The background features a blurred image of a person lying in a hospital bed, partially covered by a white sheet. A large, semi-transparent green cross is centered over the person's chest. The entire image is overlaid with a network of thin green lines and various medical icons, including a syringe, a pill, a stethoscope, a microscope, and a group of people. The right side of the image is a dark grey diagonal band containing the text.

**Utah Department of
Health & Human Services**

**Division of Integrated
Healthcare**

**Medicaid Reimbursement
Comparative Analysis**

Hospital Services

June 2023



**MYERS AND
STAUFFER**_{LC}
CERTIFIED PUBLIC ACCOUNTANTS



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Hospital Executive Summary and Background

Summary Findings

Based on our review, in the aggregate, Utah Medicaid reimbursement for IP hospital and OP hospital services is approximately 128 percent of estimated costs, based on Medicare hospital cost report worksheet S-10 information, and approximately 135 percent of estimated costs, based on DSH audit information.

These reimbursement levels do not include the Medicaid managed care directed payment program recently enacted in Senate Bill 126, which will increase Medicaid managed care reimbursement beginning in SFY2024. Under this program, hospitals are projected to receive an additional \$626 million¹ in Medicaid managed care reimbursement.

Background

The Utah Department of Health and Human Services (DHHS), Division of Integrated Healthcare engaged Myers and Stauffer LC (Myers and Stauffer) to review and compare Utah Medicaid reimbursement rates to Medicare rates and rates from a sample of other state Medicaid programs (or for hospital services) and to compare Utah Medicaid reimbursement levels to hospital cost benchmarks. As part of this project, we prepared a series of separate reports by service category. This report provides the results for the hospital services reimbursement comparison. The report is supported by Microsoft Excel exhibits containing hospital reimbursement comparisons to cost estimates.

Based on discussions with DHHS, it was determined that the hospital reimbursement analysis should compare Medicaid reimbursement for inpatient (IP) hospital services and outpatient (OP) hospital services to estimates of the Medicaid costs of these services using Medicare hospital cost report information and disproportionate share hospital (DSH) audit information. These data sources contain publicly available information regarding Medicaid reimbursement levels and the estimated costs of Medicaid services and provide the ability to compare reimbursement and costs and identify whether Medicaid hospital costs are covered by Medicaid reimbursement.

In addition to comparing Utah Medicaid reimbursement to costs for Utah hospitals, our analysis also compares reimbursement-to-cost levels for Utah hospitals in the aggregate to the same metric from a sample of other states, using Medicare hospital cost report information. The comparison to other states includes the six states bordering Utah – Arizona, Colorado, Idaho, Nevada, New Mexico, and Wyoming.

¹ Hospital assessments as well as intergovernmental transfers from governmentally owned hospitals (e.g., University of Utah Hospital) provide the non-federal share for this additional total funds estimated amount as well as for previously existing supplemental/directed payments.



A similar comparison was not prepared for the DSH audit information, as recent DSH audit information is not publicly available for all of the comparison states.

It is important to note the following considerations when comparing Medicaid reimbursement to cost for hospital services:

