

## **Transitional Relief for Private Hospitals**

March 1, 2010

### Background

The March 1, 2010 amendment to the Commonwealth of Massachusetts' section 1115 Demonstration waiver includes a proposal called, "Transitional Relief for Private Hospitals" (TRPH), which is designed to temporarily assist acute hospitals prior to the implementation of all-payer payment reform. TRPH, subject to CMS and state legislative approval, provides \$135 million in each of state fiscal year 2010 and 2011 to all private acute hospitals in the Commonwealth, which will be claimed for federal reimbursement through the Safety Net Care Pool (SNCP).

TRPH funding will be distributed according to each hospital's relative share of expenses for state-supported programs for low-income individuals (Medicaid fee-for-service, Medicaid managed care, Commonwealth Care, and Health Safety Net), adjusted to prioritize hospitals for which state-supported programs for low-income individuals represent a large share of total services delivered, and for which commercial insurance represents a small share.

EOHHS determines eligibility for payment, and payment amounts based on data from the cost report collected by the Commonwealth's Division of Health Care Finance and Policy (DHCFP). The TRPH eligibility and payment calculations for state fiscal year (SFY) 2010 will use data from hospital fiscal year (HFY) 2008, which is the most recent data as of the date of the submission of this Demonstration amendment.

### Eligibility

All 65 private acute hospitals in the Commonwealth are eligible for payments under TRPH. There are two pools of TRPH funding; pool A, which includes \$115 million annually, and pool B, which includes \$20 million annually.

Pool A includes those hospitals for which Medicaid (including fee-for-service and managed care) makes up a percentage of the hospital's total expenses in excess of the statewide mean plus one standard deviation, and for which commercial insurance makes up a percentage of the hospital's total expenses less than the statewide mean minus one standard deviation. Based on data for hospital fiscal year 2008, the statewide mean and standard deviation for Medicaid is 13.05% and 5.66%, respectively, and the statewide mean and standard deviation for commercial insurance is 45.01% and 10.34%, respectively. Using the same data, six hospitals are in pool A; Boston Medical Center, Lawrence General Hospital, Brockton Hospital, Holyoke Medical Center, Caritas Carney Hospital, and Mercy Medical Center.

Together, the pool A hospitals represent 24% of statewide hospital expenses for low-income individuals (Medicaid fee-for-service, Medicaid managed care, Commonwealth Care, and Health Safety Net).

Pool B includes all private acute hospitals not in pool A. Although this includes hospitals for which low-income individuals do not make up a substantial share of services delivered, payment is appropriately limited for such hospitals as described below.

### Payment methodology

The hospital-specific funding calculations under TRPH are determined separately for each pool as follows. First, each hospital's percentage of expenses that are attributable to state-supported care for low-income individuals is calculated. Second, a similar calculation is performed for commercial insurance. Each hospital-specific 'state percentage' is divided by each hospital-specific 'commercial percentage', to determine a ratio.

This ratio is then multiplied by each hospital's total level of expenses for state-supported care for low-income individuals. This ensures that in addition to prioritizing hospitals for which Medicaid and other state-supported programs for low-income individuals represent a large share of total services delivered, and for which commercial insurance represents a small share, TRPH funding levels are responsive to each hospital's level of expenses for low-income individuals.

Within each pool, the hospital-specific adjusted levels of state-supported expenses for low-income individuals are added together, and each hospital's share of the total amount for its pool is calculated. The funding for each pool is then multiplied by this share to determine the final hospital-specific TRPH funding amounts.

