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June 4, 2001 Joint Committee on Finance Paper #473

# MA Hospital Payments (DHFS -- Medical Assistance)

[LFB 2001-03 Budget Summary: Page 359, #9 (part)]

## CURRENT LAW

Under federal law, MA payments for hospital services are limited in two ways. First, a state's total MA payments for hospital services are limited to the total amount that would have been spent for the same services under Medicare. This is known as the Medicare upper limit. This upper limit is calculated separately for inpatient services and outpatient services. Second, no hospital can be reimbursed for more than the total amount the hospital charges for services provided under MA.

*Outpatient Hospital Services.* Currently, the MA rate paid to a hospital for outpatient services is based on that hospital's costs from 1987, adjusted for inflation, capital costs and costs for outpatient mental health services provided by the hospital. A rural hospital may receive an adjustment to its outpatient reimbursement rate if it has a combined Medicare and MA utilization rate equal to or greater than 50% based on charges and: (a) the hospital is not located in a metropolitan statistical area (MSA) under Medicare; (b) as of January 1, 1991, Medicare classified the hospital in a rural wage area; (c) the hospital has not been permanently assigned MSA status as of July 1, 1993; and (d) Medicare does not classify the hospital as a rural referral center. In 1999-00, MA payments for outpatient hospital services totaled $44.3 million (all funds).

*Inpatient Hospital Services.* Inpatient hospital services under MA are paid based on a prospective payment system known as a diagnosis-related group (DRG) system. The DRG system pays hospitals based on a patient's diagnosis and/or the nature of the services furnished in relation to that diagnosis. However, the DRG system allows for certain hospital-specific costs and circumstances to be considered as part of the rate calculation.

Under the DRG system, the hospital determines the patient diagnosis and then bills MA for the hospital-specific DRG rate related to that condition and treatment. The methodology of calculating DRG rates and the adjustments are described in the MA inpatient hospital state plan prepared by DHFS. This plan is updated annually to reflect changes to the program. In 1999-00, MA payments for inpatient hospital services totaled $248.8 million (all funds).

*Disproportionate Share Adjustments.* Disproportionate share hospitals (DSHs) serve a disproportionate share of MA and low-income patients. These hospitals receive an adjustment to the hospital-specific base DRG rate to reflect the costs of serving a disproportionate share of MA and low-income, uninsured patients. In 2000-01, for qualifying hospitals, the minimum DSH adjustment is equal to 3% of a hospital's base DRG rate. The hospital with the highest MA utilization rate receives a 5.5% DRG adjustment.

Of total MA expenditures for inpatient hospital services in 1999-00, DSH adjustments totaled approximately $5.5 million and was distributed to 26 hospitals. To be eligible for a DSH increase, a hospital must serve a disproportionate share of low-income and MA clients. Additionally, a qualifying hospital must have at least two obstetricians who have staff privileges and who have agreed to participate in MA unless the hospital serves patients who are predominantly under age 18 or the hospital did not offer nonemergency obstetrical care as of December 31, 1987.

Prior to federal fiscal year 2000-01, the annual amount of federal DSH funds Wisconsin could expend was limited to $7.0 million. Under a change enacted as part of the FFY 2000-01 federal budget, some states, including Wisconsin, are eligible to receive a DSH allotment equal to 1% of the total federal MA funding paid to that state in FFY 2000-01. Beginning in 2001-02 and each year thereafter, the allocation will increase every year based on inflation. It is estimated that the state's federal DSH allotment will total $20,409,600 in 2001-02 and $21,103,500 in 2002-03.

The amount of the state's DSH allotment is important because these expenditures do not count towards the state's Medicare upper limit for inpatient services or the limit on reimbursements above a hospital's charges. However, under federal law, the total amount of funding that can be provided to a hospital, as a DSH adjustment, is limited to its unrecovered costs for serving MA and uninsured patients.

Hospitals do not separately identify costs for uninsured patients, but instead report unrecovered costs as charity care or bad debt. Charity care is care for which a hospital does not charge because it has been determined that the patient cannot afford to pay. Bad debt is defined as care for which payment is expected but the hospital is unable to collect. When calculating individual hospital maximum DSH allocations, DHFS uses the hospital's reported charity care as a proxy for a hospital's costs to serve the uninsured.

## GOVERNOR

Provide $22,907,900 ($13,409,600 FED and $9,498,300 SEG) in 2001-02 and $24,199,400 ($14,103,500 FED and $10,095,900 SEG) in 2002-03 to fund increases in the maximum reimbursement rates paid to hospitals for outpatient services and increases in reimbursement rates for inpatient services provided by hospitals qualifying for DSH adjustments. SEG funding would be provided from the MA trust fund created in the bill.

