

**PROVIDER REIMBURSEMENT REVIEW BOARD
 DECISION
 ON THE RECORD
 2013-D2**

PROVIDER -
 QRS 93-07 DSH/Iowa Indigent
 Patient/Charity Care (GA) Group

DATE OF HEARING -
 June 22, 2012

Provider Nos.: Various

Cost Reporting Periods Ended -
 1993-2007

vs.

INTERMEDIARY –
 BlueCross BlueShield Association/
 Wisconsin Physicians Service

CASE NO.: 06-1735G

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ISSUE:

Whether days associated with patients covered under the Iowa State Plan should be included in the numerator of the Medicaid proxy of the Medicare disproportionate share hospital (DSH) calculation pursuant to § 1886(d)(5)(F)(vi)(II) of the Social Security Act,¹ as amended (Act).

MEDICARE STATUTORY AND REGULATORY BACKGROUND:

This is a dispute over the amount of Medicare reimbursement due a provider of medical services.

The Medicare program was established under Title XVIII of the Act² to provide health insurance to the aged and disabled. The Centers for Medicare & Medicaid Services (CMS), formerly the Health Care Financing Administration (HCFA), is the operating component of the Department of Health and Human Services (DHHS) charged with administering the Medicare program. CMS' payment and audit functions under the Medicare program are contracted to organizations known as fiscal intermediaries (FIs) and Medicare administrative contractors (MACs). FIs and MACs³ determine payment amounts due the providers under Medicare law, regulation and interpretative guidelines published by CMS.⁴

Providers are required to submit cost reports annually, with reporting periods based on the provider's fiscal or accounting year. A cost report shows the costs incurred during the relevant fiscal year and the portion of those costs allocated to the Medicare program.⁵ Each intermediary reviews the cost report, determines the total amount of Medicare reimbursement due the provider and issues the provider a Notice of Program Reimbursement (NPR).⁶ A provider dissatisfied with the intermediary's final determination of total reimbursement may file an appeal with the Provider Reimbursement Review Board (Board) within 180 days of the receipt of the NPR.⁷

Part A of the Medicare Act covers "inpatient hospital services." Since 1983, the Medicare program has paid most hospitals for the operating costs of inpatient hospital services under the prospective payment system (PPS).⁸ Under PPS, Medicare pays predetermined, standardized amounts per discharge, subject to certain payment adjustments.⁹

The statutory provisions addressing the PPS are located in § 1886 of the Act¹⁰ and they contain a number of provisions that adjust payment based on hospital-specific factors.¹¹ This case involves the hospital-specific DSH adjustment specified in § 1886(d)(5)(F)(i)(I). This provision

¹ 42 U.S.C.A. § 1395ww(d)(5)(F)(vi)(II).

² 42 U.S.C. Ch. 7, Subch. XVIII.

³ FIs and MACs are hereinafter referred to as intermediaries.

⁴ See § 1816 and 1874A of the Act, 42 U.S.C. § 1395h and § 1395kk-1; 42 C.F.R. § 413.20 and 413.24.

⁵ See 42 C.F.R. § 413.20.

⁶ See 42 C.F.R. § 405.1803.

⁷ See § 1878(a) of the Act, 42 U.S.C. § 1395oo(a); 42 C.F.R. § 405.1835 – 405.1837.

⁸ See § 1886(d) of the Act, 42 U.S.C. § 1395ww(d); 42 C.F.R. Part 412.

⁹ See *id.*

¹⁰ 42 U.S.C. § 1395ww(d).

¹¹ See § 1886(d)(5) of the Act, 42 U.S.C. § 1395ww(d)(5).

requires the Secretary to provide increased PPS payments to hospitals that serve a significantly disproportionate number of low-income patients.¹²

A hospital may qualify for a DSH adjustment based on its disproportionate patient percentage (DPP).¹³ The DPP is a proxy for utilization by low-income patients and determines a hospital's qualification as a DSH. It also determines the amount of the DSH payment to a qualifying hospital.¹⁴

The DPP is defined as the sum of two fractions expressed as percentages.¹⁵ Those two fractions are referred to as the "Medicare/SSI" fraction and the "Medicaid" fraction. The Medicare/SSI fraction is defined in § 1886(d)(5)(F)(vi)(I) as:

[T]he fraction (expressed as a percentage), the numerator of which is the number of such hospital's patient days for such period which were made up of patients who (for such days) were entitled to benefits under part A of this title and were entitled to supplemental security income benefits (excluding any State supplementation) under title XVI of this Act, and the denominator of which is the number of such hospital's patient days for such fiscal year which were made up of patients who (for such days) were entitled to benefits under part A of this title, ...