- *Government payers maintain more detailed information about reimbursement and payment policies that may not be reflected in the reimbursement and cost information used for this analysis. Hospital reimbursement methodologies and payment levels are specific to their overall policies and economic environment, and it is important to understand there are policy decisions and unpublished context underlying these payments. The reimbursement comparisons presented in this report do not include a comparison of underlying reimbursement methodologies for Utah Medicaid or other states – or an analysis of broader state economic factors – as doing so would have been outside the scope of this project. The comparisons in this report serve to identify where Utah Medicaid reimbursement falls in comparison to estimated costs, both on an individual hospital basis and in the aggregate statewide compared to a sample of other states.*
- *Medicaid reimbursement for hospital services can be made through base payments and supplemental/directed payments. Base payments are payments for specific services typically paid based on health care claims submitted to the payer by the hospital. Many state Medicaid programs, including Utah Medicaid, make additional supplemental/directed payments. Supplemental/directed payments may be paid through fee-for-service or managed care delivery systems. DSH payments are a type of supplemental payment, and many states make other types of supplemental payments such as supplemental payments tied to an upper payment limit (UPL) analysis or for graduate medical education programs. The comparisons in this report represent total Medicaid reimbursement to hospitals—base and supplemental payments for both fee-for-service and managed care—as reported by hospitals on worksheet S-10 of the Medicare hospital cost report and as aggregated by Myers and Stauffer for the federal fiscal year (FFY) 2019 DSH audit.*
- *Hospitals that did not complete worksheet S-10 of the Medicare hospital cost report (or who did not complete a Medicare hospital cost report at all) were not included in the worksheet S-10 analysis. Worksheet S-10 information was reported primarily by general acute care hospitals and critical access hospitals. The data generally does not represent other types of hospitals, such as psychiatric hospitals, rehabilitation hospitals, and long-term acute care hospitals.*
- *Hospitals that were not included in the 2019 DSH audit were not included in the DSH audit analysis. Hospitals were not included in the DSH audit if the hospital was not eligible for DSH under federal and state DSH eligibility requirements or declined the audit and returned any DSH monies it had received for the audit period. Note that DSH audits are performed three years after the DSH payment year; thus, the most recently completed DSH audit is for FFY 2019. At the time of this report, the 2020 DSH audit was still underway.*



BACKGROUND AND EXECUTIVE SUMMARY

- *The Medicare hospital cost report contains estimates of the costs of IP hospital and OP hospital services on worksheet S-10. This worksheet calculates IP hospital and OP hospital costs by multiplying a cost-to-charge ratio (CCR) calculated within the Medicare hospital cost report times Medicaid charges reported on the cost report. DSH audit estimates of the costs of IP hospital and OP hospital services are calculated by multiplying routine per diems from Medicare hospital cost reports times routine units from Medicaid claims data and by multiplying ancillary CCR from Medicare hospital cost reports times ancillary charges from Medicaid claims data. These are widely accepted methods of estimating the costs of hospital services. These calculations are not intended to represent the totality of hospital costs and may not include costs that are not allowable under Medicare cost principles, such as costs unrelated to patient care and certain non-allowable corporate costs (lobbying, fundraising, etc.).*
- *This comparison was limited in scope to comparing reimbursement levels to estimated costs. The comparison study and this report make no conclusions regarding the sufficiency of Utah Medicaid reimbursement levels or recommendations that Utah Medicaid take any specific action. Information is presented for comparison purposes only.*



Hospital Reimbursement Comparisons

We have summarized the results of the hospital services reimbursement comparisons in this section. These reimbursement comparisons serve as points of reference only, providing the opportunity to identify whether Medicaid reimbursement for hospital services appears high or low when compared to hospital costs. The comparison of Utah Medicaid reimbursement to cost is not intended to suggest level of reimbursement. Healthcare payers, including Medicare and state Medicaid agencies, differ in how they determine benefits and define services, the limitations that they place on services, who is eligible for the services, who the providers are that deliver the services, and numerous other factors that affect reimbursement methodologies and amounts.

State legislation determines Medicaid agency budgets based on state revenues, and appropriations are authorized by the legislature and provide agencies with authority to expend funds. Therefore, state agencies are limited in amounts for reimbursement rates based on state budgets. In addition, the federal government's share of a state's expenditures through the Federal Medical Assistance Percentage (FMAP) varies by state and provides differing levels of federal support across states. Of the states included in the research sample, the highest FMAP rate for federal fiscal year 2023 is 73.26 percent for New Mexico, and the lowest is 50.00 percent for Colorado (the FMAP for Utah is 65.90 percent). We did not consider factors relating to state budgetary levels and federal financial assistance in this analysis.

Medicare Hospital Cost Report Comparison

This section contains the comparison of hospital reimbursement to cost using Medicare hospital cost report worksheet S-10 information. Worksheet S-10 is a component of the Medicare hospital cost report that is filed by each hospital that received Medicare reimbursement from the Centers for Medicare & Medicaid Services (CMS). The worksheet collects information regarding the cost incurred by the hospital for providing IP and OP hospital services to Medicaid, the Children's Health Insurance Program (CHIP), other programs, and uncompensated care (e.g., charity care). It collects Medicaid IP and OP hospital reimbursement received by the hospital and calculates an estimate of the hospital's costs for providing IP and OP hospital services.

