

MEMORANDUM

TO: The Honorable Sen. Elizabeth Steiner Hayward, Senate Co-Chair
The Honorable Rep. Dan Rayfield, House Co-Chair
Subcommittee on Human Services

FROM: Janell Evans, Budget Director, Oregon Health Authority

DATE: February 27, 2017

SUBJECT: Responses to February 23 Public Hearing Questions

During OHA's presentation before your committee on Thursday, February 23, committee members asked questions that required additional follow-up. Here are those questions and our responses:

Rep. Rayfield: Can you define contractual amounts? **Rep. Alonso Leon:** In reference to contractual amounts – do they actually get those amounts or is that an estimate? **Rep. Rayfield:** Can you give us an example of contractual amounts and the adjustment?

Net patient revenue is the amount a hospital expects to receive for patient services—after accounting for contractual allowances from third party payers and for uncompensated care. Contractual allowances account for the difference between what the hospital bills (i.e., gross charges) and what is ultimately collected. Hospitals will initially estimate the amount of contractual reserves/allowances at the time services are provided and then adjust to actual once the claim is fully resolved (i.e., either paid or written off). For example:

- Hospital bills insurer \$1,000 in charges.
- Under the contract, the hospital estimates that it will collect \$800 in total (insurer + patient co-pay).

- The hospital will write-off \$200 as a contractual reserve realizing net patient revenue of \$800.
- The insurer processes the claim and pays \$700 and identifies a \$100 patient co-pay.
- In a subsequent accounting cycle, the patient pays \$40 and the remaining \$60 is written off as a bad debt.
- The Hospital then adjusts their net patient revenues to \$740.

Rep. Rayfield: In reference to the disproportionate share program – is that reimbursement rate going to differ between each hospital? Does that money only go back to DRGs or all programs? Can we look at which hospitals get which programs? That might be helpful for the group.

Each state receives an annual federal disproportionate share hospital (DSH) allotment—a maximum amount of federal matching funds that a state can claim for Medicaid DSH payments. States are provided flexibility in terms of the formulas and methods they use to distribute DSH funds amount hospitals.

As discussed during the presentation, Oregon’s DSH programs has four components:

- **IMD DSH:** DSH payments for institutions for mental disease (IMD). The Oregon State Hospital qualifies for these payments. No hospital assessment revenue is used to fund these payments.
- **DSH 1:** DSH payments for hospitals that serve a disproportionate share of low-income patients. These DSH payments go to hospitals that qualify based on the hospital’s Medicaid inpatient utilization rate. Typically, nine to 12 hospital qualify for these payments each year. No hospital assessment revenue is used to fund these payments.
- **DSH 2:** DSH payments to public academic medical centers. These DSH payments go to public hospitals with a major teaching program with 200 or more residents or interns. Oregon Health & Science University is the only hospital that qualifies for these payments. Hospital assessment revenue is used to fund the state share of some of these payments.
- **DSH 3:** DSH payments to hospitals that have Medicaid utilization rate above 1 percent of all payer utilization. Typically, all hospitals, except OHSU, receive these DSH payments. OHSU doesn’t receive DSH 3 because it maximizes what it can receive with DSH 2 payments. Hospital assessment revenue is used to fund the state share of these payments.

Rep. Rayfield: We've heard the long-term facility care tax is fluctuating at the higher rate - Why can they do that with the long-term facility care tax [and not the hospital tax]?

The Long Term Care facility assessment was re-authorized during the 2013 Legislative Session and is scheduled to sunset in 2020. The DHS Aging and People with Disabilities Program administers the assessment.

The assessment rate is established by the DHS Director on an annual basis. The rate is designed to collect the federal maximum of 6% of gross nursing facility revenues. Currently, the rate is \$22.99 per occupied bed day. All nursing facilities, with the exception of the two Oregon Veteran's Homes, are subject to the assessment. We have attached a spreadsheet with high-level summaries of the history of this assessment. (See *LTC Assessment History* attached.)

Nursing facility assessment revenues are used to support the statutory nursing facility rate (notes to ORS 409.750). All revenue reduces/offsets the amount of state general fund needed for nursing facility services.

If you have further questions on the assessment, please contact Mike McCormick, Deputy Director of the DHS Aging and People with Disabilities Program, at 503-945-6229.

Rep. Hayden: We get a lot of great reports from OHA about access to emergency rooms for our compensated population but I haven't seen any reports on the non-compensated population. Have we been successful in that realm?

