

1 AN ACT relating to disproportionate share hospital payments and making an  
2 appropriation therefor.

3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

4 ➔Section 1. KRS 205.639 is amended to read as follows:

5 As used in KRS 205.639 to 205.640~~[205.641]~~, unless the context otherwise requires:

- 6 (1) "Acute care hospital" means an acute care hospital~~[- critical access hospital, or~~  
7 ~~comprehensive physical rehabilitation hospital]~~ licensed under KRS ~~[Chapter~~  
8 ~~]~~216B.0425 ***except that it shall not include a critical access hospital, private***  
9 ***psychiatric hospital, or state mental hospital;***
- 10 (2) ***"Comprehensive physical rehabilitation hospital" means an in-state freestanding***  
11 ***rehabilitation hospital that also meets the criteria for an inpatient rehabilitation***  
12 ***facility under 42 C.F.R. sec. 412.29***~~["Private psychiatric hospital" means a~~  
13 ~~psychiatric hospital licensed under KRS Chapter 216B that is not a state mental~~  
14 ~~hospital];~~
- 15 (3) ***"Critical access hospital" means a hospital licensed as a critical access hospital***  
16 ***under KRS 216.380***~~["State mental hospital" means a psychiatric hospital licensed~~  
17 ~~under KRS Chapter 216B that is owned and operated by the Commonwealth]; ~~and]~~~~
- 18 (4) ***"Department" means the Department for Medicaid Services;***~~["University~~  
19 ~~hospital" means a state university teaching hospital, owned and operated by either~~  
20 ~~the University of Kentucky School of Medicine or the University of Louisville~~  
21 ~~School of Medicine]~~
- 22 (5) ***"Essential hospital" means an acute care hospital that qualifies as a Medicaid***  
23 ***inpatient utilization rate (MIUR) hospital, a low-income utilization rate (LIUR)***  
24 ***hospital, or a critical access hospital;***
- 25 (6) ***"Final disproportionate share hospital payment" or "final DSH payment"***  
26 ***means the state fiscal year DSH payment for a hospital determined by the***  
27 ***department using the hospital's examined Medicaid DSH survey and which is***

1 reconciled to the hospital's initial state fiscal year DSH payment and limited to  
2 the hospital's hospital-specific DSH limit;

3 (7) "Hospital-specific disproportionate share hospital limit" or "Hospital-specific  
4 DSH limit" means the limitation required under 42 U.S.C. sec. 1396r-4(g) and  
5 corresponding regulations that a DSH payment may not exceed a hospital's  
6 uncompensated costs of providing inpatient hospital and outpatient hospital  
7 services to Medicaid-eligible individuals and uninsured individuals;

8 (8) "Initial disproportionate share hospital payment" or "Initial DSH payment"  
9 means the state fiscal year DSH payment made to a hospital by the department  
10 using data, subject to limited review, from the hospital's Medicaid DSH survey or  
11 proxy information and which is subject to reconciliation when the hospital's  
12 Medicaid DSH survey is examined;

13 (9) "Long-term acute hospital" means an in-state hospital that is certified as a long-  
14 term care hospital under 42 U.S.C. sec. 1395ww(d)(1)(B)(iv);

15 (10) "Low-income utilization rate" or "LIUR" means, for a hospital, the sum of:

16 (a) A fraction expressed as a percentage, rounded to the nearest hundredth:

17 1. The numerator of which is the sum for a period of the total Medicaid  
18 revenues paid to the hospital for patient services, regardless of  
19 whether the services were furnished on a fee-for-service basis or  
20 through a managed care entity, and the amount of cash subsidies for  
21 patient services received directly from state and local governments;

22 and

23 2. The denominator of which is the total amount of revenues of the  
24 hospital for patient services, including the amount of cash subsidies,  
25 in the period; and

26 (b) A fraction expressed as a percentage rounded to the nearest hundredth:

