# Hospital Payment Calculation

Idaho Medicaid Electronic Health Record (EHR) Incentive Program

Created March 2012

*Note to Providers: There is a good possibility that business processes will change after the program is launched. Potential efficiencies as well as potential problems are likely to become evident. This paper describes the business as of spring 2012. Please be sure to return to the information on the website and in the provider handbook often for updates. Creation dates will be noted on each paper.*

## Introduction

Hospitals are potentially eligible for incentive payments under both the Medicare and Medicaid programs. Medicaid will complete a one-time payment calculation for each hospital that's applying for a Medicaid incentive. Although this one-time aggregate payment amount will be determined using four years worth of the cost reporting data that hospitals submit annually, it will be dispersed to the hospital over a three-year period in proportions of 50%, 40%, and 10% per year of eligibility. The calculation has been approved by the Centers for Medicare and Medicaid Services (CMS) and the information will be provided to the hospital to use in the attestation/application process.

## Calculation

The aggregate hospital incentive payment calculation will be used to determine the incentive payment amount for each individual hospital. This calculation, as determined by CMS rule, includes:

- Base amount - This is $2 million per year for each of the three payment years.
- Transition factor - This is multiplied by the base amount for each of the four years that are used to calculate the aggregate payments: per rule, year one is set at 100%, year two at 75%, year three at 50%, and year four at 25%.
- Discharge-related amount - This is an add-on to the base amount for each hospital, equaling $200 per discharge for the 1150$^{th}$ through the 23,000$^{th}$ discharge. Discharges before the 1,150$^{th}$ or after the 23,000$^{th}$ receive $0.
- Discharge growth factor - This is determined by taking the average annual number of discharges for a given hospital over the last four years, the most recent year being the last certified cost report year. This factor is used to trend discharges for purposes of calculating future discharge-related add-on amounts.
- Initial EHR amount - This is the base amount, plus the discharge-related add-on amount, multiplied by the transition factor for each year of the incentive program.
- Overall EHR amount - This is the sum of the initial EHR amounts for each of the four years.
- Medicaid share - This is derived by dividing total Medicaid bed-days by the total inpatient hospital days, multiplied by the total charity care (uncompensated care – bad debt) ratio for each hospital.

- Aggregate EHR incentive payment amount - This is derived by multiplying the Medicaid share by the overall EHR amount.
- Aggregate EHR incentive payment amount by year - This is derived by dividing the aggregate EHR incentive payment amount into the distribution of proportions 50%, 40%, and 10% for the first three years.

  *Note:* Hospitals must reapply to Medicaid each year they wish to receive a payment. The first year of eligibility they will receive 50% of the aggregate payment, the second year they will receive 40%, and the third and final year they will receive 10%.

Mathematically, the aggregate hospital incentive payment is the product of the overall EHR amount multiplied by the Medicaid share. Overall EHR amount and Medicaid share are described below

### Overall EHR Amount

This has been determined as the initial amount multiplied by the transition factor.

- The initial amount is calculated in four steps:
  1. The discharge growth factor was compiled using the DOH Comprehensive Hospital Abstract Reporting System (CHARS) data for 2006-2009 to arrive at a figure for average growth, or negative growth, for each hospital.
  2. Four years worth of discharge information from cost reporting data will be used to help calculate each of the three aggregate incentive payments hospitals will receive:
     - For year one, discharges are equal to the number of discharges in the last certified cost report year
     - For year two, discharges equal this same number multiplied by the discharge growth factor
     - For year three, discharges equal the calculated discharges for year two multiplied, again, by the same discharge growth factor
     - For year four, discharges equal the calculated discharges for year three multiplied by the discharge growth factor once again.
  3. The discharge-related amount for each year was determined by multiplying the number of discharges for each year as calculated above (and between but not including the 1,149$^{th}$ and the 23,0001$^{st}$ discharge) by $200.
  4. Each of these four discharge-related amounts, so derived for each of four years, is added to the $2 million annual base amount. Taken together, these four amounts equal the initial amount.
- Transition Factor:
  - The sums from step four above are multiplied by the appropriate transition factors (1.0 for year one, .75 for year two, .5 for year three, and .25 for year four).
  - The sum of these four annual amounts equals the overall EHR amount.

### Medicaid Share

A fraction determined as follows:

- Numerator:
  - The estimated number of inpatient-bed days attributable to Medicaid patients, and adding (next bullet).
  - The estimated number of inpatient-bed-days, in the same period, attributable to individuals who are enrolled in a managed care organization and a pre-paid inpatient health plan, or a pre-paid ambulatory health plan.
  - Both of these numbers are from the latest certified hospital cost report data.
- Denominator:
  - The estimated total number of inpatient-bed-days during the same period, multiplied by (next bullet).
  - Another fraction involving:
    - The *numerato*r is the estimated total amount of the eligible hospital's charges during that period, excluding charges attributable to charity care.
    - The *denominator* is the estimated total amount of the hospital's charges during the same period.

## Additional Information

For questions about this or other issues concerning the Idaho EHR Incentive Program, please go to www.MedicaidEHR.dhw.idaho.gov. There you will find an "Ask the Program" feature that will allow you to send questions to program staff. You can also call the Idaho Medicaid EHR Program Helpdesk at (208) 332-7989.