTS

LINE	SOURCE	ENTRY/CALCULATION	ITEM	
20	Data	T1	MA FFS Inpatient Payments	
21	Data	T2	MA FFS Outpatient Payments	
22	Data	T3	MA MCO Inpatient Payments	
23	Data	T4	MA MCO Outpatient Payments	
24	Calculated	TT=T1+T2+T3+T4	Total MA Payments	
25	Data	U1	Dual Eligible FFS Inpatient Payments	
26	Data	U2	Dual Eligible FFS Outpatient Payments	
27	Data	U3	Dual Eligible MCO Inpatient Payments	
28	Data	U4	Dual Eligible MCO Outpatient Payments	
29	Calculated	UT=U1+U2+U3+U4	Total Dual Eligible Payments	

SUPPLEMENTAL AND OTHER PAYMENTS

LINE	SOURCE	ENTRY/CALCULATION	ITEM	
30	Data	V	Supplemental MA IP or OP Payments	
31	Data	W	Indigent Self-Pay Revenue	
32	Data	X	Section 1011 Payments	
33	Calculated	Y=TT+UT+V+W+X	Total Payments	
34	Data	Z	Estimated Dollar Amount of Medicaid Payment Increase between base year to target year (if any)	
35	Calculated	AA=Y+Z	Total Estimated Payments for target year	

DSH LIMIT AND DSH LIMIT ROOM

LINE	SOURCE	ENTRY/CALCULATION	ITEM	
36	Calculated	AB=S-AA	DSH UPPER LIMIT	
37	Data	AC	MA Disproportionate Share Payments	
38	Calculated	AD=AB-AC	DSH LIMIT ROOM	