CMS makes hospital cost reports publicly available through the Healthcare Cost Report Information System (HCRIS). Myers and Stauffer obtained the most recently available Medicare hospital cost report from HCRIS, which consisted of cost reports for hospital fiscal years ending in calendar years 2021 and 2022. It should be noted that cost reports filed in HCRIS represent hospitals enrolled in the Medicare program and hospitals with data reported on worksheet S-10 represent hospitals providing services to Medicaid enrollees. Hospitals that are not Medicare enrolled and who do not file cost reports in HCRIS, and hospitals that did not complete worksheet S-10, are not included in the analysis.



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Information for this analysis was obtained from lines 1 through 8 from Worksheet S-10. These lines capture the following information:

- A cost-to-charge ratio (CCR), which measures the relationship between a hospital's total costs and total charges. This ratio is calculated on a different worksheet within the Medicare hospital cost report (Worksheet C, Part I). This ratio can be multiplied by a hospital's Medicaid charges to estimate Medicaid cost.
- Net revenue received by the hospital from the Medicaid program. The cost report lines related to Medicaid revenue capture information about Medicaid supplemental/directed payments the hospital received (including DSH and non-DSH supplemental payments).
- Medicaid charges for hospital services. We used this information to calculate Medicaid cost.
- Medicaid cost, which is calculated on the cost report by multiplying the CCR by Medicaid charges.

Table 1 compares total Medicaid reimbursement and total Medicaid cost reported by hospitals on worksheet S-10. The payment-to-cost differential shows the difference between Medicaid reimbursement and Medicaid cost. The payment-to-cost percentage shows the percentage of the hospital's Medicaid reimbursement relative to estimated Medicaid cost. Positive amounts in the payment-to-cost differential column and percentages above 100 percent the payment-to-cost percentage column indicate the hospital's Medicaid reimbursement exceeds estimated Medicaid cost.

Table 1. Hospital Reimbursement Comparison: Medicare Hospital Cost Report Worksheet S-10 (Utah Hospitals)

Hospital Services				
Hospital Name	Medicare Hospital Cost Report, Worksheet S-10			
	Total Medicaid Payments	Medicaid Cost	Payment-to-Cost Differential	Payment-to-Cost Percentage
Alta View Hospital	\$12,323,394	\$9,855,462	\$2,467,932	125%
American Fork Hospital	\$15,749,186	\$11,577,184	\$4,172,002	136%
Ashley Regional Medical Center	\$13,556,787	\$6,887,374	\$6,669,413	197%
Bear River Valley Hospital	\$2,918,927	\$2,701,405	\$217,522	108%
Beaver Valley Hospital	\$2,311,537	\$1,302,256	\$1,009,281	178%
Blue Mountain Hospital	\$5,596,271	\$5,800,097	(\$203,826)	96%
Brigham City Community Hospital	\$5,086,080	\$3,641,168	\$1,444,912	140%
Cache Valley Hospital	\$2,013,674	\$2,486,966	(\$473,292)	81%
Castleview Hospital	\$11,241,947	\$6,713,019	\$4,528,928	167%
Cedar City Hospital	\$19,530,576	\$11,624,012	\$7,906,564	168%
Central Valley Medical Center	\$3,286,276	\$3,009,435	\$276,841	109%
Davis Hospital and Medical Center	\$15,655,011	\$14,263,518	\$1,391,493	110%