27 1. The numerator of which is the total amount of the hospital's charges

- 1 for inpatient hospital services which are attributable to charity care in  
2 a period, less the portion of any cash subsidies described in  
3 subparagraph 1. of paragraph (a) of this section in the period  
4 reasonably attributable to inpatient hospital services, and which shall  
5 not include contractual allowances and discounts other than for  
6 indigent patients not eligible for medical assistance; and
- 7 2. The denominator of which is the total amount of the hospital's  
8 charges for inpatient hospital services in the hospital in the period;
- 9 (11) "Low income Utilization rate hospital" or "LIUR hospital" means an acute care  
10 hospital whose low-income utilization rate exceeds one hundred twenty percent  
11 (120%) of the state average low-income utilization rate rounded to the nearest  
12 hundredth for all acute care hospitals, critical access hospitals, private  
13 psychiatric hospitals, and university hospitals combined, as reported on the  
14 hospitals' Medicaid DSH surveys;
- 15 (12) "Medicaid disproportionate share hospital survey" or "Medicaid DSH survey"  
16 means the report required to be submitted by each hospital receiving Medicaid  
17 disproportionate share payments pursuant to 42 C.F.R. sec. 447.299;
- 18 (13) "Medicaid uncompensated care" means the same as in 42 C.F.R. sec.  
19 447.299(c)(11);
- 20 (14) "Medicaid inpatient utilization rate" or "MIUR" means, for a hospital, a  
21 fraction expressed as a percentage rounded to the nearest hundredth for which  
22 the numerator shall be the number of in-state and out-of-state inpatient Medicaid  
23 days where Medicaid is the primary payor, covered under fee-for-service and  
24 managed care, and for which the denominator shall be the total number of  
25 inpatient days for the hospital as reported on the hospital's Medicaid DSH  
26 survey. However, for a pediatric teaching hospital, as defined in KRS 205.565, the  
27 calculation shall exclude from the numerator and the denominator the hospital's

- 1 inpatient Medicaid days utilized in the calculation of an intensity operating  
2 allowance (IOA) payment. Supplemental information will be requested to support  
3 the IOA days included in the Medicaid DSH survey submission;
- 4 (15) "Medicaid inpatient utilization rate hospital" or "MIUR hospital" means an  
5 acute care hospital whose MIUR equals or exceeds one (1) standard deviation  
6 above the mean MIUR rounded to the nearest hundredth for all acute care  
7 hospitals, critical access hospitals, private psychiatric hospitals, and university  
8 hospitals combined, as determined from the hospitals' Medicaid DSH surveys;
- 9 (16) "Paid claims listing" or "PCL" means a report created for a hospital by the  
10 department, or by a Medicaid managed care organization using the same format  
11 as the department, with claim level payment information prescribed by the  
12 department in sufficient detail to permit reconciliation with the hospital's internal  
13 data for each Medicaid recipient or managed care enrollee having a discharge  
14 date or service date, as applicable, for inpatient or outpatient services within a  
15 hospital's fiscal year;
- 16 (17) "Private psychiatric hospital" means a psychiatric hospital licensed under KRS  
17 Chapter 216B that is not a state mental hospital and is not a distinct part unit of a  
18 licensed acute care hospital or operated under the same provider number as a  
19 licensed acute care hospital;
- 20 (18) "State mental hospital" means a psychiatric hospital licensed under KRS  
21 Chapter 216B that is owned or operated by the Commonwealth;
- 22 (19) "Total uncompensated care costs" means the same as in 42 C.F.R. sec.  
23 447.299(c)(16);
- 24 (20) "Uninsured uncompensated care costs" means the same as in 42 C.F.R. sec.  
25 447.299(c)(15); and
- 26 (21) "University hospital" means a state university teaching hospital, owned or  
27 operated by either the University of Kentucky School of Medicine or the

1        *University of Louisville School of Medicine.*

2        ➔Section 2. KRS 205.640 is amended to read as follows:

3        (1) The commissioner of Medicaid services shall adopt a disproportionate share  
4        program consistent with the requirements of Title XIX of the Social Security Act  
5        which shall include to the extent possible, but not limited to, the provisions of this  
6        section.

7        (2) The Medical Assistance Revolving Trust Fund (MART) shall be established in the  
8        State Treasury and all provider tax revenues collected pursuant to KRS 142.301 to  
9        142.363 shall be deposited in the State Treasury and transferred on a quarterly basis  
10       to the Department for Medicaid Services for use as specified in this section. All  
11       investment earnings of the fund shall be credited to the fund. Provider tax revenues  
12       collected in accordance with KRS 142.301 to 142.363 may be used to fund the  
13       provisions of KRS 216.2920 to 216.2929 and to supplement the medical assistance-  
14       related general fund appropriations for fiscal year 1994 and subsequent fiscal years.  
15       Notwithstanding the provisions of KRS 48.500 and 48.600, the MART fund shall  
16       be exempt from any state budget reduction acts.

