State Hospital Enhancement Funding Request Information

Key Points Regarding State Hospital Funding:

1 **Funding for the State Hospitals comes from three main sources:**
   a. State General Fund
   b. Medicaid/Disproportionate Share Hospital (DSH) Payments (Title XIX account)
   c. Medicare/Private Insurance (Fee Fund account)

2 **All hospital Medicaid and DSH payments are deposited into a "parent" Title XIX account at KDADS.**
   a. KNI and PSH bring in the majority of the Medicaid revenue.
   b. OSH and LSH bring in the majority of the DSH revenue.
   c. Funding is budgeted and distributed throughout the year through transfers from KDADS to the Hospitals.

3 **Historically, OSH, KNI, and PSH have subsidized LSH.**
   a. LSH's earned revenues have been insufficient to cover its expenses.
   b. In the past, OSH, KNI, and PSH have brought in enough revenue to cover their own expenses, plus some of LSH's.

4 **Decertification of OSH, as well as census adjustments at PSH and KNI have drastically reduced revenue to the system.**
   a. Decertification has eliminated almost 2/3 of OSH's historical revenue.
   b. Right-sizing of census at both KNI and PSH have also reduced their revenues.
   c. Overall, this equates to less funding available for all hospitals, including LSH.

5 **Approximately 1/2 of LSH's DSH payments are expected to be recouped each year for the next 5 years.**
   a. LSH inadvertently included SPTP residents in past cost reports resulting in overpayment of DSH.
   b. Two quarters of DSH payments each year will be withheld.
   c. Estimated loss of $2.89 million per year.

6 **OSH requests $11.6 million for FY 2018 from the SGF; LSH requests $6.5 million for FY 2018 from the SGF.**
   a. Attached documents illustrate potential scenarios for OSH funding dependent upon its recertification.
   b. Attached documents illustrate LSH's historical revenues and the impact of reduced revenue to the hospital system.

7 **Without the additional requested funding, operations at OSH and LSH will be forced to change drastically.**
   a. Historically, OSH's budget has been approximately $32-$33 million, of which about 60% is Medicaid/Medicare/DSH revenue.
   b. Drastic census reductions or significant operational changes would be required, absent the additional funding for OSH.
   c. Historically, LSH's budget has been approximately $57-$58 million, of which about 26% is Medicaid/Medicare/DSH revenue.
   d. In the past, 1/4 to 1/2 of the Medicaid/Medicare/DSH revenue spent by LSH came from OSH, KNI, and PSH.
   e. Absent the additional funding requested, LSH will be forced to hold vital positions open to obtain a shrinkage rate of 23.5% or more.
   f. There would be no funding available to fill vacant positions with contract staff--operational changes/census reductions required.