This provision would use funds from the MA trust fund as the state's match for claiming additional federal DSH funding that is available, beginning in federal fiscal year (FFY) 2000-01. The amount of the federal funding provided in the bill is based on DHFS estimates of the additional federal DSH funding that would be available to the state in each year of the 2001-03 biennium.

Under the Governor's proposal, DHFS would: (a) increase inpatient hospital reimbursement rates to those hospitals that qualify as a DSH ($4,000,000 annually); (b) recalculate rates paid to most rural hospitals for outpatient services ($3,565,800 in 2001-02 and $3,809,400 in 2002-03); and (c) recalculate rates paid to most urban hospitals for outpatient services ($15,342,100 in 2001-02 and $16,390,000 in 2002-03).

The administration indicates that the outpatient services rate paid to a rural hospital would be recalculated so that in 2001-02, each hospital would be paid a rate equivalent to 100% of a hospital's costs for outpatient services. For urban hospitals, in 2001-02, the rate would be equivalent to approximately 93% of a hospital's costs for outpatient services. No additional rate increase would be available in 2002-03 for outpatient hospital services.

## DISCUSSION POINTS

### Outpatient Hospital Rates

1. The Governor's proposal to increase outpatient hospital reimbursement rates is intended to address inequities in the current outpatient reimbursement rate structure. Currently, outpatient rates for each hospital are based on a hospital's average outpatient costs in 1987, adjusted based on rate increases provided since then. Because the level of health care services available in outpatient settings has dramatically changed since 1987, the level of reimbursement for outpatient services varies significantly by hospital. Of the urban hospitals, MA reimbursement as a percent of costs ranges from 27% for Memorial Hospital in Hudson to 95% for Baldwin Area Memorial in St. Croix. Of the rural hospitals, reimbursement as a percent of costs ranges from 39% for Adams County Memorial Hospital to 100% for Door County Memorial Hospital and others.

2. With the funding provided under the Governor's recommendations, outpatient rates for each hospital would be recalculated in 2001-02 based on current cost data and are estimated to equal reimbursement for approximately 93% for urban hospitals and 100% for rural hospitals. Rates for hospitals with current payment rates above these levels would not be affected by the Governor's

proposal. Rates would not be recalculated again in 2002-03.

3. The amount of the increased reimbursements available under the Governor's proposal would vary by hospital. A number of hospitals could receive substantial increases, while others would receive small or no increases, depending on what portion of the hospital's costs is reimbursed under current outpatient rates. Attachment 1 identifies estimates of the portion of each hospital's costs that are reimbursed under current MA rates.

4. The Committee may determine that it is appropriate to provide funding for outpatient reimbursement rates to reduce differences between hospitals in the percent of costs reimbursed under MA. However, the Committee may want to consider whether it is appropriate to distinguish between urban and rural hospitals as a group, as the Governor's proposal does.

5. Under MA, rural hospitals are defined based on federal criteria defining rural and urban hospitals under Medicare. Rural hospitals are located in counties that are not associated with a metropolitan statistical area (MSA), as defined under Medicare. Attachment 2 to the paper identifies urban and rural counties, based on the whether the county is located in an MSA.

6. It is estimated that under current law, on average, MA reimburses rural hospitals for approximately 73% of their outpatient costs. By comparison, MA reimburses urban hospitals, on average, for approximately 66% of their outpatient costs. In addition, hospitals designated as critical access hospitals by the U.S. Department of Health and Human Services, Health Care Financing Administration (HCFA) receive 100% reimbursement of costs. To be designated a critical access hospital, a hospital must be in a rural area, make available 24-hour emergency care, provide not more than 15 inpatient beds providing inpatient services for not more than four days and meet certain staffing requirements.

7. Rural hospitals receive higher reimbursements as a percentage of costs under MA, partly because rural hospitals can be eligible for an adjustment to the outpatient reimbursement rate if the hospital has a combined Medicare and MA utilization rate equal to or greater than 50% based on the hospital's charges. The amount of this adjustment can vary from 15% to 39%, depending on the portion of the hospital's charges attributable to MA clients.

8. To determine which hospitals are most in need of targeted reimbursements for services, it may be appropriate to look at the ability of hospitals to shift costs to other payers. MA reimbursements for services are generally lower than reimbursement rates paid by private health insurance plans. It is, therefore, assumed that providers shift some of the costs for services provided to MA clients to private payers. Table 1 compares rural and urban hospitals' gross patient revenue received in 1999, the percent of gross patient revenue from difference sources, and net income and uncompensated care a percent of gross patient revenue.

