Disproportionate Share Program (DSH) (New Yorker's Indigent Care)

DSH: Current Federal Medicaid Allotment

FFY 2010-11 DSH Allotment:

- Total Federal = $11.0 billion
- NYS $ Share = $1.6 billion
  - $3.2 billion gross spending
- NYS % share = 14.2%

Note: All amounts shown are expressed in federal share dollars (50% of total), except as noted. The FFY 2011-2012 DSH Allotment is the same as the FFY 2010-2011 DSH Allotment.

SFY 2011-12 Projected Statewide DSH Allocations (Gross Spending in Millions)

	Voluntary Hospitals	Public Hospitals	Total
*Indigent Care Pool (192 hospitals)	$656	$139	$795
Indigent Care Adjustment (Federal/Local Funding) (21 hospitals)	$0	$412	$412
Public Hospital DSH IGT (Federal/Local Funding) (24 hospitals)	$0	$1,369	$1,369
OMH Psych Hospital (25 state operated hospitals)	$0	$605	$605
OMH & OASAS Voluntary Hospital DSH (63 hospitals)	$60	$0	$60
Total	$716	$2,525	$3,241

* Indigent Care Pool allocations of $1,182.5M are reduced by the Voluntary Hospital UPL payment of $387.2M, resulting in a Net Pool Allocation of $795.3M.

Current Indigent Care Methodology and Funding

$1,182.5M in Total Funds

$395.2 based on Uninsured Allocations*, $787.3 based on "Other" Allocations

** $310.5M of the $395.2M is targeted to specific groups of hospitals*

$765M: PHL 2807-k

Major Public Distribution: **$139.3M**

($125.4M distribution based on 1996 allocation; $13.9M based on uninsured units x MA rates)

Voluntary High Need: **$32.4M**

(Distribution based on BDCC targeted need > 4% of costs)

Voluntary Distribution: **$593.3M**

($530.7M distribution on BDCC targeted need; $62.6M on uninsured units x MA rates)

$82M: PHL 2807-w

Rural Hospitals Distributions: **$32.3M**

($126K grants + BDCC based upon bed size and need statistic)

Supplemental Voluntary High Need: **$32.4M**

(Distribution based on BDCC targeted need > 4% of costs)

Supplemental Voluntary Distribution: **$17.3M**

($9.1M distribution on BDCC targeted need; $8.2M on uninsured units x MA rates)

$335.5M: PHL 2807-k (5-b)

Voluntary Teaching Regional Distributions:

$269.5M

(Based on 2007 unmet need - uninsured units x MA rate less hospital share of $847M allocation)

Voluntary High MA Safety Net: **$25M**

(Uncompensated care based on uninsured units x MA rates)