The Medicare/SSI fraction is computed annually by CMS, and intermediaries use CMS' calculation to compute the DSH payment adjustment as relevant for each hospital.¹⁶

Similarly, the Medicaid fraction (also referred to as the Medicaid proxy) is defined in § 1886(d)(5)(F)(vi)(II) as:

[T]he fraction (expressed as a percentage), the numerator of which is the number of the hospital's patient days for such period which consist of patients who (for such days) were *eligible for medical assistance under a State plan approved under title XIX*, but who were not entitled to benefits under part A of this title, and the denominator of which is the total number of the hospital's patient days for such period.¹⁷

The intermediary determines the number of the hospital's patient days of service for which patients were eligible for medical assistance under a State plan approved under Title XIX but not

¹² See also 42 C.F.R. § 412.106.

¹³ See § 1886(f)(d)(5)(F)(i)(I) and (d)(5)(F)(v) of the Act, 42 U.S.C. §§ 1395ww(d)(5)(F)(i)(I) and (d)(5)(F)(v); 42 C.F.R. § 412.106(c)(I).

¹⁴ See § 1886(d)(5)(F)(iv) and (d)(5)(F)(vii)-(xiv) of the Act, 42 U.S.C. §§ 1395ww(d)(5)(F)(iv) and (vii)-(xiv); 42 C.F.R. § 412.106(d).

¹⁵ See § 1886(d)(5)(F)(vi), 42 U.S.C. § 1395ww(d)(5)(F)(vi).

¹⁶ 42 C.F.R. § 412.106(b)(2)-(3).

¹⁷ (Emphasis added.)

entitled to Medicare Part A, and divides that number by the total number of patient days in the same period.¹⁸

The Medicaid fraction is the only fraction at issue in this case. However, resolution of the Medicare DSH issue also involves the interpretation of a similar Medicaid DSH provision in Title XIX of the Act and its application to the Medicare DSH Medicaid fraction. The details of the Medicaid DSH provisions are discussed in more detail below.

STATEMENT OF THE CASE AND PROCEDURAL HISTORY:

This case involves two providers (the Providers) for cost reporting periods 1996 through 2007.¹⁹ The Providers in this group appeal are acute care hospitals located in Iowa and Nebraska that received payment under Medicare part A for services to Medicare beneficiaries. The Providers both participated in the Iowa State Plan which provides medical assistance to uninsured low-income patients not eligible for other medical assistance programs, including Medicaid.

During the years in question, the intermediary was Wisconsin Physicians Services. The Intermediary issued NPRs for the Providers' cost reporting periods at issue without including Charity Care days in the Medicaid fraction of the Providers' Medicare DSH calculations. The Providers timely appealed the Intermediary's determinations to the Board.

The Providers were represented by Teresa A. Sherman of Sherman Law office, PLLC. The Intermediary was represented by Bernard M. Talbert, Esq., of the Blue Cross Blue Shield Association.

BACKGROUND ON INCLUSION OF CHARITY CARE DAYS IN THE MEDICAID PERCENTAGE OF THE MEDICARE DSH ADJUSTMENT:

The parties agree that resolution of the issue before the Board hinges on the meaning of the phrase "patients who for such days were eligible for medical assistance under a State plan approved under [T]itle XIX" as used in § 1886(d)(5)(F)(vi)(II)²⁰ to describe the Medicaid fraction. This phrase identifies those days that are to be counted in the Medicaid proxy of the Medicare DSH adjustment.

Title XIX of the Act provides for federal sharing of state expenses for medical assistance for low-income individuals under the Medicaid program provided the state Medicaid program meets certain provisions contained in Title XIX. The state must submit a plan describing the state Medicaid program and seek approval from the Secretary.²¹ If approved, the state may claim federal matching funds, known as federal financial participation (FFP) under the Title XIX for the services provided and approved under the state Medicaid program.