**TABLE 1**

**Comparison of Hospital Financial Statistics**
**Fiscal Year 1999**

| | Rural Hospitals | Urban Hospitals |
|---|---|---|
| Gross Patient Revenue (in millions) | $1,839 | $8,141 |
| Source of Revenue | | |
| Medicare | 47.5% | 41.1% |
| Private Insurance | 41.0 | 44.6 |
| MA | 5.6 | 7.7 |
| Other | 5.9 | 6.6 |
| | 100.0% | 100.0% |
| Net Income as a Percent of Gross Patient Revenue | 4.1% | 3.9% |
| Uncompensated Care as a Percent of Gross Patient Revenue | 3.0% | 2.9% |

Source: 1999 Guide to Wisconsin Hospitals, DHFS

9. As Table 1 indicates, rural hospitals tend to receive a larger portion of gross patient revenue from Medicare than urban hospitals. Urban hospitals receive a larger portion of gross patient revenue from MA, but also receive a larger portion of revenue from private insurance. There is no significant difference between net income and uncompensated care as a portion of revenue for rural or urban hospitals.

10. Since MA revenue represents a relatively small percentage of total revenue for both urban and rural hospitals, increasing MA rates for hospitals has a relatively small effect on total hospital revenues. However, if the Committee wishes to reduce disparities in current outpatient payment rates, it could provide some SEG funding from the MA trust fund that would be created in the bill, but not distinguish between rural and urban hospitals as a group.

11. However, because total outpatient reimbursements for rural hospitals are significantly less than outpatient reimbursements for urban hospitals, the cost to increase reimbursement rates for rural hospitals is significantly less than for urban hospitals. Table 2 identifies the estimated costs to increase current outpatient hospital rates for both urban and rural hospitals at various percents of estimated costs.

## TABLE 2

### Alternative Increases for Outpatient Rates

| Rate Increase | 2001-02 | | | 2002-03 | | |
|---|---|---|---|---|---|---|
| | SEG | FED | Total | SEG | FED | Total |
| 85% of Estimated Costs | | | | | | |
| Urban hospitals | $4,441,100 | $6,325,300 | $10,766,400 | $4,743,000 | $6,686,600 | $11,429,600 |
| Rural hospitals | 809,700 | 1,153,200 | 1,962,900 | 864,700 | 1,219,100 | 2,083,800 |
| 95% of Estimated Costs | | | | | | |
| Urban hospitals | $6,646,200 | $9,465,700 | $16,111,900 | $7,097,900 | $10,006,500 | $17,104,400 |
| Rural hospitals | 1,230,200 | 1,752,100 | 2,982,300 | 1,313,800 | 1,852,200 | 3,166,000 |
| Governor's Proposal | | | | | | |
| Urban hospitals | $6,368,200 | $8,973,900 | $15,342,100 | $6,845,100 | $9,544,900 | $16,390,000 |
| Rural hospitals | 1,480,100 | 2,085,700 | 3,565,800 | 1,590,900 | 2,218,500 | 3,809,400 |

12. The estimates included in Table 2 assume that hospitals with current payment rates above the percents identified in the table would not be affected. Additionally, the estimates reflect current projections that total reimbursements for outpatient hospital services will increase by approximately 6.2% in 2002-03, based on current trends in the MA caseload and utilization of outpatient hospital services.

**Outpatient Hospital Reimbursements Rates Effect on HMO Payments**

13. The Governor's recommendations did not take into account the effect that increases in hospital reimbursements would have on health maintenance organizations (HMOs) that participate in the MA program. Because payments to HMOs for services are based on the rates that would be paid if the equivalent level of services were provided under a fee-for-service approach, DHFS would require additional funds to ensure that HMOs are not adversely affected by increased rates paid to hospitals.

14. HMOs serve MA and BadgerCare clients based on negotiated contracts with DHFS. Payments are based on a discount of the fee-for-service equivalent for the population served. Current statewide composite discounts are estimated at 8.4% for the AFDC and Healthy Start populations, 17.4% for Healthy Start pregnant women and 2.9% for the BadgerCare population.

15. DHFS and representatives of HMOs have expressed concern that if payments to HMOs are not adjusted to address the impact of the outpatient hospital rate increase, a number of HMOs may not continue to participate in the MA and BadgerCare programs. If a number of HMOs discontinue participation, it is likely that MA and BadgerCare costs would increase, since the portion of the MA and BadgerCare populations enrolled in HMOs would likely decrease. To ensure that the discount rates reflected in the current rates paid to HMOs are not affected by increases in

the Governor's bill, it is estimated that the funding in the Governor's bill would have to be increased by approximately 47% in 2001-02 and approximately 88% in 2002-03 for an increase of approximately $11.2 million SEG over the biennium.