HOSPITAL REIMBURSEMENT COMPARISONS

Hospital Services				
Hospital Name	Medicare Hospital Cost Report, Worksheet S-10			
	Total Medicaid Payments	Medicaid Cost	Payment-to-Cost Differential	Payment-to-Cost Percentage
Delta Community Hospital	\$1,921,060	\$1,930,413	(\$9,353)	100%
Fillmore Community Hospital	\$1,318,794	\$1,274,625	\$44,169	103%
Garfield Memorial Hospital	\$2,206,561	\$1,638,049	\$568,512	135%
Gunnison Valley Hospital	\$1,722,298	\$1,787,205	(\$64,907)	96%
Heber Valley Hospital	\$4,580,907	\$2,588,626	\$1,992,281	177%
Intermountain Medical Center	\$157,908,175	\$108,693,311	\$49,214,864	145%
Jordan Valley Medical Center	\$41,198,305	\$35,092,092	\$6,106,213	117%
Kane County Hospital	\$2,602,467	\$2,090,649	\$511,818	124%
Lakeview Hospital	\$11,223,552	\$6,442,383	\$4,781,169	174%
Layton Hospital	\$7,434,699	\$9,255,439	(\$1,820,740)	80%
LDS Hospital	\$51,786,459	\$39,586,647	\$12,199,812	131%
Logan Regional Hospital	\$25,642,943	\$19,039,822	\$6,603,121	135%
Lone Peak Hospital	\$4,818,195	\$3,917,254	\$900,941	123%
McKay-Dee Hospital	\$94,701,938	\$58,728,222	\$35,973,716	161%
Milford Valley Memorial Hospital	\$541,286	\$483,849	\$57,437	112%
Moab Regional Hospital	\$5,066,887	\$4,729,139	\$337,748	107%
Mountain View Hospital	\$13,386,797	\$8,277,318	\$5,109,479	162%
Mountain West Medical Center	\$11,434,434	\$6,875,283	\$4,559,151	166%
Ogden Regional Medical Center	\$36,350,842	\$18,919,981	\$17,430,861	192%
Orem Community Hospital	\$4,198,692	\$3,797,368	\$401,324	111%
Park City Hospital	\$3,689,636	\$2,852,501	\$837,135	129%
Primary Children's Hospital	\$177,092,400	\$167,163,578	\$9,928,822	106%
Riverton Hospital	\$13,122,396	\$9,593,891	\$3,528,505	137%
Salt Lake Regional Medical Center	\$15,952,099	\$14,535,835	\$1,416,264	110%
San Juan Hospital	\$3,537,319	\$2,995,773	\$541,546	118%
Sanpete Valley Hospital	\$3,903,277	\$2,921,575	\$981,702	134%
Sevier Valley Hospital	\$7,247,480	\$4,916,578	\$2,330,902	147%
Spanish Fork Hospital	\$4,766,839	\$8,180,104	(\$3,413,265)	58%
St. George Regional Hospital	\$64,706,472	\$59,833,375	\$4,873,097	108%
St. Mark's Hospital	\$75,648,167	\$35,125,541	\$40,522,626	215%
The Orthopedic Specialty Hospital	\$2,220,220	\$2,501,632	(\$281,412)	89%
Timpanogos Regional Hospital	\$20,380,897	\$9,750,192	\$10,630,705	209%



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Hospital Services				
Hospital Name	Medicare Hospital Cost Report, Worksheet S-10			
	Total Medicaid Payments	Medicaid Cost	Payment-to-Cost Differential	Payment-to-Cost Percentage
Uintah Basin Medical Center	\$16,194,465	\$15,408,469	\$785,996	105%
University Of Utah Hospital	\$324,074,382	\$287,590,980	\$36,483,402	113%
Utah Valley Hospital	\$97,251,828	\$66,386,990	\$30,864,838	146%
Totals	\$1,419,102,834	\$1,104,766,585	\$314,336,249	128%

Observations from the Worksheet S-10 comparison include:

- Utah Medicaid reimbursement is 128 percent of cost in the aggregate across all hospitals reporting data in worksheet S-10.
- Forty-one of the 47 hospitals have a Medicaid payment-to-cost percentage of 100 percent or greater.