¹⁸ 42 C.F.R. § 412.106(b)(4).

¹⁹ See Appendix A for schedule of providers. Note that provider 16-0067 for FYEs 1993, 1994, and 1995 had jurisdictional issues and are excluded from appeal.

²⁰ 42 U.S.C. § 1395ww(d)(5)(F)(vi)(II).

²¹ Relevant sections of Iowa Medicaid Plan are included in the Providers' Revised Final/Final Position Paper, Exhibit P-1.

PARTIES' CONTENTIONS:

The Providers contend that the Medicare statute and regulations require the inclusion of the General Assistance/Charity Care days in the Medicare DSH calculation because the charity care program was a part of the Iowa State Plan and CMS reviewed and approved that plan. The Providers also contend that according to Program Memorandum A-99-62, state-only program days should be included in the DSH calculations. This memorandum allows strictly state funded program days to be included for cost reporting periods beginning on or before January 1, 2000. The Providers however dispute the policy's restriction to only those providers who had previously received payment for inclusion of these strictly state funded programs or had a properly pending appeal for this issue that was requested prior to October 15, 1999.

The Providers argue that the State of Iowa provides medical assistance on behalf of low-income, uninsured patients through the Medicaid disproportionate share program which is a part of the Iowa State Plan, and as such receives Federal Financial Participation. The Providers relied on several case decisions. The U.S. District Court for the District of Columbia in *Adena Reg'l Med. Ctr. v. Leavitt*, 524 F. Supp. 2d 1 (D.D.C. 2007), *rev'd and reh'g en banc denied*, 527 F.3d 176 (2008), *cert. denied*, 129 S. Ct. 1933 (2009). Additional decisions relied on by the providers are *Portland Adventist Medical Center, et al. v. Thompson*, 309 F.3d 1091 (9th Cir. 2005); *Phoenix Memorial Hospital v. Sebelius*, 622 F.3d 1219 (9th Cir. 2010).²²

The Intermediary counters that days of care paid for by programs for low income patients who are not eligible for Medicaid – even if the programs are recited in the State plan approved by Medicaid – cannot be included. The Intermediary reasons that, whether payment is made for Medicaid DSH or indirect Federal financial participation, these days should not be included in the Medicare DSH Medicaid proxy. In order to be included in the Medicaid proxy, a state program must be covered as “medical assistance” as defined under § 1905(a) of the Act,²³ *i.e.*, the patient days must be Medicaid eligible, not merely low income days that Medicaid permits to be counted solely for the Medicaid DSH adjustment. In support of its position, the Intermediary primarily relies on *Cooper Univ. Hosp. v. Sebelius*, 686 F. Supp. 2d 483 (D.N.J. 2009), *aff'd*, 636 F.3d 44 (3rd Cir. 2010).²⁴

FINDINGS OF FACT, CONCLUSIONS OF LAW AND DISCUSSION:

The Board has considered the Medicare law and program instructions, the evidence presented and the parties' contentions. Set forth below are the Board's findings and conclusions.

The evidence establishes that Charity Care beneficiaries are not eligible for Medicaid and the services provided under that program are not matched with federal funds except under the Medicaid DSH provisions.

²² See Providers' Revised Final/Final Position Paper at 13.

²³ 42 U.S.C. § 1396d(a). The Intermediary characterizes the services and eligibility requirements set out in § 1905(a) as “traditional” Medicaid coverage.

²⁴ See Intermediary Supplemental Position Paper pages 3 – 4.

The Medicaid DSH provisions are similar to the Medicare DSH provisions. Section 1923(a) of the Act²⁵ mandates that a state Medicaid plan under Title XIX must include a provision for a payment adjustment to hospitals which serve a disproportionate number of low income patients, *i.e.*, it requires a Medicaid DSH adjustment for hospitals that is independent of the Medicare DSH adjustment at issue in this case. The Medicaid DSH adjustment is eligible for FFP even though the particular patient days counted for Medicaid DSH are not directly eligible for FFP because they do not qualify as “traditional Medicaid” services described in § 1905(a).