16. Rather than increasing funding provided in the bill to ensure that the HMO discount is not affected by the increase, the Committee could direct DHFS to allocate a portion of the funding provided for outpatient hospital services to funding for HMO payments so that the discount is not affected by the increase. This would effectively reduce funding that would be provided for outpatient hospital reimbursements paid under fee-for-service by approximately 41% over the biennium.

**Outpatient Hospital Reimbursement Effect on Funding for BadgerCare**

17. The Governor's recommendations did not take into account the impact that increases in hospital reimbursements would have on the amounts paid for outpatient hospital services under BadgerCare. Since the rates paid under BadgerCare are equal to the rates paid under MA, the increases in reimbursement rates in the Governor's bill would proportionately increase expenditures under BadgerCare. It is estimated BadgerCare expenditures would increase by approximately $1.5 million GPR as a result of the increases proposed in the Governor's budget. Therefore, if the Committee chooses to increase funding for outpatient hospital services, the Committee could specify that, of the funds provided, a portion would be budgeted in the BadgerCare program benefits appropriation to ensure that funding budgeted for BadgerCare is sufficient to meet program expenditures.

**Disproportionate Share Hospital (DSH) Payments**

18. As Table 1 indicates, on average, revenue from MA does not represent a significant portion of revenue for either urban or rural hospitals. However, for those hospitals with a disproportionate share of MA or low-income clients, federal law allows states to make DSH adjustments to hospital reimbursement rates to account for the reduced ability these hospitals have to shift costs to private resources.

19. The Governor's proposal would increase total reimbursements to hospitals that qualify for DSH payments by $4.0 million annually. It is estimated that under the Governor's proposal, the minimum DSH adjustment to a hospital's DRG would increase from 3% to 4%. Table 3 identifies the administration's estimate of how the $4.0 million would be distributed based on hospitals currently meeting the DSH criteria and the Department's current methodology for distributing DSH funds. Because the DSH adjustment represents an increase to each paid claim for inpatient services, the actual amount paid may vary, based on actual inpatient claims paid over the biennium.

## TABLE 3

### Estimated Distribution of Governor's Proposal to Increase DSH Allocations

| Hospital | Location | Annual Amount |
|---|---|---|
| Children's Hospital | Milwaukee | $1,735,349 |
| Sinai Samaritan | Milwaukee | 986,071 |
| State Mental Health Institutes | Madison/Winnebago | 300,000 |
| Froedtert Memorial Lutheran Hospital | Milwaukee | 234,266 |
| St. Luke's Memorial Hospital | Racine | 195,901 |
| St. Mary's Hospital | Milwaukee | 143,764 |
| Milwaukee County Mental Health | Milwaukee | 94,106 |
| Regions Hospital | St. Paul, Minnesota | 24,835 |
| Brown County Hospital | Green Bay | 18,551 |
| Miller Dwan Medical Center | Duluth, Minnesota | 16,616 |
| Children's Health Care | Minneapolis, Minnesota | 15,548 |
| Rogers Memorial Hospital | Oconomowoc | 11,821 |
| Bellin Psychiatric Hospital | Green Bay | 10,910 |
| Gillette Children's Hospital | St. Paul, Minnesota | 10,248 |
| Boscobel Area Health Care | Boscobel | 8,283 |
| Libertas | Green Bay | 7,627 |
| Hennepin County Medical Center | Minneapolis, Minnesota | 7,279 |
| Children's Health Care | St. Paul, Minnesota | 3,926 |
| Swedish American Hospital | Rockford, Illinois | 117 |
| Total | | $3,825,218 |

20. A number of the hospitals eligible for DSH payments are either psychiatric hospitals or hospitals located outside of Wisconsin. Children's Hospital of Wisconsin would receive approximately 45% of the increase in DSH payments under the Governor's proposal. This is primarily because Children's Hospital has one of the highest MA utilization rates in the state. However, Children's Hospital has over 62% of its gross patient revenue from private sources. Only one other hospital has more of its gross patient revenue from private sources. Additionally, Children's Hospital reported net income of $16.3 million in 1999. This suggests that Children's Hospital has a greater ability to shift costs not funded under MA to private sources of revenue than most other hospitals.

