

# PUBLICATION

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## **New DSH - Are You Supplying The Correct Data That Will Drive Your Payments? [Ober|Kaler]**

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**Effective October 1, 2013, CMS will begin paying disproportionate share hospitals differently. Congress ordered the change to the disproportionate share hospital (DSH) adjustment payment methodology as part of the Patient Protection and Affordable Care Act. The new DSH adjustment blends the old payment methodology with a brand new one.**

Specifically, 25% of the payment will be calculated using the current DSH methodology. The remaining 75% of the payment will use a completely new methodology that is based on uncompensated care costs.

This new second part of the payment will be calculated by: (1) taking 75% of the DSH payments, as estimated by the Secretary of Health and Human Services (Secretary), that would have been paid to hospitals under the current system, (2) adjusting it by a factor representing the percent change since 2013 in the uninsured percentage of the population, and then (3) determining each hospital's percentage share of that amount based on the hospital's relative share of total uncompensated care.

CMS has stated that uncompensated care includes charity care and bad debt, and may also include governmental and commercial payor payment shortfalls. Worksheet S-10 of the Medicare cost report accumulates a hospital's uncompensated care data and likely will be the source used by CMS to determine each hospital's relative share of uncompensated care for purposes of the DSH calculation. The Secretary has not yet promulgated the implementing rules, but they are expected in the inpatient prospective payment rules to be issued in the next couple of months.

### **Comments**

Hospitals should be very careful to accurately complete Worksheets S-10 on their cost reports. Once the Secretary announces the year(s) it will use to drive the data, it may be difficult to revise that data, so hospitals should review their already submitted Worksheets S-10 and file amended cost report worksheets with their Medicare contractors if that data needs to be corrected.