17       (3) (a) Beginning in state fiscal year 2000-2001 and continuing annually thereafter,  
18       provider tax revenues and state and federal matching funds shall be used to  
19       fund the disproportionate share program established by administrative  
20       regulations promulgated by the Cabinet for Health and Family Services.  
21       Disproportionate share funds shall be divided into three (3) pools for  
22       distribution as follows:

23       1. *An acute care pool, composed of critical access hospitals,*  
24       *comprehensive physical rehabilitation hospitals, long-term acute*  
25       *hospitals, and acute care hospitals that do not qualify as a university*  
26       *hospital, shall receive an initial and a final allocation determined by*  
27       *subtracting from the state's total DSH allotment:*

- 1                    a. The allocation required in subparagraph 2. of this paragraph for  
 2                    the psychiatric pool; and
- 3                    b. The initial or final, as applicable, DSH payments to be made to  
 4                    hospitals in the university pool in subparagraph 3. of this  
 5                    paragraph~~[Forty three and ninety two hundredths percent~~  
 6                    ~~(43.92%) of the total disproportionate share funds shall be~~  
 7                    ~~allocated to acute care hospitals];~~
- 8                    2. A psychiatric pool, composed of private psychiatric hospitals and state  
 9                    mental hospitals, shall receive the percentage allowable by federal law  
 10                    pursuant to 42 U.S.C. sec. 1396r-4(h), up to nineteen and eight-  
 11                    hundredths percent (19.08%) of the total disproportionate share funds,  
 12                    with the allocation between each respective group of hospitals  
 13                    established by the biennial budget; except, however, that the allocation  
 14                    to state mental hospitals shall not exceed ninety-two and three-tenths  
 15                    percent (92.3%) of the total allotment to the psychiatric pool. If there  
 16                    are remaining funds within the psychiatric pool after all private  
 17                    psychiatric hospitals reach their hospital-specific DSH limit, state  
 18                    mental hospitals may exceed the ninety-two and three-tenths percent  
 19                    (92.3%) limit but may not exceed their hospital-specific DSH  
 20                    limit~~[Thirty seven percent (37%) of the total disproportionate share~~  
 21                    ~~funds shall be allocated to university hospitals];~~
- 22                    3. A university hospital pool, composed of university hospitals, shall  
 23                    receive thirty-seven percent (37%) of the state's DSH allotment;  
 24                    except, however, that initial and final DSH payments to university  
 25                    hospitals shall be determined according to paragraph (e) of this  
 26                    subsection and not exceed the pool's overall allotment~~[The percentage~~  
 27                    ~~allowable by federal law pursuant to 42 U.S.C. sec. 1396r-4(h), up to~~

1           ~~nineteen and eight hundredths percent (19.08%) of the total~~  
 2           ~~disproportionate share funds shall be allocated to private psychiatric~~  
 3           ~~hospitals and state mental hospitals, with the allocation to each~~  
 4           ~~respective group of hospitals established by the biennial budget];~~

5           4. If there are any remaining disproportionate share funds from *the*  
 6           *psychiatric pool*~~[private psychiatric hospitals and state mental~~  
 7           ~~hospitals]~~, fifty-four percent (54%) of those funds shall be distributed to  
 8           the *acute care pool and*~~[acute care hospitals]~~ and forty-six percent  
 9           (46%) shall be distributed to the *university pool. If the university*  
 10           *hospitals are unable to absorb additional DSH payment dollars,*  
 11           *remaining funds shall be distributed to the acute care pool*~~[university~~  
 12           ~~hospitals]~~; and

13           5. If, in any year,~~one (1) or both]~~ university hospitals fail to provide state  
 14           matching funds necessary to secure federal financial participation for the  
 15           funds allocated to university hospitals under this subsection, the portion  
 16           of the funding allocation *that is not matched by university*  
 17           *hospitals*~~[applicable to the hospital or hospitals that fail to provide state~~  
 18           ~~matching funds]~~ shall be made available to *the acute care pool*~~[acute~~  
 19           ~~care hospitals]~~.