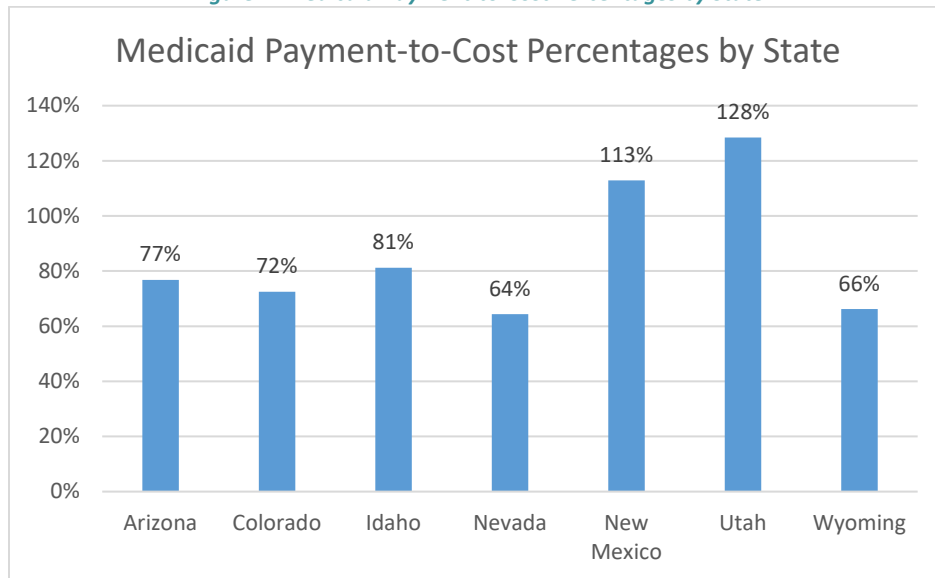
We also compared Medicaid payment-to-cost percentages from Worksheet S-10 for Utah Medicaid to Medicaid payment-to-cost percentages for the six bordering states of Arizona, Colorado, Idaho, Nevada, New Mexico, and Wyoming. *Table 2* shows the comparison across states, and *Figure 1* is a graphical representation of the information.

Table 2. Hospital Reimbursement Comparison: Medicare Hospital Cost Report Worksheet S-10 (State Comparison)

Hospital Services				
State	Medicare Hospital Cost Report, Worksheet S-10			
	Total Medicaid Payments	Medicaid Cost	Payment-to-Cost Differential	Payment-to-Cost Percentage
Arizona	\$2,928,991,865	\$3,812,807,724	(\$883,815,858)	77%
Colorado	\$2,007,879,239	\$2,771,315,211	(\$763,435,973)	72%
Idaho	\$791,278,949	\$974,318,757	(\$183,039,808)	81%
Nevada	\$879,524,058	\$1,365,602,016	(\$486,077,958)	64%
New Mexico	\$1,353,620,715	\$1,199,530,995	\$154,089,720	113%
Utah	\$1,419,102,834	\$1,104,766,585	\$314,336,249	128%
Wyoming	\$95,770,167	\$144,671,075	(\$48,900,908)	66%
Averages	\$1,353,738,261	\$1,624,716,052	(\$270,977,791)	86%



Figure 1. Medicaid Payment-to-Cost Percentages by State



In the aggregate, for all hospitals reporting worksheet S-10 information, Utah Medicaid reimbursement is the highest state in the comparison at 128 percent of Medicaid cost. New Mexico is the only other state with an aggregate Medicaid payment-to-cost percentage above 100 percent. The remaining states in the comparison have Medicaid payment-to-cost percentages less than 100 percent (i.e., Medicaid reimbursement is less than Medicaid cost). The average Medicaid payment-to-cost percentage of the states in the comparison (including Utah) is 86 percent.

The accompanying exhibit (Microsoft Excel workbook titled “Hospital Exhibit A Utah Rate Study”) contains the comparison tables used in this report.

DSH Audit Comparison

For the second hospital reimbursement comparison, we compared hospital reimbursement to estimates of cost from a recently completed DSH audit. DSH audit information illustrates hospital reimbursement levels compared to hospital cost estimates calculated through the DSH audit cost estimation process. As authorized under federal law, state Medicaid programs make DSH payments to qualifying hospitals that serve Medicaid and uninsured individuals. The DSH audit is a federally-required independent audit of the state’s DSH payment program, and DSH audit information for Utah Medicaid is made publicly available by DHHS on the state’s website. DSH audit information includes reimbursement revenue and cost data for IP and OP hospital services provided to the Medicaid and uninsured populations. Our analysis pertains only to the cost of the Medicaid population and excludes information regarding the uninsured population. We used information from FFY 2019 DSH audit for this analysis, as it is the most recently completed DSH audit at the time of this report. We did not include information for hospitals



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who declined the audit and returned the DSH money paid. These hospitals elected not to submit support for the DSH examination and the State of Utah recouped and redistributed the DSH money paid.