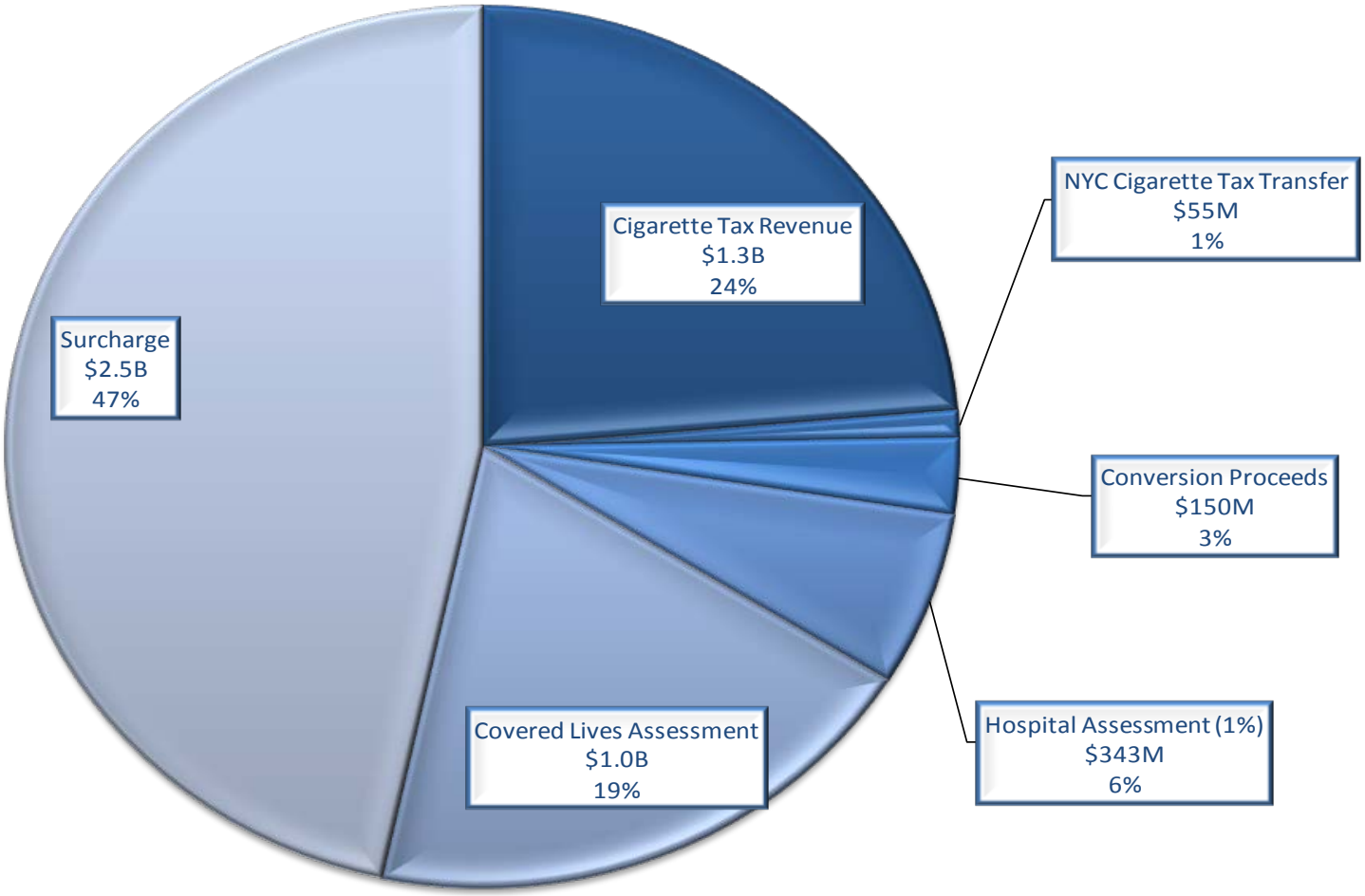
Voluntary High MA Safety Net: **$25M**

(Net MA losses from reform/DRP)

Non-Teaching Hospitals: **$16M**

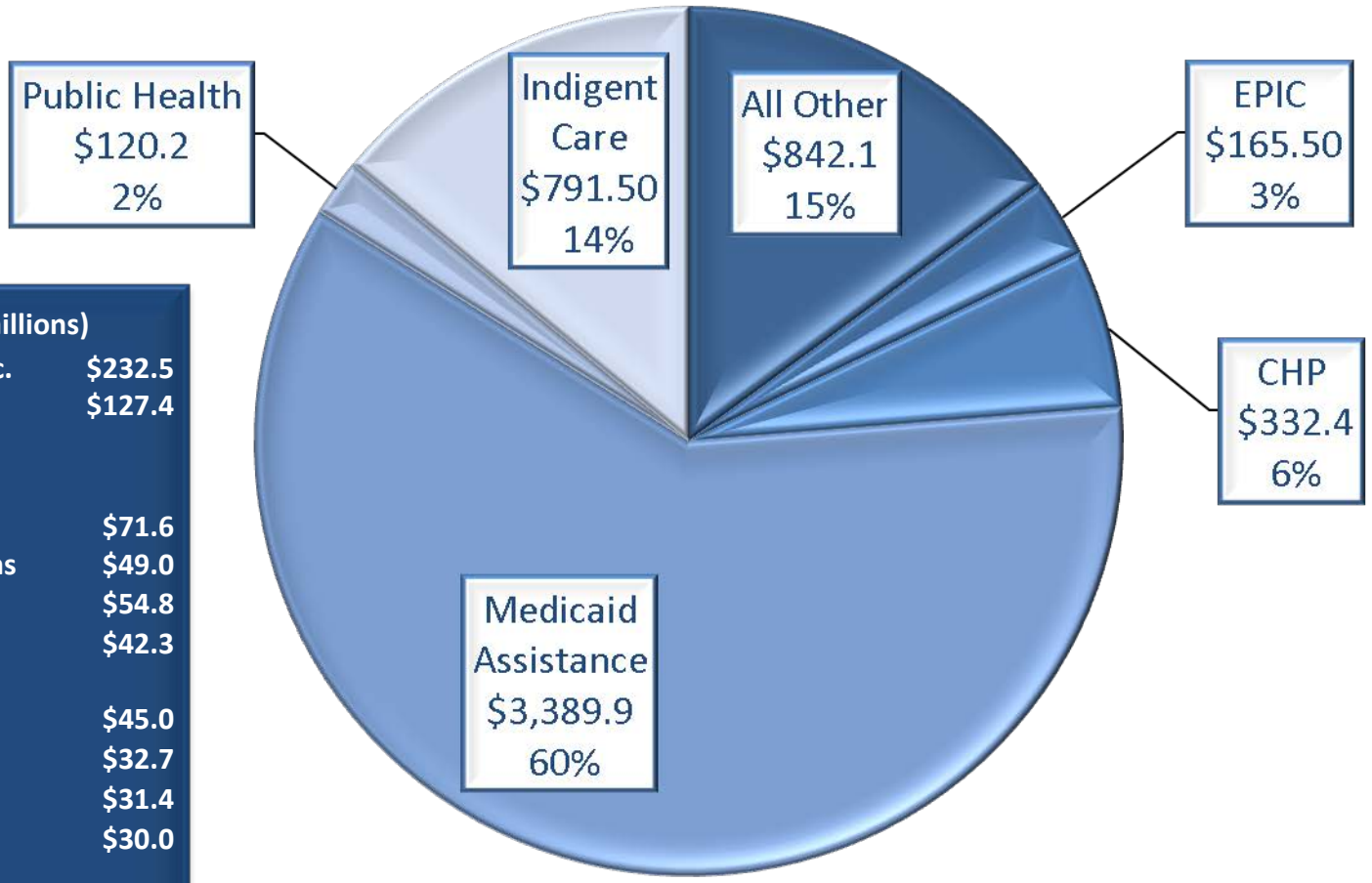
(Uncompensated care based on uninsured units x MA rates)