20           (b) The MART fund shall be used to compensate acute care hospitals, private  
 21           psychiatric hospitals, state mental hospitals, *critical access hospitals,*  
 22           *comprehensive physical rehabilitation hospitals, long-term acute care*  
 23           *hospitals,* and university hospitals participating in the disproportionate share  
 24           program for uncompensated *care costs*~~[service provided by the hospitals to~~  
 25           ~~individuals and families with total annual incomes and resources up to one~~  
 26           ~~hundred percent (100%) of the federal poverty level, as determined by the~~  
 27           ~~hospital pursuant to administrative regulations promulgated by the Cabinet for~~

1 ~~Health and Family Services in accordance with this section].~~

2 (c) An individual hospital shall receive distributions~~[ for indigent care provided~~  
3 ~~by that hospital]~~ if the hospital meets the requirements of the disproportionate  
4 share program pursuant to 42 U.S.C. sec. 1396r-4.

5 (d) 1. An individual hospital shall not receive an initial DSH payment unless  
6 the hospital submits a Medicaid DSH survey by the deadline  
7 established by subsection (8)(a) of this section, unless the deadline has  
8 been extended by the commissioner of the department. Extension  
9 requests shall be received at least ten (10) days prior to the deadline.  
10 Extensions shall be limited to rare circumstances which prevent the  
11 hospital from meeting the deadline despite due diligence. Extensions  
12 shall be granted for no more than thirty (30) calendar days from the  
13 original due date for the Medicaid DSH survey. Failure to submit a  
14 DSH survey in a timely manner or other required information for  
15 receipt of an initial DSH payment shall result in an individual  
16 hospital's final DSH payment being reduced by twenty percent (20%).  
17 2. A hospital newly enrolled in the Medicaid program, which does not  
18 have at least six (6) months of cost report information necessary to  
19 calculate an initial DSH payment, may submit a limited DSH survey  
20 for the purpose of determining if the hospital is eligible to receive an  
21 initial DSH payment.

22 (e) Distributions ~~[to acute care and private psychiatric hospitals]~~ shall be made as  
23 follows:

24 1. For state fiscal year 2018-2019, the department shall use the  
25 examined state fiscal year 2014-2015 DSH survey to calculate an  
26 initial DSH payment. Providers who did not receive a DSH payment  
27 for state fiscal year 2014-2015 shall be eligible to submit data for the



1 purpose of the 2019 payment, subject to limited review. For state fiscal  
2 year 2019-2020, and each year thereafter, the department shall use the  
3 Medicaid DSH survey covering the hospital's fiscal year ending in the  
4 calendar year preceding July 1 of the applicable state fiscal year to  
5 calculate an initial DSH payment. Using the surveys submitted in  
6 accordance with this subsection, payments shall be made as follows:

7 a. Each university hospital in the university pool shall receive an  
8 initial DSH payment equal to one hundred percent (100%) of the  
9 hospital's total uncompensated care costs if the total initial DSH  
10 payments to all hospitals in the university pool do not exceed the  
11 maximum allotment to the university pool as set forth in  
12 subsection (3)(a) of this section. If the total uncompensated care  
13 costs for the pool exceed the pool's maximum allotment, the  
14 initial uncompensated care factor for university hospitals shall  
15 be determined by calculating the percentage of each hospital's  
16 total uncompensated care costs toward the sum of the total  
17 uncompensated care costs of all hospitals in the university pool,  
18 and each hospital's initial DSH payment shall be calculated by  
19 multiplying the hospital's initial uncompensated care factor by  
20 the total funds allocated to the university hospital pool;

21 b. For each private psychiatric and state mental hospital in the  
22 psychiatric pool, the department shall calculate an initial  
23 uncompensated care factor. The initial uncompensated care  
24 factor for a private psychiatric or state mental hospital shall be  
25 determined by calculating the percentage of each hospital's total  
26 uncompensated care costs toward the sum of the total  
27 uncompensated care costs for all private psychiatric or state

1 mental hospitals in the psychiatric pool, as appropriate. Each  
2 hospital's initial DSH payment shall be calculated by multiplying  
3 the hospital's initial uncompensated care factor by the total  
4 funds allocated to private psychiatric or state mental hospitals in  
5 the psychiatric pool, as appropriate. No individual hospital's  
6 initial DSH payment shall exceed the hospital's hospital-specific  
7 DSH limit;