We used the following data elements from the 2019 DSH audit in our comparison. We obtained these data elements from The Schedule of Annual Requirements to the 2019 DSH audit. The data presented in *Table 3* contains the final DSH payments for 2019, subsequent to the state’s redistribution of DSH payments based on the 2019 DSH audit findings.

- **Regular IP/OP Medicaid fee-for-service (FFS) Rate Payments.** *Base payments for specific services paid based on health care claims submitted by the hospital for individuals enrolled in the Medicaid FFS program.*
- **IP/OP Medicaid MCO Payments.** *Base payments for specific services paid based on health care claims submitted by the hospital for individuals enrolled in the Medicaid managed care program.*
- **Supplemental/Enhanced IP/OP Medicaid Payments.** *FFS and managed care supplemental/directed payments to hospitals.*
- **Total Cost of Care - Medicaid IP/OP Services.** *Estimates of Medicaid cost, as described previously in this report.*
- **Total In-State DSH Payments Received.** *DSH payments received by hospitals for FFY 2019.*

Table 3 compares total Medicaid reimbursement and total Medicaid cost as calculated in the 2019 DSH audit. Total Medicaid payments includes base payments, non-DSH supplemental payments, and DSH payments. The payment-to-cost differential shows the difference between Medicaid reimbursement and Medicaid cost. The payment-to-cost percentage shows the percentage of the hospital’s Medicaid reimbursement relative to estimated Medicaid cost. Positive amounts in the payment-to-cost differential column and percentages above 100 percent in the payment-to-cost percentage column indicate that the hospital’s Medicaid reimbursement exceeds its estimated Medicaid cost.

Table 3. Hospital Reimbursement Comparison: 2019 DSH Audit (Utah Hospitals)

Hospital Services				
Hospital Name	2019 DSH Audit			
	Total Medicaid Payments	Total Medicaid Cost	Payment-to-Cost Differential	Payment-to-Cost Percentage
Alta View Hospital	\$8,437,446	\$7,017,872	\$1,419,574	120%
Ashley Regional Medical Center	\$10,772,682	\$7,451,217	\$3,321,465	145%
Bear River Valley Hospital	\$2,684,167	\$2,816,275	(\$132,108)	95%
Beaver Valley Hospital	\$1,754,366	\$1,247,504	\$506,862	141%
Blue Mountain Hospital	\$4,265,100	\$4,073,186	\$191,914	105%



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Hospital Services				
Hospital Name	2019 DSH Audit			
	Total Medicaid Payments	Total Medicaid Cost	Payment-to-Cost Differential	Payment-to-Cost Percentage
Brigham City Community Hospital	\$6,246,904	\$4,295,675	\$1,951,229	145%
Castleview Hospital	\$13,199,474	\$7,145,290	\$6,054,184	185%
Delta Community Medical Center	\$1,741,817	\$1,389,911	\$351,906	125%
Dixie Medical Center	\$72,220,414	\$60,046,788	\$12,173,626	120%
Fillmore Community Hospital	\$1,241,704	\$986,387	\$255,317	126%
Garfield Memorial Hospital	\$1,294,796	\$815,197	\$479,599	159%
Gunnison Valley Hospital	\$2,018,703	\$1,790,291	\$228,412	113%
Heber Valley Hospital	\$3,537,097	\$2,582,928	\$954,169	137%
Intermountain Medical Center	\$141,360,899	\$101,004,797	\$40,356,102	140%
Kane County Hospital	\$1,685,825	\$1,279,161	\$406,664	132%
LDS Hospital	\$46,166,501	\$34,437,885	\$11,728,616	134%
Milford Valley Memorial Hospital	\$686,485	\$481,044	\$205,441	143%
Moab Regional Hospital	\$3,901,592	\$2,475,123	\$1,426,469	158%
Mountain West Medical Center	\$8,751,550	\$5,793,507	\$2,958,043	151%
Ogden Regional Medical Center	\$33,444,773	\$21,122,506	\$12,322,267	158%
Orem Community Hospital	\$5,139,434	\$4,833,682	\$305,752	106%
Park City Hospital	\$2,944,565	\$2,251,272	\$693,293	131%
San Juan Hospital	\$2,776,585	\$2,365,682	\$410,903	117%
Sanpete Valley Hospital	\$3,310,868	\$2,540,701	\$770,167	130%
Sevier Valley Hospital	\$6,334,682	\$5,242,997	\$1,091,685	121%
Shriners Hospital for Children	\$1,239,950	\$4,415,909	(\$3,175,959)	28%
St. Mark's Hospital	\$66,393,787	\$40,125,755	\$26,268,032	165%
Timpanogos Regional Hospital	\$21,760,575	\$13,883,856	\$7,876,719	157%
University Of Utah Hospital	\$357,599,798	\$267,063,692	\$90,536,106	134%
Utah State Hospital	\$19,697,922	\$18,763,336	\$934,586	105%
Totals	\$852,610,461	\$629,739,426	\$222,871,035	135%