21. However, other hospitals eligible for DSH funds could be considered in need of additional DSH funds. For example, Sinai Samaritan in Milwaukee and St. Luke's Memorial in Racine had a net loss of income in 1999--almost $10.0 million for Sinai Samaritan and over $815,000 for St. Luke's Memorial. These losses represent an approximately -5.1% profit margin for Sinai Samaritan and a -1.8% profit margin for St. Luke's Memorial. These two hospitals would

receive approximately 31% of the increased DSH allocation proposed in the Governor's budget. Froedtert Memorial Lutheran Hospital in Milwaukee, which had net income of $24.7 million in 1999, or a 7.4% profit margin, would receive 6% of the increased allocations. The remaining 14 DSH-eligible hospitals would receive approximately 10% of the additional DSH funds.

22. The ability to increase DSH payments is the result of a recent change in federal law that increased Wisconsin's allocation of federal DSH funds. Previously the state's federal DSH allocation was limited to $7.0 million annually. Federal DSH funds are available at the same matching rate as other federal MA matching funds, approximately 59%. The availability of the DSH funds allows payments to DSH-eligible hospitals to exceed federal upper limits on payments to hospitals. The total estimated increase in federal DSH funding is approximately $13.4 million in 2001-02 and $14.1 million in 2002-03. The increase in DSH allocations included in the bill would increase federal DSH expenditures by approximately $2.3 million annually. Therefore, the DSH allocations could be increased above the amount included in the Governor's bill.

23. If the Committee does not act to increase DSH allocations above the level proposed in the bill, DHFS would still be able to claim the additional federal DSH funds. This is possible because, under current law, the state makes hospital payments for Milwaukee County's general assistance medical program (GAMP) and the essential access city hospital (EACH) supplement, which would qualify as DSH allocation. Currently the GAMP and EACH payments do not use federal DSH funds since the state's DSH allocation had been limited to $7.0 million until the recent federal law change.

24. The segregated funding provided in each of the alternatives would be provided from the MA trust fund that would be created in the bill. Revenues from the trust fund are MA matching funds the state receives under the nursing home intergovernmental transfer (IGT) program and replaces GPR that would otherwise be budgeted as the state match for these services.

## ALTERNATIVES TO BASE

### A. Outpatient Reimbursement Rates for Urban Hospitals

1. Adopt the Governor's recommendation to provide $15,342,100 ($8,973,900 FED and $6,368,200 SEG) in 2001-02 and $16,390,000 ($9,544,900 FED and $6,845,100 SEG) in 2003-03 to increase reimbursement rates for outpatient hospitals so that urban hospitals would receive reimbursements estimated at 93% of a hospital's costs for such services.

| **Alternative A1** | **FED** | **SEG** | **TOTAL** |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $18,518,800 | $13,213,300 | $31,732,100 |
| *[Change to Bill* | *$0* | *$0* | *$0]* |

2. Reduce funding in the bill by $4,575,700 ($2,648,600 FED and $1,927,100 SEG) in 2001-02 and $4,960,400 ($2,858,300 FED and $2,102,100 SEG) in 2002-03 to increase

reimbursement rates for outpatient hospitals so that urban hospitals would receive reimbursements estimated at 85% of a hospital's costs for such services.

| Alternative A2 | FED | SEG | TOTAL |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $13,011,900 | $9,184,100 | $22,196,000 |
| *[Change to Bill* | *- $5,506,900* | *- $4,029,200* | *- $9,536,100]* |

3. Increase funding in the bill by $769,800 ($491,800 FED and $278,000 SEG) in 2001-02 and $714,400 ($461,600 FED and $252,800 SEG) in 2002-03 to increase reimbursement rates for outpatient hospitals so that urban hospitals would receive reimbursements estimated at 95% of a hospital's costs for such services.

| Alternative A3 | FED | SEG | TOTAL |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $19,472,200 | $13,744,100 | $33,216,300 |
| *[Change to Bill* | *$953,400* | *$530,800* | *$1,484,200]* |

4. Delete the Governor's provision.

| Alternative A4 | FED | SEG | TOTAL |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $0 | $0 | $0 |
| *[Change to Bill* | *- $18,518,800* | *- $13,213,300* | *- $31,732,100]* |

## B. Outpatient Reimbursement Rates for Rural Hospitals

1. Adopt the Governor's recommendation to provide $3,565,800 ($2,085,700 FED and $1,480,100 SEG) in 2001-02 and $3,809,400 ($2,218,500 FED and $1,590,900 SEG) in 2002-03 to increase reimbursement rates for outpatient hospitals so that rural hospitals would receive reimbursements estimated at 100% of a hospital's costs for such services.

| Alternative B1 | FED | SEG | TOTAL |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $4,304,200 | $3,071,000 | $7,375,200 |
| *[Change to Bill* | *$0* | *$0* | *$0]* |