8 c. For each hospital in the acute care pool, the department shall  
9 make an initial determination of whether the acute care hospital  
10 qualifies as an essential hospital and calculate an initial  
11 uncompensated care factor for each hospital. The initial  
12 uncompensated care factor for each hospital in the acute care  
13 pool shall be determined by calculating the percentage of each  
14 hospital's total uncompensated care costs toward the sum of the  
15 total uncompensated care costs for all hospitals in the acute care  
16 pool except that the initial uncompensated care factor for an  
17 essential hospital shall be calculated using two hundred percent  
18 (200%) of the hospital's total uncompensated care costs. Each  
19 hospital's initial DSH payment shall be calculated by multiplying  
20 the hospital's initial uncompensated care factor by the total  
21 funds allocated to the acute care pool. No individual hospital's  
22 initial DSH payment shall exceed the hospital's hospital-specific  
23 DSH limit;

24 d. For any hospital that is newly enrolled in the Medicaid program  
25 and lacks at least six (6) months of cost report information, the  
26 department shall calculate a proxy amount for the hospital's  
27 uncompensated care costs. A newly enrolled hospital's

1 uncompensated care costs proxy amount shall be determined by  
 2 first dividing the total uncompensated care costs for all non-  
 3 newly enrolled hospitals in the appropriate pool by the total  
 4 number of hospital beds, excluding swing beds, reported on the  
 5 Medicaid cost reports by those hospitals and then multiplying the  
 6 resulting uncompensated care cost per bed by the new hospital's  
 7 total number of hospital beds, excluding swing beds. Any  
 8 uncompensated care costs proxy amounts calculated for newly  
 9 enrolled hospitals shall be used in the determination of initial  
 10 uncompensated care factors for all other hospitals in the  
 11 appropriate pool;

12 e. The department may make adjustments to a Medicaid DSH  
 13 survey filed by a hospital to correct information that is  
 14 incomplete or inaccurate as determined by limited review. If the  
 15 department makes adjustments to a hospital's Medicaid DSH  
 16 survey, the department shall provide written notice to the  
 17 hospital;

18 f. If a hospital has a negative uncompensated care cost, its  
 19 uncompensated care costs shall be excluded from the calculation  
 20 of any uncompensated care costs proxy amount for newly  
 21 enrolled hospitals and uncompensated care factors for the  
 22 appropriate pool;

23 ~~[The department shall calculate an indigent care factor for each hospital~~  
 24 ~~annually. The indigent care factor shall be determined by calculating the~~  
 25 ~~percentage of each hospital's annual indigent care costs toward the sum~~  
 26 ~~of the total annual indigent care costs for all hospitals within each~~  
 27 ~~respective pool. For purposes of this paragraph, "indigent care costs"~~

1           ~~means the hospital's inpatient and outpatient care as reported to the~~  
2           ~~department multiplied by the hospital's Medicaid rate, or at a rate~~  
3           ~~determined by the department in administrative regulation that, when~~  
4           ~~multiplied by the hospital's reported indigent care, is equivalent to the~~  
5           ~~amount that would be payable by the department under the fee for~~  
6           ~~service Medicaid program for the hospital's total reported indigent care.~~

7           ~~2.—Each hospital's annual distribution shall be calculated by multiplying the~~  
8           ~~hospital's indigent care factor by the total fund allocated to all hospitals~~  
9           ~~within the respective pool under paragraph (a) of this subsection.~~

10          ~~a.—Hospitals shall report uncompensated care provided to qualified~~  
11           ~~individuals and families with total annual incomes and resources~~  
12           ~~up to one hundred percent (100%) of the federal poverty level,~~  
13           ~~including care rendered to indigent persons age twenty two (22) to~~  
14           ~~sixty four (64) in a psychiatric hospital to the Cabinet for Health~~  
15           ~~and Family Services on a quarterly basis. However, all data for~~  
16           ~~care provided during the state fiscal year shall be submitted no~~  
17           ~~later than August 15 of each year.~~

18          ~~b.—For state fiscal year 2001-2002 and each year thereafter, the~~  
19           ~~department shall use data reported by the hospitals for indigent~~  
20           ~~care services rendered for the twelve (12) month period ending~~  
21           ~~June 30 of each year as reported by the hospital to the department~~  
22           ~~by August 15 in calculating each hospital's indigent care factor.~~  
23           ~~The hospital shall, upon request by the Cabinet for Health and~~  
24           ~~Family Services, submit any supporting documentation to verify~~  
25           ~~the indigent care data submitted for the calculation of an indigent~~  
26           ~~care factor and annual payment.]~~

