

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.