2. Reduce funding in the bill by $1,602,900 ($932,500 FED and $670,400 SEG) in 2001-02 and $1,725,600 ($999,400 FED and $726,200 SEG) in 2002-03 to increase reimbursement rates for outpatient hospitals so that rural hospitals would receive reimbursements estimated at 85% of a hospital's costs for such services.

| Alternative B2 | FED | SEG | TOTAL |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $2,372,300 | $1,674,400 | $4,046,700 |
| *[Change to Bill* | *- $1,931,900* | *- $1,396,600* | *- $3,328,500]* |

3. Reduce funding in the bill by $583,500 ($333,600 FED and $249,900 SEG) in 2001-02 and $643,400 ($366,300 FED and $277,100 SEG) in 2002-03 to increase reimbursement rates for outpatient hospitals so that rural hospitals would receive reimbursements estimated 95% of a hospital's costs for such services.

| Alternative B3 | FED | SEG | TOTAL |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $3,604,300 | $2,544,000 | $6,148,300 |
| *[Change to Bill* | *- $699,900* | *- $527,000* | *- $1,226,900]* |

4. Delete provision.

| Alternative A4 | FED | SEG | TOTAL |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $0 | $0 | $0 |
| *[Change to Bill* | *- $4,304,200* | *- $3,071,000* | *- $7,375,200]* |

## C. Effect on HMO Payments

In addition to Alternatives A1, A2, A3, B1, B2 or B3, do one of the following:

1. Require DHFS to allocate a portion of the funding provided to increase outpatient hospital reimbursements, to fund adjustments in HMO payment rates to ensure that the current payment rate discount is not decreased as a result of increase in outpatient hospital reimbursements.

2. Take no action.

## D. Funding for BadgerCare

1. Authorize DHFS to transfer funding from the MA benefits appropriation to the BadgerCare appropriation in each year of the 2001-03 biennium to ensure that sufficient funding is provided for increased costs in BadgerCare as a result of increases in the reimbursement rate for outpatient hospital services.

2. Take no action.

## E. DSH Funding

1. Adopt the Governor's recommendations to increase funding for DSH allocations by $4,000,000 annually ($2,350,000 FED and $1,650,000 SEG in 2001-02 and $2,340,100 FED and $1,659,900 SEG in 2002-03).

| **Alternative E1** | **FED** | **SEG** | **TOTAL** |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $4,690,100 | $3,309,900 | $8,000,000 |
| *[Change to Bill* | *$0* | *$0* | *$0]* |

2. Reduce funding in the bill for DSH allocations by $2.0 million annually ($1,175,000 FED and $825,000 SEG in 2001-02 and $1,170,100 FED and $829,900 SEG in 2002-03).

| **Alternative E2** | **FED** | **SEG** | **TOTAL** |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $2,345,100 | $1,654,900 | $4,000,000 |
| *[Change to Bill* | *- $2,345,100* | *- $1,654,900* | *- $4,000,000]* |

3. Delete provision.

| **Alternative E3** | **FED** | **SEG** | **TOTAL** |
|---|---|---|---|
| **2001-03 FUNDING** (Change to Base) | $0 | $0 | $0 |
| *[Change to Bill* | *- $4,690,100* | *- $3,309,900* | *- $8,000,000]* |