27          ~~g[e].~~ By September ~~30~~<sup>[1]</sup> of each year, the department shall calculate an

1 *initial DSH payment pursuant to subparagraph (1) of this*  
 2 *paragraph and shall notify each hospital of their calculation*~~[a~~  
 3 ~~preliminary indigent care factor and preliminary annual payment~~  
 4 ~~amount for each hospital, and shall notify each hospital of their~~  
 5 ~~calculation].~~ The notice shall, *at minimum,* contain *the following*  
 6 *for*~~[a listing of] each *hospital:*~~[hospital's indigent ]~~~~

7 *i. Uninsured uncompensated* care costs;

8 *ii. Total uncompensated care costs;*

9 *iii. The status of the MIUR and LIUR calculations;*

10 *iv. The uncompensated*~~[, their indigent] care factor;~~~~[,]~~ and

11 *v. The*~~[the] estimated *initial* annual payment amount;~~~~[,]~~

12 *h.* Hospitals shall notify the department by *October 31*~~[September~~  
 13 ~~15]~~ of any adjustments in the department's *initial*~~[preliminary]~~  
 14 ~~calculations;~~~~[. The department shall make adjustments identified~~  
 15 ~~by hospitals and shall make a final determination of each hospital's~~  
 16 ~~indigent care factor and annual payment amount by October 1. The~~  
 17 ~~department shall make a final determination of each hospital's~~  
 18 ~~annual payment amount upon notification through the Federal~~  
 19 ~~Register of the annual federal disproportionate share hospital~~  
 20 ~~allotment for the Commonwealth.]~~

21 ~~*i. (e)*~~ The department shall *make any necessary adjustments and*  
 22 *shall* issue *an initial DSH payment* to each hospital *in* one (1)  
 23 lump-sum payment on *or before November 30*~~[October 15, or later~~  
 24 ~~as soon as federal financial participation becomes available~~  
 25 ~~through notification by publication of the Federal Register],~~ for the  
 26 disproportionate share funds available during the corresponding  
 27 federal fiscal year. *If the federal disproportionate share allotment*

1 for the Commonwealth has not been published through the  
2 Federal Register by November 15, the [The] department may pay a  
3 portion but no less than ninety percent (90%) of the expected  
4 annual payment prior to the publication of the annual federal  
5 allotment. If a partial initial payment is made, the remaining  
6 amount shall be paid within sixty (60) days after the date upon  
7 which notice of the Commonwealth's federal allotment is  
8 published through the Federal Register; and

9 j. An initial DSH payment shall not be subject to appeal;

10 2. a. Each hospital's total initial DSH payment shall be reconciled to  
11 a final DSH payment using the examined Medicaid DSH surveys  
12 and shall correspond to the applicable state fiscal year DSH  
13 payment year.

14 b. Using the surveys submitted in accordance with subsection (8)(a)  
15 of this section, the department shall make a final determination  
16 of whether an acute care hospital qualifies as a MIUR or as a  
17 LIUR hospital. Any qualifying hospital will be deemed an  
18 essential hospital. Critical access hospital status will also be  
19 confirmed to make a final determination of essential hospital  
20 status.

21 c. The department shall calculate a final DSH payment as follows:  
22 i. Each university hospital shall receive a final DSH payment  
23 equal to one hundred percent (100%) of the hospital's total  
24 uncompensated costs so long as the total final DSH  
25 payments to all university hospitals do not exceed the  
26 maximum allotment to the university pool as set forth in  
27 subsection (3)(a) of this section. If total uncompensated

- 1                   care cost for the pool exceeds the pool's maximum  
2                   allotment, the final uncompensated care factor for  
3                   university hospitals shall be determined by calculating the  
4                   percentage of each hospital's total uncompensated care  
5                   costs toward the sum of the total uncompensated care costs  
6                   for all hospitals within the university pool. In this event,  
7                   each hospital's final DSH payment shall be calculated by  
8                   multiplying the hospital's uncompensated care factor by  
9                   the total fund allocated to the hospitals within the  
10                   respective pool under subsection (3)(a) of this section;
- 11                   ii. For hospitals in the acute care pool and the psychiatric  
12                   pool, the department shall recalculate each hospital's  
13                   uncompensated care factor using examined data. The final  
14                   uncompensated care factor for each hospital that qualifies  
15                   as an essential hospital shall be computed using two  
16                   hundred percent (200%) of the hospital's total  
17                   uncompensated care costs using examined data;
- 18                   iii. If a hospital has a negative uncompensated care cost, their  
19                   uncompensated care cost will be excluded in the  
20                   calculation of uncompensated care factors; and
- 21                   iv. The department shall compare each hospital's initial DSH  
22                   payment with the hospital's final DSH payment and with  
23                   the hospital's hospital-specific DSH limit to determine if  
24                   any underpayment or an overpayment exists.
- 25                   d. By September 30 of the fourth year following the year in which  
26                   an initial DSH payment is made, the department shall provide  
27                   each hospital with a final DSH reconciliation report which, at a