Below is a link to the report that was referenced during the committee hearing. This report uses data from Databank, which is a database of self-reported financial and utilization information submitted by Oregon hospitals; this includes a count of Emergency Department visits regardless of payer. On page 12 of the report, there is further information on ED utilization. Overall, ED utilization increased 0.5% when comparing second quarter of 2016 to second quarter 2015. OHA does not have a data source that contains counts of ED uninsured visits compared to counts of those with insurance.

<https://www.oregon.gov/oha/analytics/HospitalReporting/Hospital-Quarterly-Report-2016-Q2.pdf>

Long Term Care Provider Assessment Assessment Rate and Achieved Rate History

Quarter Ending	Assessment Rate	Tax Assessed / Collected	Yearly Total
9/30/2003	\$ 8.25	\$ 6,340,370	
12/31/2003	\$ 8.25	\$ 5,759,318	
3/31/2004	\$ 8.85	\$ 6,123,812	
6/30/2004	\$ 8.85	\$ 6,013,834	\$ 24,237,334
9/30/2004	\$ 10.87	\$ 6,065,976	
12/31/2004	\$ 10.87	\$ 6,007,726	
3/31/2005	\$ 10.87	\$ 5,966,676	
6/30/2005	\$ 10.87	\$ 5,891,977	
6/30/2005	Retro	\$ 5,304,394	\$ 29,236,749
9/30/2005	\$ 12.23	\$ 8,326,465	
12/31/2005	\$ 12.23	\$ 8,240,116	
3/31/2006	\$ 12.23	\$ 8,071,127	
6/30/2006	\$ 12.23	\$ 8,095,392	\$ 32,733,100
9/30/2006	\$ 13.73	\$ 8,916,161	
12/31/2006	\$ 13.73	\$ 8,819,231	
3/31/2007	\$ 13.73	\$ 8,704,682	
6/30/2007	\$ 13.73	\$ 8,778,907	\$ 35,218,981
9/30/2007	\$ 15.00	\$ 9,671,307	
12/31/2007	\$ 15.00	\$ 9,979,890	
3/31/2008	\$ 13.75	\$ 9,165,475	
6/30/2008	\$ 13.75	\$ 8,972,562	\$ 37,789,234
9/30/2008	\$ 14.85	\$ 9,586,596	
12/31/2008	\$ 14.85	\$ 9,386,967	
3/31/2009	\$ 14.85	\$ 9,031,963	
6/30/2009	\$ 14.85	\$ 9,076,825	\$ 37,082,351
9/30/2009	\$ 15.38	\$ 9,242,396	
12/31/2009	\$ 15.38	\$ 9,220,495	
3/31/2010	\$ 15.38	\$ 9,068,156	
6/30/2010	\$ 15.38	\$ 9,072,031	\$ 36,603,077
9/30/2010	\$ 16.21	\$ 9,515,708	
12/31/2010	\$ 16.21	\$ 9,461,226	
3/31/2011	\$ 16.21	\$ 9,317,265	
6/30/2011	\$ 16.21	\$ 9,373,335	\$ 37,667,534
9/30/2011	\$ 17.51	\$ 10,113,800	
12/31/2011	\$ 17.51	\$ 10,150,565	
3/31/2012	\$ 17.51	\$ 10,025,456	
6/30/2012	\$ 17.51	\$ 9,851,581	\$ 40,141,401
9/30/2012	\$ 18.35	\$ 10,376,448	
12/31/2012	\$ 18.35	\$ 10,577,491	
3/31/2013	\$ 18.35	\$ 10,536,680	
6/30/2013	\$ 18.35	\$ 10,308,480	\$ 41,799,098
9/30/2013	\$ 20.79	\$ 12,002,878	
12/31/2013	\$ 20.79	\$ 11,816,849	
3/31/2014	\$ 20.46	\$ 13,438,599	
6/30/2014	\$ 20.46	\$ 13,416,972	\$ 50,675,298
9/30/2014	\$ 19.37	\$ 13,031,419	
12/31/2014	\$ 19.37	\$ 13,004,689	
3/31/2015	\$ 19.37	\$ 12,772,074	
6/30/2015	\$ 19.37	\$ 12,700,870	\$ 51,509,053
9/30/2015	\$ 22.56	\$ 14,844,300	
12/31/2015	\$ 22.56	\$ 14,878,884	
3/31/2016	\$ 22.56	\$ 14,952,272	
6/30/2016	\$ 22.56	\$ 14,804,678	\$ 59,480,134
9/30/2016	\$ 22.99	\$ 15,086,521	