

EXHIBIT 3 to ATTACHMENT D
AHCCCS Disproportionate Share Hospital Payment Methodology
Pool Funding Amounts for SPY 2008 and SPY 2009 and SPY 2010

This Exhibit contains the amount of funding for six pools of the Arizona DSH methodology for State Plan Year (SPY) 2008 and 2009, and seven pools for SPY 2010.

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The funding for pools 1 and 2 will be sufficient to provide an average payment amount of \$6,000 for all hospitals qualifying for both of the two pools. No hospital in pools 1 or 2 will receive less than \$5,000. Therefore, the amount of funding for pools 1 and 2 will be determined by multiplying the number of hospitals qualifying for pools 1 and 2 by \$6,000.

The funding for pools 1A, 2A and 3 will be derived by subtracting the total amount allocated for pools 1 and 2 from \$26,147,700, the amount of DSH authorized by the Legislature for non-governmentally operated hospitals for SPY 2008 and 2009. For SPY 2010, the funding for pools 1, 2, 1A, 2A and 3 will be \$500,000.

The funding for pool 4 is \$117,914,800, the amount authorized by the Legislature for governmentally operated hospitals for SPY 2008. For SPY 2009, the funding amount for governmentally operated hospitals in pool 4 is \$128,427,000. For SPY 2010, the funding amount for governmentally operated hospitals in pool 4 is \$132,596,900.

The funding for pool 5 is \$26,000,000 and will be provided through voluntary intergovernmental transfers to hospitals designated by political subdivisions, public universities and tribal governments. Political subdivisions, public universities and tribal governments will notify AHCCCS of the hospitals that will be designated to receive funds and of the amount of matching funds that will be available through their intergovernmental agreements (IGAs).

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For SPY 2009, any excess DSH funding in pool 4 not allocated due to OBRA limits may be reallocated and distributed to DSH-qualifying hospitals in pools 1, 1A, 2, 2A, or 3 until September 30, 2011. AHCCCS shall notify CMS prior to the distribution of any pool 4 reallocated DSH funds. For SPY 2010, any excess DSH funding in pool 4 not allocated due to OBRA limits may be reallocated to DSH pools 1, 1A, 2, 2A, 3, and 5 until September 30, 2012. A determination will be made by June 30, 2012, by the Administration if any reallocation will occur.

Funding will be reallocated first to pools 1, 1A, 2, 2A and 3 should the State make available matching funds. This reallocation to the pools will be based proportionately on the SPY 2009 pool allocations. For each pool, the distribution of the reallocated DSH funding to the hospitals within the pool will be based on each hospital's 2010 relative weights as described in the "Determination of Payment Amounts" section of this Attachment D. SPY 2010 payments made from reallocated funds will be added to the hospitals' original SPY 2010 payments with the total SPY 2010 payments subject to each hospital's OBRA limit.

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Any remaining excess funding may be reallocated to pool 5. Additional DSH payments

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Revised 6/28/10

from Pool 5 are funded by transfers per IGAs. If more than one hospital has available voluntary match, the reallocation will be allocated based proportionately according to the hospital's LOM scores, subject to the lower of each hospital's remaining OBRA limit or the total computable matching fund amount designated for each hospital per the applicable IGA.

AHCCCS shall notify CMS prior to the distribution of any pool 4 reallocated DSH funds. Any additional payments will be limited to a hospital's overall OBRA limit.

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AMENDMENT
TO
ATTACHMENT D
AHCCCS DISPROPORTIONATE SHARE HOSPITAL PROGRAM - DSH 102
(Additional Group, Revised June 2010)

Group 5 Eligibility Determination

Any Arizona hospital that qualifies for funding in Group 1-3 (Group 1, 1A, 2, 2A, or 3) is eligible for funding through Group 5. Group 5 is created to enable DSH-eligible hospitals to get qualifying DSH payments matched via voluntary intergovernmental agreements (IGAs). Per State Medicaid Director Letter #10-010, the State will require the appropriate documentation that the funding has been voluntarily provided. Group 5 DSH payments are on top of the Group 1-3 DSH payments, but no individual hospital will receive aggregate DSH payments that exceed its OBRA limit.

Funding for any hospital in Group 5 must be arranged via a voluntary intergovernmental agreement with a political subdivision, tribal government or public university, using public funds not derived from impermissible sources, such as impermissible provider-related donations or impermissible health care-related taxes, as a match to draw down DSH payments. Political subdivisions, tribal governments and public universities will notify AHCCCS of the hospitals designated to receive funds and of the amount of matching funds that are available through their IGAs.

For hospitals that qualify for Group 5, a "LOM" score will be calculated by multiplying the hospital's LIUR times the hospital's full OBRA limit, times the hospital's MIUR.

Example:

Hospital A

OBRA = \$54,734,467, MIUR = 0.3542, LIUR = 0.2946

Group 5 LOM score for Hospital A = \$54,734,467 x 0.3542 x 0.2946 = \$5,711,394

For the first round of distributions, each hospital's percentage of the total group LOM score will be calculated using the hospital's LOM score as the numerator and the total of all eligible hospitals' LOM scores as the denominator. The total amount of DSH available as a result of the IGAs (Group 5 DSH funds) will be multiplied by each hospital's LOM percentage of this first round. If any allocation from this round is higher than a hospital's OBRA limit (remaining after Group 1-3 DSH distributions) or higher than the matching funds (in total computable) for that hospital, the lower of those two limits will be recorded as the allocation for round one.

For subsequent rounds, only the hospitals that have not hit their OBRA limit or matching fund limit will be considered in that round. The LOM score for only those hospitals will be totaled. Each hospital's percentage of the total LOM score for that round will be calculated. The total amount of Group 5 DSH funds remaining for that round will be multiplied by each hospital's LOM percentage for that round. If any allocation from any round is higher than a hospital's remaining OBRA limit or higher than the remaining total computable matching funds for that hospital, the lower of those two limits will be recorded as the allocation for that round.

Distribution rounds will continue until all Group 5 DSH funds are distributed, or all Group 5 qualifying hospitals have received the maximum distribution identified in the IGAs or reached their individual OBRA limits, whichever comes first. All excess IGA funds not used for Group 5 DSH distributions, due to application of the above limits, will be returned to the originating political subdivisions, tribal governments or public universities and will not be retained by AHCCCS for other uses.

The Group 5 DSH distribution for any hospital will consist of that hospital's total of allocations from all rounds.

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