



**Supplemental Payments to Hospitals**  
**Impacts of Centennial Care and the Patient Protection and Affordable Care Act**

**Presented to the Legislative Health and Human Services Committee**

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**Disproportionate Share Hospital (DSH) Payments**

- Federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a significantly disproportionate number of low-income patients. Eligible hospitals are referred to as DSH hospitals. States receive an annual DSH allotment to cover the costs of DSH hospitals that provide care to low-income patients that are not paid by other payers, such as Medicare, Medicaid, the Children's Health Insurance Program (CHIP) or other health insurance.<sup>1</sup>
- This annual allotment is calculated by law and includes requirements to ensure that the DSH payments to individual DSH hospitals are not higher than these actual uncompensated costs.
- Each state receives a DSH allotment for payments to qualifying hospitals. New Mexico is considered a low-DSH state, receiving a little more than \$20 million per year. These federal funds are matched with general fund revenue for total payments to hospitals of about \$29 million per year. (See Table 4, attached)

**DSH Reductions in the Patient Protection and Affordable Care Act (PPACA)**

- The federal health care reform law reduces federal Medicaid DSH allotments to states by \$18.1 billion over a seven year period (FYs 2014-2020).<sup>2</sup> The payments will be reduced by \$500 million in FY 2014, \$600 million in FYs 2015-2016, \$1.8 billion in FY 2017, \$5 billion in FY2018, \$5.6 billion in FY2019, and \$4 billion in FY 2020.
- Exact state impacts are unknown because the secretary of the Department of Health Services is required to develop Medicaid DSH reduction methodology that "imposes the

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<sup>1</sup> See: <http://www.hhs.gov/recovery/cms/dsh.html>

<sup>2</sup> The law also reduces Medicare DSH payments to hospitals, which is not included in this total.

largest percentage reductions on the states that have the lowest percentage of uninsured individuals... [that] do not target their DSH payment on hospitals with high volumes of Medicaid inpatients, ...and hospitals with high levels of uncompensated care.”<sup>3</sup>

- Based on the Congressional Budget Office’s estimated reduction ration, in New Mexico this may reduce DSH payment from \$30.1 million in FY14 to \$17.3 million in FY20:

**Table 1. Estimated DSH Reductions in New Mexico under PPACA**

(in millions)	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Total DSH	\$30.1	\$30.1	\$30.7	\$28.5	\$20.6	\$17.4	\$17.3

\*The federal share of these DSH numbers is based on the estimated FMAP for FFY 2014 of 68.79% for NM.

### Sole Community Provider Hospital Program and Upper Payment Limit (UPL) Programs

- SCPH program established by Indigent Hospital and County Health Care Act and is a federal/state payment program administered by the Human Services Department (HSD), matching county funds with federal dollars.
- A supplemental payment program for hospitals that are the sole source of care for individuals in a designated area. The maximum funding is based on the HSD on a formula established by the state and approved by the federal government
- All New Mexico acute care hospitals, except for hospitals in Albuquerque, participate in the SCP program – 28 hospitals in total. UPL supplemental available annually (September) for SCP hospitals. University of New Mexico Hospital participates in this program.
- Total payments for FY13, depending on available county matching funds, are estimated to be \$246.2 million.
  - Sole Community Payments are estimated to be \$162 million
  - Available UPL supplemental payments could be \$84.2 million.
- Counties supply matching funds for the program, usually from revenue generated by local option gross receipt taxes for county indigent health care. A few counties use hospital mill levies.
- Recent available SCPH funding (in millions):

**Table 2. Sole Community Provider Hospital Program Payments**

	FY11	FY12	FY13
Total SCPH payments	\$264.6	\$213.7	\$246.2

<sup>3</sup> Health Affairs Blog, “Uncompensated Care Costs and the Reductions in Medicaid DSH Payments” October 15, 2010, found at: <http://healthaffairs.org/blog/2010/10/15/health-reform-uncompensated-care-costs-and-reductions-in-medicaid-dsh-payments/>

## Centennial Care and the Sole Community Provider Hospital Program and Upper Payment Limit (UPL) Programs

- The Centennial Care waiver proposes to maintain the SCP program, but more directly tie the supplemental payments to address uncompensated care and support delivery system improvements.
- Sole Community funding is included in the proposed five-year budget-neutrality agreement of the waiver application. Over the five years of the demonstration waiver (2014-2018), available Sole Community Funding would total \$2.18 billion:

**Table 3. Sole Community Funding Proposed for Centennial Care (in millions)**

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
\$369.5	\$400.6	\$436.4	\$472.5	\$509.9	\$2,188.9

- The proposal to CMS divides the pool into two sub-pools; one of which will provide dollars to support the uncompensated care burden borne by the hospitals as New Mexico does not anticipate 100% “take up” among its uninsured population. The second sub-pool would be used to support projects proposed by the hospitals that will support the growth of the health care infrastructure of the State.
- Counties would continue to play a significant role in supporting this effort by supplying the state share of the payments.
- HSD, the NM Hospital Association, and the Association of Counties are meeting regularly to further develop the Centennial Care Sole Community Provider program.

