

Reconciliation Methodology, Tennessee Supplemental Pool Payments

The State of Tennessee will implement the following approach to reconcile supplemental payments made to hospitals from the Virtual DSH and Charity Care payment pools.

Timing

Given that all reviews and reconciliations must be performed concurrently so that an accurate reconciliation can be calculated and funds can be appropriately recouped and/or redistributed, the State will follow the existing DSH audit timeframe for performing its reviews and reconciliations. This timeframe is three years following the state fiscal year in which payments were made. For example, in CY2022, the State's contracted DSH auditor is auditing the DSH payments made in SFY2019.

The State will perform its first reconciliation using this methodology in CY2022 for payments made in SFY2019

Virtual DSH Pool

Sub-Pools

For the following Sub-pools in the Virtual DSH Pool:

- Statutory DSH Method Sub-pool

The State will conduct the reconciliation for this sub-pool using the DSH audit performed by the State's independent contracted DSH auditor. For any overpayments that are identified, money will be redistributed to hospitals with uncompensated care room per DSH audit guidelines. To the extent that there are not enough hospitals with adequate room to redistribute the payments, the federal share of the undistributable balance will be returned.

For the following Sub-pools in the Virtual DSH Pool:

- Children's Safety Net Sub-pool
- Other Essential Acute Sub-pool
- Safety Net Sub-pool
- Psychiatric Facilities Sub-pool

The State will conduct a review of these payments using DSH audit definitions and criteria. None of these sub-pools are subject to the requirement to deliver OB services. The State will submit an annual report to CMS that indicates the amount of these payments and all other Medicaid reimbursement in relation to total uncompensated care availability, using DSH audit criteria.

Critical Access Hospital Sub-Pool

The Office of the Comptroller of the Treasury is a constitutionally-established office with functions that include the audit of state and local governmental entities and participation in the general financial and

administrative management and oversight of state government in Tennessee. As part of that function, the Comptroller's Office has historically performed the reconciliation of payments to CAHs. Using cost report data, the Comptroller's Office establishes the cost of inpatient and outpatient services provided to TennCare Members for a given state fiscal year for each CAH. That cost is then compared to the payments each CAH received for claims filed on services provided to TennCare Members. Also taken into account are the CAH pool payments made to each CAH directly per the CAH pool distribution formula. The Comptroller's Office then establishes whether each CAH has been paid above their cost, and if so, what amount needs to be recouped from that CAH – or paid below their cost, and if so, what amount is owed to that CAH. Funds are recouped from CAHs that are above their cost and redistributed to any CAHs that are below their cost by TennCare, with the federal share of any excess funds that cannot be redistributed returned to CMS.

Public Hospital Costs Sub-Pool

For those public hospitals that participate in statutory DSH, the State will contract with its independent DSH auditors to determine the hospital-specific amounts per the Demonstration's CPE protocol (see Attachment G) as part of the work done in the preparation of the annual DSH audit. For those public hospitals that have not participated in statutory DSH, the State will contract with its independent DSH auditors to collect the data that is necessary to perform this analysis. Similarly, should there be any public hospital that is not a participant in any other Sub-pool in the Virtual DSH Pool, the State will continue to use its independent DSH auditors to work with those hospitals directly to determine the hospital-specific amounts per the CPE protocol. Per the CPE protocol, if it is identified that any amounts claimed were in excess of the uncompensated care limit, the federal share will be returned.

Uncompensated Care Pool for Charity Care

Meharry Medical College Sub-Pool

The State will continue to require that Meharry furnish a completed independent audit to the State that demonstrates more than \$10 million in charity care has been provided. To the extent more than \$10 million in charity care has not been provided, Meharry shall return the excess portion to the State, and the federal share will be returned.

All Other Sub-Pools

For all other Sub-pools in the Charity Care Pool:

- Public Hospital Sub-pool –
- Safety Net Sub-pool -
- Research and Rehabilitation Facilities Sub-Pool-
- Uncompensated Self-Pay and Charity Sub-Pool

The State will use its independent contracted DSH auditor to take charity care data from the Joint Annual Reports (JAR) submitted by hospitals to conduct the review for these sub-pools. The JAR data to be used will correspond to the period used for other reconciliation activities. The State will submit an annual report to CMS that indicates the amount of these payments and all other Medicaid reimbursement in relation to total uncompensated care availability.