Prepared by: Rachel Carabell

## ATTACHMENT 1

## Urban Hospitals

| Hospital | City | County | Current MA Reimbursement as a Percent of Cost |
|---|---|---|---|
| Hudson Medical Center | Hudson | St. Croix | 27% |
| Milwaukee County Mental | Milwaukee | Milwaukee | 38 |
| Gunderson Lutheran | La Crosse | La Crosse | 42 |
| St. Francis | Milwaukee | Milwaukee | 44 |
| St. Francis | Milwaukee | Milwaukee | 46 |
| St. Joseph's Hospital | West Bend | Washington | 48 |
| Meriter Hospital | Madison | Dane | 49 |
| St. Mary's | Racine | Racine | 49 |
| Mercy Medical | Oshkosh | Winnebago | 50 |
| Elmbrook Memorial | Brookfield | Waukesha | 51 |
| St. Elizabeth | Appleton | Outagamie | 52 |
| Mercy Medical Center | Janesville | Rock | 53 |
| Sacred Heart Rehab | Milwaukee | Milwaukee | 53 |
| Appleton Medical Center | Appleton | Outagamie | 54 |
| Calumet Medical Center | Chilton | Calumet | 54 |
| Beloit Memorial | Beloit | Rock | 55 |
| Luther Hospital | Eau Claire | Eau Claire | 56 |
| Holy Family | New Richmond | St. Croix | 56 |
| Fort Atkinson Memorial | Fort Atkinson | Jefferson | 57 |
| St. Vincent | Green Bay | Brown | 58 |
| St. Joseph | Milwaukee | Milwaukee | 58 |
| West Allis Memorial | West Allis | Milwaukee | 59 |
| Victory Memorial | Stanley | Chippewa | 60 |
| Watertown Memorial | Watertown | Jefferson | 60 |
| Sinai Samaritan | Milwaukee | Milwaukee | 62 |
| St. Mary's | Milwaukee | Milwaukee | 62 |
| Memorial Hospital | Burlington | Racine | 62 |
| Sheboygan Memorial | Sheboygan | Sheboygan | 62 |
| Belin Memorial | Green Bay | Brown | 63 |
| Libertas | Green Bay | Brown | 63 |
| St. Mary's | Superior | Douglas | 63 |
| Waukesha Memorial | Waukesha | Waukesha | 63 |
| Lakeland Medical Center | Elkhorn | Walworth | 64 |
| Sacred Heart | Eau Claire | Eau Claire | 65 |
| Columbia | Milwaukee | Milwaukee | 65 |
| Franciscan Skemp Health | La Crosse | La Crosse | 66 |
| North Central Health Care | Wausau | Marathon | 66 |
| Children's Hospital | Milwaukee | Milwaukee | 67 |
| Bloomer Medical Center | Bloomer | Chippewa | 67 |
| Belin Psychiatric | Green Bay | Brown | 68 |
| New London Family Medical | New London | Outagamie | 68 |
| Theda Clark | Neenah | Winnebago | 70 |
| Wausau Hospital | Wausau | Marathon | 71 |
| St. Mary's | Green Bay | Brown | 71 |

## Urban Hospitals

| Hospital | City | County | Current MA Reimbursement as a Percent of Cost |
|---|---|---|---|
| St. Joseph's | Chippewa Falls | Chippewa | 71% |
| Stoughton | Stoughton | Dane | 74 |
| Kenosha Memorial | Kenosha | Kenosha | 74 |
| University of Wisconsin | Madison | Dane | 74 |
| St. Luke's Medical Center | Milwaukee | Milwaukee | 75 |
| St. Michael | Milwaukee | Milwaukee | 77 |
| Brown County Mental Health | Green Bay | Brown | 77 |
| St. Luke's | Racine | Racine | 79 |
| Hartford Memorial | Hartford | Washington | 79 |
| Northwest General | Milwaukee | Milwaukee | 81 |
| St. Mary's Ozaukee | Meqon | Ozaukee | 81 |
| Memorial Community | Edgerton | Rock | 88 |
| River Falls Area | River Falls | St. Croix | 88 |
| Mendota | Madison | Dane | 88 |
| Community Memorial | Menomonee Falls | Waukesha | 88 |
| St. Nicholas | Sheboygan | Sheboygan | 88 |
| Froedtert Memorial | Milwaukee | Milwaukee | 88 |
| St. Mary's Hospital | Madison | Dane | 88 |
| Oconomowoc Memorial | Oconomowoc | Waukesha | 88 |
| Valley View | Plymouth | Sheboygan | 88 |
| Flambeau Medical Center | Park Falls | Price | 92 |
| Vencore Hospital | Greenfield | Milwaukee | 95 |
| Aurora Medical Center | Kenosha | Kenosha | 95 |
| Baldwin Area Medical Center | Baldwin | St. Croix | 95 |

## Rural Hospitals

| Hospital | City | County | Current MA Reimbursement as a Percent of Cost |
|---|---|---|---|
| Adams County Memorial | Friendship | Adams | 39% |
| Waupun Memorial | Waupun | Dodge | 47 |
| Grant Regional Medical Center | Lancaster | Grant | 48 |
| St. Joseph's | Marshfield | Wood | 49 |
| Tomah Memorial | Tomah | Monroe | 50 |
| St. Mary's | Kewaunee | Kewaunee | 52 |
| Community Hospital | Beaver Dam | Dodge | 52 |
| Columbus Community | Columbus | Columbia | 53 |
| Boscobel Area Hospital | Boscobel | Grant | 54 |
| Memorial Hospital of Taylor County | Medford | Taylor | 54 |
| Langlade Memorial | Antigo | Langlade | 56 |
| Cumberland Memorial | Cumberland | Barron | 56 |
| St. Clare | Baraboo | Sauk | 58 |
| Reedsburg Area Medical Center | Reedsburg | Sauk | 61 |
| Southwest Health Center | Platteville | Grant | 61 |