**Table 4. DSH Funding in New Mexico**

	<b>SFY10</b>	<b>SFY11</b>	<b>SFY12</b>
University Hospital	\$22,262,536	\$22,312,722	\$22,533,146
Alta Vista Regional Hospital	\$108,403	\$34,359	\$111,254
Carlsbad Medical Center	\$250,260	\$318,558	\$251,020
Cibola General Hospital	\$78,901	\$99,144	\$73,958
Eastern New Mexico Medical Center	\$294,948	\$78,592	\$220,339
Espanola Hospital	\$128,845	\$166,854	\$165,192
Gerald Champion Regional Medical Center	\$0	\$212,844	\$52,134
Gila Regional Medical Center	\$0	\$0	\$119,344
Holy Cross Hospital	\$157,497	\$179,913	\$225,269
Lea Regional Hospital	\$443,045	\$67,533	\$311,741
Lincoln County Hospital	\$105,042	\$127,467	\$123,964
Lovelace Women's Hospital	\$778,156	\$1,078,882	\$908,398
Memorial Medical Center	\$0	\$0	\$674,762
Mesilla Valley Hospital	\$217,480	\$276,652	\$35,618
Mimbres Memorial Hospital	\$137,537	\$30,410	\$116,380
NM Rehabilitation Center			\$335,150
Plains Regional Medical Center - Clovis	\$418,696	\$615,182	\$498,888
Presbyterian Hospital	\$1,597,525	\$2,132,139	\$2,073,741
Rehoboth McKinley Christian Hospital	\$305,926	\$63,387	\$139,910
Roswell Regional Hospital	\$0	\$374,012	\$347,191
San Juan Regional Medical Center	\$828,118	\$682,411	\$181,177
Sierra Vista Hospital	\$409,560	\$0	\$0
Socorro General Hospital	\$63,968	\$87,547	\$76,336
St Vincent Hospital	\$472,201	\$254,929	\$0
The Peak Psychiatric Hospital	\$221,912	\$53,123	
Union County Hospital	\$12,252	\$1,580	\$0
<b>Total*</b>	<b>\$29,292,808</b>	<b>\$29,248,240</b>	<b>\$29,574,912</b>

\*Total payments comprised of federal and state share.

**Table 5. FY13 Sole Community Provider Hospital Payments  
(not including estimated UPL Supplemental Payment)**

<b>Hospital Name</b>	<b>FY13*</b>
Artesia	\$907,405
Cibola	\$9,355,287
Carlsbad Medical Center	\$4,649,000
Dr. Dan Trigg Memorial Hospital	\$5,403,706
Eastern New Mexico Medical Center	\$5,833,266
Espanola	\$3,084,322
Gerald Champion	\$3,350,440
Gila Regional	\$18,075,005
Guadalupe County	\$5,449,252
Holy Cross	\$2,200,000
Leal Regional	\$1,678,103
Lincoln County	\$1,916,004
Los Alamos	\$835,978
Memorial Medical Center	\$28,342,818
Mimbres	\$2,280,873
Miner's Colfax	\$703,366
Mountain View Regional	\$1,946,248
Alta Vista Regional	\$390,463
Nor-Lea General	\$1,741,115
Plains Clovis	\$2,570,000
Rehoboth- McKinley	\$7,000,000
Roosevelt General	\$3,718,861
Roswell Regional	\$648,142
San Juan Regional	\$30,783,274
Sierra Vista	\$4,608,002
Socorro General	\$3,302,834
Christus St. Vincent	\$7,045,400
Union City	\$4,177,819
<b>TOTAL</b>	<b>\$161,996,983</b>
State Share Due By County	\$49,988,226
Federal Match	\$112,008,752
<b>Total</b>	<b>\$161,996,978</b>

\* The amounts noted reflect the amount approved based on the methodologies outlined in the regulations. Final payments amount are subject to settlement paybacks as per an agreement between HSD and CMS.