HCRA Sources of Funds
SFY 2011-2012 (Projected) Total Funding = $5.4B



Source: State of New York, 2011-2012 Executive Budget, Five Year Financial Plan

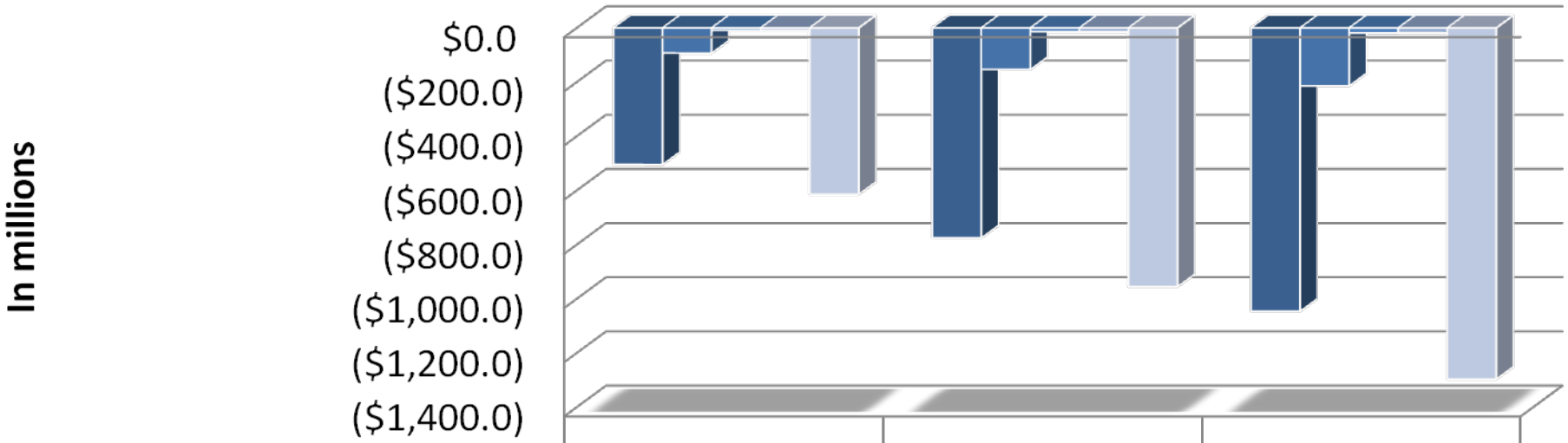
HCRA Disbursements SFY 2011-2012
Enacted Funding = $5,641M