## Rural Hospitals

| Hospital | City | County | Current MA Reimbursement as a Percent of Cost |
|---|---|---|---|
| St. Michael's | Stevens Point | Portage | 62% |
| Myrtle Werth | Menomonie | Dunn | 62 |
| Sacred Heart | Tomahawk | Lincoln | 63 |
| Memorial | Neillsville | Clark | 63 |
| Vernon Memorial | Viroqua | Vernon | 64 |
| Memorial Hospital of Lafayette Co. | Darlington | Lafayette | 64 |
| Richland | Richland Center | Richland | 65 |
| Berlin Memorial | Berlin | Green Lake | 66 |
| Riverside Medical Center | Waupaca | Waupaca | 67 |
| Good Samaritan Medical Center | Merrill | Lincoln | 68 |
| Burnett General | Grantsburg | Burnett | 69 |
| Divine Savior | Portage | Columbia | 70 |
| St. Clare | Monroe | Green Lake | 70 |
| Hayward Area | Hayward | Sawyer | 71 |
| Apple River Hospital | Amery | Polk | 74 |
| Barron Memorial | Barron | Barron | 75 |
| Memorial Hospital of Iowa County | Dodgeville | Iowa | 76 |
| Ripon Medical Center | Ripon | Fond du Lac | 76 |
| St. Agnes | Fond du Lac | Fond du Lac | 76 |
| Tri County Memorial | Whitehall | Trempealeau | 76 |
| Rusk County Memorial | Ladysmith | Rusk | 79 |
| Memorial Medical Center | Ashland | Ashland | 79 |
| Black River Fall Memorial | Black River Falls | Jackson | 83 |
| Community Memorial | Oconto Falls | Oconto | 87 |
| Aurora Medical Center | Two Rivers | Manitowoc | 87 |
| Howard Young Medical Center | Woodruff | Oneida | 87 |
| Holy Family Medical Center | Manitowoc | Manitowoc | 88 |
| Hess Memorial | Mauston | Juneau | 88 |
| Indianhead Medical Center | Shell Lake | Washburn | 88 |
| Community Memorial | Spooner | Washburn | 91 |
| Sauk Prairie Memorial | Prairie du Sac | Sauk | 92 |
| Ladd Memorial | Osceola | Polk | 92 |
| Shawano Medical Center | Shawano | Shawano | 94 |
| St. Croix Valley | St. Croix Falls | Polk | 95 |
| Bay Area Medical Center | Marinette | Marinette | 96 |
| Prairie du Chien Memorial | Prairie du Chien | Crawford | 96 |
| Riverview Hospital | Wisconsin Rapids | Wood | 98 |
| Franciscan Skemp Healthcare | Arcadia | Trempealeau | 100 |
| Chippewa Valley Hospital | Durand | Pepin | 100 |
| Eagle River Memorial | Eagle River | Vilas | 100 |
| St. Joseph's | Hillsboro | Vernon | 100 |
| Osseo Area Hospital | Osseo | Trempealeau | 100 |
| St. Mary's | Rhinelander | Oneida | 100 |
| Lakeview Medical Center | Rice Lake | Brown | 100 |
| Franciscan Skemp Healthcare | Sparta | Monroe | 100 |
| Door County Memorial | Sturgeon Bay | Door | 100 |
| Wild Rose Community Memorial | Wild Rose | Waushara | 100 |

## ATTACHMENT 2

### Urban Counties*

Brown
Chippewa
Calumet
Dane
Douglas
Eau Claire
Kenosha
La Crosse
Marathon
Milwaukee
Ozaukee
Outagamie
Pierce
Racine
Rock
St. Croix
Sheboygan
Waukesha
Washington
Winnebago

### Rural Counties*

Adams
Ashland
Barron
Bayfield
Buffalo
Burnett
Clark
Columbia
Crawford
Dodge
Door
Dunn
Florence
Fond du Lac
Forest
Grant
Green
Green Lake
Iowa
Iron
Jackson
Jefferson
Juneau
Kewaunee
Lafayette
Langlade
Lincoln
Manitowoc
Marinette
Marquette
Menominee
Monroe
Oconto
Oneida
Pepin
Polk
Portage
Price
Richland
Rusk
Sauk
Sawyer
Shawano
Taylor
Trempealeau
Vernon
Vilas
Walworth
Washburn
Waupaca
Waushara
Wood

* Urban counties are defined as counties located in a Metropolitan Statistical Area, as defined under Medicare. Rural counties are all other counties.