The question for the Board is whether the Charity Care program is a state funded program not otherwise eligible for Medicaid coverage and that is included in the Iowa State Plan solely for the purpose of calculating the Medicaid DSH payment constitutes “medical assistance under a State plan approved under [T]itle XIX” for purposes of the Medicare DSH adjustment, specifically in the Medicaid fraction component.

In prior decisions on similar state funded programs, the Board has interpreted the Medicare statutory phrase “medical assistance under a State plan approved under [T]itle XIX” to include any program identified in the approved state plan, *i.e.*, it has not limited the days counted to traditional Medicaid days.²⁶ Subsequent to those decisions, the U.S. Court of Appeals for the District of Columbia issued its decision in *Adena Reg'l Med. Ctr. v. Leavitt*, 527 F.3d 176, (D.C. Cir., 2008),²⁷ and concluded that the days related to beneficiaries eligible for the Ohio Hospital Care Assurance Program (HCAP) should not be included in the Medicaid proxy of the Medicare DSH calculation.²⁸ Like the Iowa Charity Care program, HCAP patients could not qualify for Medicaid but the HCAP days were included in the Medicaid DSH calculation. The D.C. Circuit pointed out that § 1923(c)(3)(B) of the Act (42 U.S.C. § 1396r-4(c)(3)(B)) “permits the states to adjust DSH payments ‘under a methodology that’ considers either ‘patients eligible for medical assistance under a State plan approved under [Medicaid] or ... low-income patients,’ 42 U.S.C. § 1396r-4(c)(3)(B), such as those served under the HCAP.”²⁹

Upon further review and analysis of § 1923, the Board finds language that persuades it that the term “medical assistance under a state plan approved under [T]itle XIX” excludes days funded by only the state and charity care days even though those days may be counted for Medicaid DSH purposes.

Title XIX describes how hospitals qualify for the Medicaid DSH adjustment. Specifically, § 1923(b) establishes two distinct categories of low-income patients that are used to calculate a Medicaid DSH payment. The two categories, identified as the “Medicaid inpatient utilization rate” and the “low-income utilization rate,” are defined in subsection (b)(2) and (b)(3), in pertinent part, as follows:

²⁵ 42 U.S.C. § 1396r-4(a).

²⁶ See, e.g., *Ashtabula County Med. Ctr. v. Blue Cross Blue Shield Ass'n*, PRRB Dec. No. 2005-D49 (Aug. 10, 2005) *rev'd* CMS Adm. Dec. (Oct. 12, 2005).

²⁷ *Cert. denied*, 129 S. Ct. 1933 (2009).

²⁸ *Adena*, 527 F.3d at 180.

²⁹ *Adena*, 527 at 180 (brackets, ellipses, and citation in original; footnote and underline emphasis added).

(b)(2) For purposes of paragraph (1)(A), the term “medicaid inpatient utilization rate” means, for a hospital, a fraction (expressed as a percentage), the numerator of which is the hospital’s number of inpatient days attributable to patients who (for such days) were *eligible for medical assistance under a State plan approved under this title [i.e., Title XIX of the Act]* in a period ... , and the denominator of which is the total number of the hospital’s inpatient days in that period. ...

(b)(3) For purposes of paragraph (1)(B), the term “low-income utilization rate” means, for a hospital, the sum of –

- (A) the fraction (expressed as a percentage)-
 - (i) the numerator of which is the sum (for a period) of (I) the total revenues paid the hospital for *patient services under a State plan* under this title ... and (II) the amount of the *cash subsidies for patient services received directly from State and local governments*, and
 - (ii) the denominator of which is the total amount of revenues of the hospital for patient service (including the amount of such cash subsidies) in the period; and
- (B) a fraction (expressed as a percentage)-
 - (i) the numerator of which is the total amount of the hospital’s charges for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in clause (i)(II) of subparagraph (A) in the period reasonably attributable to inpatient hospital services, and
 - (ii) the denominator of which is the total amount of the hospital’s charges for inpatient hospital services in the hospital in the period. ...³⁰

Subsection (b)(2) specifically uses the term “eligible for medical assistance under a State plan,” the exact language from the Medicare DSH statute in issue in this case. That phrase describes the days included in the “Medicaid inpatient utilization rate” for the Medicaid DSH adjustment.