- 1 minimum, shall indicate the following:
- 2 i. A hospital's final MIUR and LIUR status;
- 3 ii. Final uncompensated care factor and underlying data;
- 4 iii. Final DSH payment; and
- 5 iv. If applicable, the amount of any overpayment to be paid to
- 6 the department and the due date for repayment.
- 7 e. If an overpayment is identified, repayment shall be made by
- 8 January 31 of the following year, which is five (5) years
- 9 following the year in which an initial DSH payment is made.
- 10 f. Hospitals shall notify the department by October 31 of any
- 11 corrections to the department's calculations.
- 12 g. If a hospital's initial DSH payment was less than the hospital's
- 13 final DSH payment, the department shall pay the hospital the
- 14 amount of the difference. Final DSH payments shall be issued
- 15 by the department within sixty (60) days of the due date for the
- 16 repayment of funds from hospitals with a DSH overpayment. If
- 17 all repayments have not yet been received by the due date, the
- 18 department shall distribute the funds collected as of the due date,
- 19 and shall issue additional payments on a timely basis upon
- 20 collection of all remaining outstanding overpayments.
- 21 h. Any funds remaining after the reconciliation process shall be
- 22 redistributed pursuant to subparagraph 3. of this paragraph; and
- 23 3. Disproportionate share payments remaining after reconciling each
- 24 hospital's initial DSH payment with the hospital's final DSH payment
- 25 shall be distributed to other hospitals in the acute care pool, university
- 26 pool, or to private psychiatric hospitals in the psychiatric pool as
- 27 follows:



- 1                    a. Funds shall first be distributed to all hospitals in the same pool  
 2                    as the hospitals from which the overpayments were recovered,  
 3                    and the funds shall be distributed in a proportional manner in  
 4                    relation to each hospital's remaining total uncompensated care  
 5                    costs in accordance with the hospital's examined DSH survey  
 6                    for the applicable DSH year;
- 7                    b. In the proportional distribution, the distribution factor for each  
 8                    hospital that qualifies as an essential hospital shall be computed  
 9                    using two hundred percent (200%) of the hospital's total  
 10                   remaining uncompensated care costs; and
- 11                   c. If DSH funds remain after making this distribution to other  
 12                   hospitals in the same pool, funds shall be distributed  
 13                   proportionally to hospitals in the acute care pool, university pool,  
 14                   and private psychiatric hospitals in the psychiatric pool in  
 15                   relation to each hospital's remaining total uncompensated care  
 16                   costs in accordance with the hospital's examined Medicaid DSH  
 17                   survey for the applicable DSH year.

18 (4) Notwithstanding any other provision to the contrary, total annual disproportionate  
 19 share payments made to state mental hospitals, university hospitals, acute care  
 20 hospitals, critical access hospitals, comprehensive physical rehabilitation  
 21 hospitals, long-term acute care hospitals, and private psychiatric hospitals in each  
 22 state fiscal year shall be equal to the maximum amount of disproportionate share  
 23 payments established under the Federal Balanced Budget Act of 1997 and any  
 24 amendments thereto. Disproportionate share payments made to a hospital shall be  
 25 subject to the availability of adequate state matching funds and shall not exceed the  
 26 hospital's total uncompensated costs or the hospital's hospital-specific DSH limit.