All Other (in millions)	
HEAL NY Programs Inc.	$232.5
Physician Excess Medical Malpractice Program	$127.4
Roswell	$71.6
Anti-Tobacco Programs	$49.0
D&TC BDCC	$54.8
AIDS Drug Assistance Program	$42.3
Stem Cell Research	$45.0
GME Programs	$32.7
Worker Retraining	$31.4
Medical Indemnity Fund	$30.0
Other HCRA Programs	$125.4

Impact of Proposed Federal Provider Tax Cap Reductions (Current Cap = 6%)

(Excludes Medicaid Savings From Reimbursing Its Portion of Tax)



	FFY 2014/15 (4.5% Cap)	FFY 2015/16 (4.0% Cap)	FFY 2016/17 (3.5% Cap)
HOSPITAL	($504.1)	($774.9)	($1,045.7)
NURSING HOMES	($92.8)	($153.2)	($213.6)
FREE STANDING COMP. CLINICS	($8.6)	($13.8)	($18.9)
FREE STANDING AMB. SURG.	($8.8)	($13.4)	($18.0)
Total	($614.3)	($955.2)	($1,296.2)

** Excludes OPWDD assessment on ICFs*

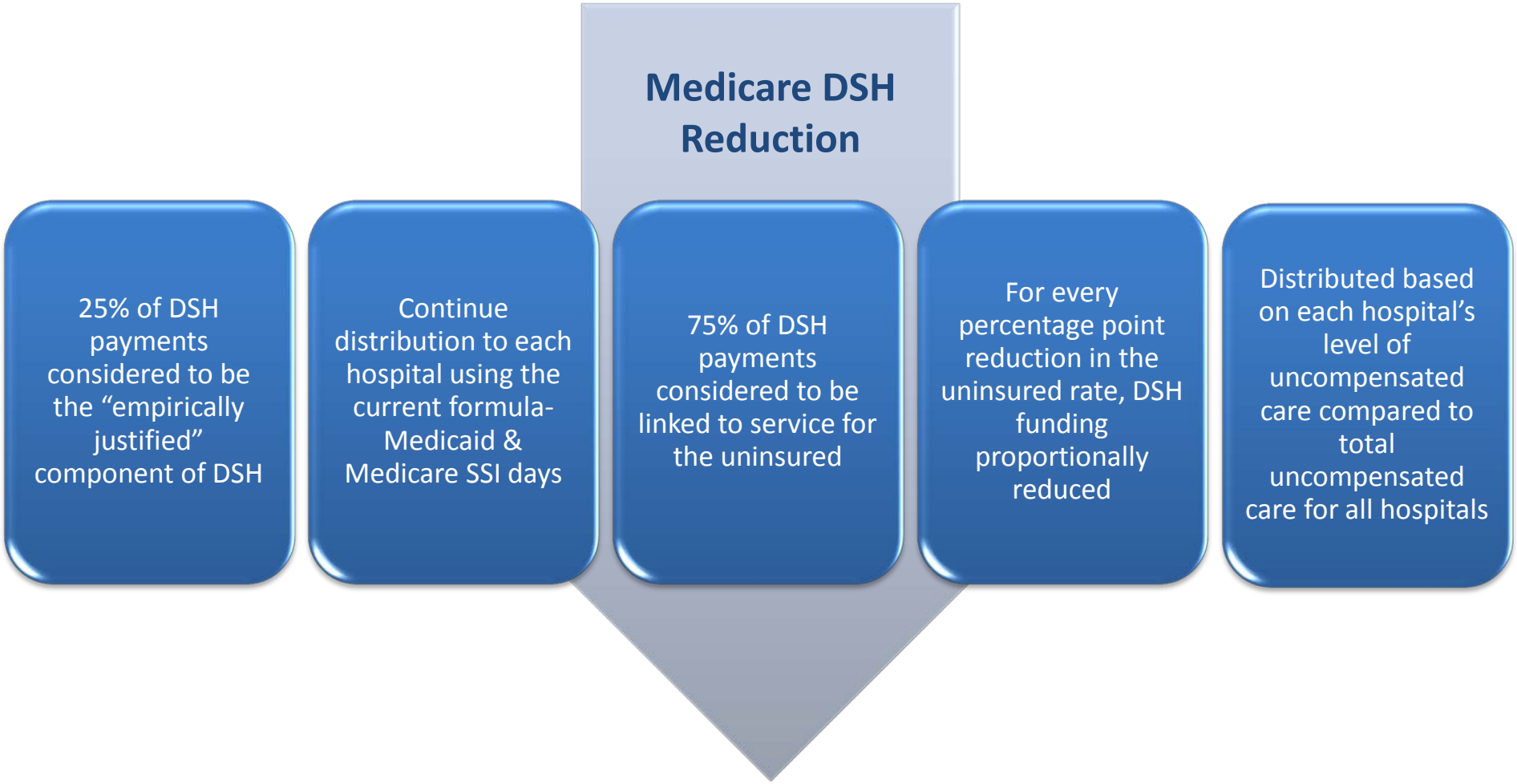
Federal DSH Reform Methodology

Reduction methodology to be applied to each state by three criteria as determined by the Secretary of Health and Human Services:

- Numbers of uninsured.
- How the state uses DSH to subsidize hospitals with high Medicaid and uncompensated care volumes (excluding bad debt).
- Portion of a state's DSH allotment used to expand eligibility through a section 1115 waiver as of July 31, 2009.

Note: Low DSH states will experience a smaller percentage reduction than high DSH states. New York is considered a high DSH state.

DSH: Federal Requirements



Medicare DSH Reduction - $22B over 10 years for the nation
Potential impact on NY hospitals - $2.5B

Aggregate Medicaid DSH Reduction (in Millions)

Federal Fiscal Year	National DSH Reduction	Estimated New York State Share of Reduction
2013-14	$500	$71.0
2014-15	$600	$85.2
2015-16	$600	$85.2
2016-17	$1,800	$255.6
2017-18	$5,000	$710.0
2018-19	$5,600	$795.2
2019-20	$4,000	$568.0
Total	**$18,100**	**$2,570.2**

**Assumes a linear reduction equivalent to New York State's 14.2 percent share of total national DSH spending. The actual reduction to New York State's DSH allotment can not be determined at this time, and will be dependent on how much of New York's DSH dollars are targeted to providing services to Medicaid and uninsured patients.*

New Federal Hospital-Specific DSH Caps Impact Hospital DSH Distributions

- Based on Medicaid and uninsured losses, (applying more restrictive Federal definition):
  - Uninsured Patients Only – CMS previously allowed costs associated with uncovered services for patients with insurance