It is the second category, the “low-income utilization rate,” that clarifies what is and what is not included in “medical assistance under a State plan.” Subsection (b)(3) defines the term “low-income utilization rate” to include three components. In paragraph (A)(i)(I) of this subsection, there is the first component consisting of “services [furnished] under a State plan under this title [XIX],” the same category of patients described in the Medicaid utilization rate. In paragraphs (A)(i)(II) and (B)(i), there are the second and third components consisting of “cash subsidies for patient services received directly from State and local governments” and “charity care” respectively. If Congress had intended the term “eligible for medical assistance under a State

³⁰ (Emphasis added.)

plan” (the only category of patients in the Medicaid utilization rate) to include the state funded hospital days and charity care days, the subsections adding those types of days in the “low income utilization rate” would have been superfluous.

Based on the above, the Board concludes that, because the Iowa Charity Care program is funded by “state and local governments” and, thus, is included in the low income utilization rate but not the Medicaid inpatient utilization rate, Charity Care patient days do not fall within the Medicaid DSH statute definition of “eligible for medical assistance under a State plan” at § 1923(b)(2) of the Act.³¹ Statutory construction principles require the Board to apply the meaning Congress ascribed to the term “eligible for medical assistance under a State plan” used in the Medicaid statute to the same phrase used in the Medicare statute.³² Iowa Charity Care patient days, therefore, cannot be included in the Medicare DSH statutory definition of “eligible for medical assistance under a State plan” at § 1886(d)(5)(F)(vi)(II) of the Act.³³ Accordingly, the Intermediary’s adjustments properly excluded Iowa Charity Care program patient days from the Providers’ Medicare DSH calculations.

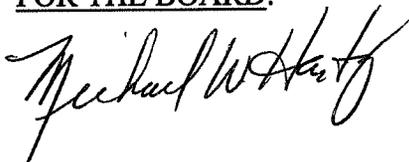
DECISION AND ORDER:

The Intermediary properly refused to include Iowa Charity Care Program days in the numerator of the Providers’ Medicaid proxy. The Intermediary’s adjustments are affirmed.

BOARD MEMBERS PARTICIPATING:

Michael W. Harty
Keith E. Braganza, CPA
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L. Sue Andersen, Esq.

FOR THE BOARD:



Michael W. Harty
Chairman

DATE: NOV 21 2012

³¹ 42 U.S.C. § 1396r-4(b)(2).

³² See *Atlanta Cleaners & Dyers, Inc. v. U.S.*, 286 U.S. 427, 433 (1932).

³³ 42 U.S.C. § 1395ww(d)(5)(F)(vi)(II).

Summary of Participating Providers

	Provider No.	Provider Name	FYE	
1				34
2				35
3				36
4	16-0067	Covenant Medical Center	06/30/1996	
5	16-0067	Covenant Medical Center	06/30/1997	
6	16-0067	Covenant Medical Center	06/30/1998	
7	16-0067	Covenant Medical Center	06/30/1999	
8	28-0013	Nebraska Medical Center	06/30/1999	
9	16-0067	Covenant Medical Center	06/30/2000	
10	28-0013	Nebraska Medical Center	06/30/2000	
11	16-0067	Covenant Medical Center	06/30/2001	
12	16-0067	Covenant Medical Center	06/30/2002	
13	16-0067	Covenant Medical Center	06/30/2003	
14	16-0067	Covenant Medical Center	06/30/2004	
15	16-0067	Covenant Medical Center	06/30/2005	
16	16-0067	Covenant Medical Center	06/30/2007	

³⁴ On February 28, 2011, the Board dismissed the issue for Covenant Medical Center (Provider No. 16-0067, FYE 06/30/1993) from the Provider's individual appeal, Case No. 00-3319, and denied the transfer to this group appeal.

³⁵ On February 28, 2011, the Board dismissed the issue for Covenant Medical Center (Provider No. 16-0067, FYE 06/30/1994) from the Provider's individual appeal, Case No. 03-1336, and denied the transfer to this group appeal.

³⁶ On February 28, 2011, the Board dismissed the issue for Covenant Medical Center (Provider No. 16-0067, FYE 06/30/1995) from the Provider's individual appeal, Case No. 99-2094, and denied the transfer to this group appeal.