27 ~~[(5) Hospitals receiving reimbursement shall not bill patients for services submitted for~~

1 reimbursement under this section and KRS 205.641. Services provided to  
2 individuals who are eligible for medical assistance or the Kentucky Children's  
3 Health Insurance Program do not qualify for reimbursement under this section and  
4 KRS 205.641. Hospitals shall make a reasonable determination that an individual  
5 does not qualify for these programs and shall request the individual to apply, if  
6 appropriate, for medical assistance or Kentucky Children's Health Insurance on  
7 forms supplied by and in accordance with procedures established by the Department  
8 for Medicaid Services. The hospital shall document any refusal to apply and shall  
9 inform the patient that the refusal may result in the patient being billed for any  
10 services performed. The hospital shall not be eligible for reimbursement if the  
11 patient was eligible for medical assistance or Kentucky Children's Health Insurance  
12 and did not apply. Hospitals receiving reimbursement under this section and KRS  
13 205.641 shall not bill patients for services provided to patients not eligible for  
14 medical assistance with family incomes up to one hundred percent (100%) of the  
15 federal poverty level.]

16 ~~(5)~~[(6)] The secretary of the Cabinet for Health and Family Services shall promulgate  
17 administrative regulations, pursuant to KRS Chapter 13A, for the administration  
18 and implementation of this section.

19 ~~(6)~~[(7)] All hospitals receiving reimbursement under this section [and KRS 205.641  
20 ]shall display prominently a sign which reads as follows: "This hospital will accept  
21 patients regardless of race, creed, ethnic background, or ability to pay."

22 ~~(7)~~[(8)] The hospital shall, upon request by the Cabinet for Health and Family  
23 Services, submit any supporting documentation to substantiate compliance with the  
24 audit requirements established by 42 C.F.R. sec. 455.

25 **(8) (a) An in-state hospital participating in the Medicaid Program shall submit a**  
26 **Medicaid DSH survey corresponding to the hospital's cost reporting period**  
27 **to the department no later than sixty (60) days following the hospital's**

1 submission of their annual cost report, unless an extension has been  
2 granted by the commissioner. Extension requests shall be received ten (10)  
3 days prior to the deadline. Extensions shall be limited to rare circumstances  
4 which prevent the hospital from meeting the deadline despite its due  
5 diligence. Extensions shall be granted for no more than thirty (30) calendar  
6 days from the original due date. A new in-state hospital lacking six (6)  
7 months of cost report information necessary to calculate an initial DSH  
8 payment shall submit a limited DSH survey to determine eligibility no later  
9 than the September 1 immediately prior to the department's initial DSH  
10 payment calculation. A hospital may submit corrections to an applicable  
11 Medicaid DSH survey prior to the scheduled start date of the department's  
12 desk review.

13 (b) The department shall notify each hospital in advance of the desk review of  
14 the opportunity to submit corrections to the Medicaid DSH survey.

15 (c) The department and each Medicaid managed care organization shall supply  
16 a paid claims listing (PCL) to each hospital within ninety (90) days of the  
17 last day of the hospital's fiscal year end date and a second set of data twelve  
18 (12) months after the hospital's fiscal year end date. The PCL shall include  
19 all claims with discharge dates or service dates, as applicable, within the  
20 hospital's fiscal year that are paid from the first day of the hospital's fiscal  
21 year to ninety (90) days or twelve (12) months, respectively, after the end of  
22 the hospital's fiscal year. For all hospitals, the department and each  
23 Medicaid managed care organization shall provide separate reports for  
24 adjudicated claims associated with both inpatient services and outpatient  
25 services provided to eligible members. If the PCL data is inaccurate or  
26 unavailable, providers shall complete the DSH survey using internal data.

27 (d) The department shall specify a timetable for hospitals to update DSH audit

1           survey data.

2           ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 205 IS CREATED TO  
3 READ AS FOLLOWS:

4           *A Medicaid managed care organization that does not provide a hospital with an*  
5           *accurate and complete paid claims listing as required under Section 2(8)(c) of this Act*  
6           *shall be subject to a penalty of one thousand dollars (\$1,000) per day, starting on the*  
7           *first day after the report was due and continuing until the report is provided.*

8           ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 205 IS CREATED TO  
9 READ AS FOLLOWS:

10          *(1) If federal law governing disproportionate share hospital payments changes, the*  
11          *Department for Medicaid Services may promulgate administrative regulations in*  
12          *accordance with KRS Chapter 13A to comply with the changes.*

13          *(2) All payments specified in Section 2 of this Act are contingent upon the receipt of*  
14          *federal financial participation, availability of state funds, and Centers for*  
15          *Medicare and Medicaid Services' approval.*

16          ➔Section 5. The following KRS section is repealed:

17          205.641 Disproportionate share funds paid to acute care hospitals and private psychiatric  
18          hospitals.