  - Detailed Cost Allocation for Determining Medicaid and Uninsured Costs – CMS previously allowed New York State hospitals several options to determine the most favorable cost allocation
- Impact on 2011 Hospital DSH Distributions:
  - 17 hospitals: $23M in DSH reductions

Safety-Net Providers

Assistance to Safety-Net Hospitals, Nursing Homes and Clinics

- A safety-net provider could range from a sole community provider in a rural area of the State to an urban hospital that provides a disproportionally large number of services to the uninsured. A safety-net provider could also be a nursing home or diagnostic & treatment center. Determining factors include:
  - Demonstrated historical financial distress; or
  - Been deemed, to the satisfaction of the Commissioner, to be a provider that fulfills an unmet health care need for the community.

- Assistance should provide operating and restructuring assistance to make critical decisions to either close, merge or restructure.
  - Closures can negatively impact needed health care services
  - Providers at risk for closing may be able to survive through right sizing and/or a change in its mission

Assistance to Safety-Net Hospitals, Nursing Homes and Clinics

- Elements of assistance are:
  - (1) Reimbursement rate increases on a short term basis could be provided to providers, to ensure they have adequate resources to transition services and patients to their facilities or complete a merger;
  - (2) FSHRP/HEAL capital grants;
  - (3) Explore use of other capital/debt assistance;
  - (4) Use of State oversight to assist mergers;
  - (5) Direct workforce retraining funds to assist restructuring; and
  - (6) Provide hospitals with financial incentives to voluntarily reduce excess staffed bed capacity and redirect Medicaid resources to expand outpatient/ambulatory surgery capacity. Hospitals opting into this program may receive an APG rate enhancement.

Process for Assistance

- The Department of Health will create a process whereby significantly troubled hospitals, nursing homes and clinics may submit applications to the Department seeking assistance to facilitate an orderly closure, merger or restructuring.

- Such applications must be accompanied with a highly specific plan enumerating the financial and programmatic challenges facing the facility, a transition plan for merger, closure or restructuring, the type and amount of resources needed to accomplish the plan, and the anticipated impact of the plan on the overall community.