Observations from the 2019 DSH audit comparison include:

- *Utah Medicaid reimbursement is 135 percent of cost in the aggregate across all hospitals included in the 2019 DSH audit.*



- *On an individual hospital basis, the hospital with the lowest Medicaid payment-to-cost percentage is Shriners' Hospital for Children at 28 percent, and the hospital with the highest Medicaid payment-to-cost percentage is Castleview Hospital at 185 percent.*
- *Twenty-eight of the 30 hospitals have a Medicaid payment-to-cost percentage of 100 percent or greater.*
- *Of the original \$31,742,403 paid to Utah hospitals for DSH, following the audits, \$23,954,982 was required to be returned to the state by the hospitals because there was insufficient uncompensated care costs for the hospitals to retain the DSH monies.*

The accompanying exhibit (Microsoft Excel workbook titled "Hospital Exhibit A Utah Rate Study") contains the comparison tables used in this report.

Summary

Based on the data compiled for this analysis, Utah Medicaid reimbursement for hospital services is in the aggregate higher than Medicaid cost and higher than the average reimbursement levels of the other states surveyed (when compared to cost). Additionally, Utah Senate Bill 126 enacted during the 2023 general session of the Utah State Legislature established increased supplemental payments (referred to as "directed payments") through the Utah Medicaid managed care delivery system. These directed payments begin in SFY 2024 and are not accounted for in the Medicaid payment information in this report. When these payments commence, the Medicaid payment-to-cost percentages for Utah hospitals are anticipated to increase above the levels shown in this report. Under the new program, Utah hospitals are projected to receive an additional \$626 million in Medicaid managed care reimbursement.

The payment increases from SB 126 (2023 General Session) may result in hospitals no longer qualifying for DSH payments. DSH payments allow additional funding toward uncompensated care costs of Medicaid and the uninsured, if any. Due to the increased reimbursement levels anticipated from Medicaid, there may no longer be much uncompensated costs of providing IP and OP hospital services to Medicaid eligible individuals and individuals with no source of third party coverage.

When comparing reimbursement levels across states, it is important to consider that Medicaid base and non-DSH supplemental payment programs vary across states as do the UPLs utilized by Medicaid programs within FFS and various reimbursement comparisons for directed payments in managed care. While most states have non-DSH supplemental payment programs, states use different approaches for determining the applicable UPL below which Medicaid payments must remain (in order to obtain federal matching funds) and the methodologies for calculating and distributing the payments. Within Medicaid FFS, states are limited to reasonable estimates of what the Medicare program would have paid – this is known as the Medicare UPL test. Within Medicaid managed care, states have more flexibility and are able to utilize reimbursement comparisons that are based on Medicare estimates or based on average



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commercial payment levels, which are generally higher than Medicare reimbursement levels. Therefore, a commercial payment benchmark provides the ability to make higher levels of supplemental/directed payments in managed care, which is what Senate Bill 126 (2023 Utah General Session) permits. Some states in the comparison information in this report may not have Medicaid managed care programs or may not have managed care directed payments that utilize commercial payment information.