Mississippi Medicaid
Fiscal Year 2007
Medicaid Upper Payment Limit Methodology
With OIG Audit Repayment Allocation

42 CFR 447.253 requires that a Medicaid agency demonstrate that its payments for inpatient hospital services are no greater than a reasonable estimate of what would have been paid using Medicare payment principles. Specifically, the regulation provides that aggregate Medicaid payments may not exceed a reasonable estimate of the amount that would be paid for inpatient hospital services under Medicare payment principles. This general requirement is referred to as the Medicare Upper Payment Limit. The steps below describe the SFY 2007 Inpatient Upper Payment Limit calculation for Mississippi.

1. For each provider, the average Medicaid payment per discharge was calculated. Total "Medicaid Inpatient Payments" were obtained from each provider's PS&R. The PS&R is a report generated by Mississippi that summarizes inpatient Medicaid claims data for a particular time period.

2. "Medicaid Discharges" were obtained from each provider's Medicare cost report Worksheet S-3.

3. "Medicaid Average Per Discharge" was determined by dividing the total Medicaid inpatient payments (Step 1) by total Medicaid discharges (Step 2).

4. Also for each provider, the average Medicare payment per discharge was calculated. "Medicare Payments" were obtained from each provider's Medicare cost report Worksheet E series.

5. "Medicare Discharges" were obtained from each provider's Medicare cost report Worksheet S-3.

6. "Medicare Average Per Discharge" was determined by dividing the total Medicare inpatient payments (Step 4) by total Medicare discharges (Step 5).

7. The Medicare Average Per Discharge is reduced to 83.71 percent to account for the difference in acuity between Medicare and Medicaid patients. This percentage was agreed to in prior years' UPL calculations, and is used in the current year. The "Adjusted Medicare Average Per Discharge" was determined by multiplying the Medicare Average Per Discharge (Step 6) by .8371.

8. Once the Adjusted Medicare Average Per Discharge (Step 7) and the Medicaid Average Per Discharge (Step 3) were calculated, the "Adjusted Difference Per Discharge" was determined by calculating the difference between the two amounts.

9. The total "Available IP UPL Average Discharge Method" was calculated by multiplying the Adjusted Difference Per Discharge (Step 8) by the total number of Medicaid Discharges (Step 2). The total for all providers represents the total available inpatient UPL remaining after claims payments have been made for Mississippi Medicaid inpatient services. The total available UPL is calculated for each class of hospitals according to their ownership type: non-state governmental (GNS), privately owned (PR), and state-owned (S).

Supplemental Inpatient Medicaid Payment – Allocation of Payments Using Available Inpatient UPL

1. A SFY 2007 supplemental Medicaid payment is to be made to hospitals providing inpatient services to Mississippi Medicaid patients. This calculation begins in the spreadsheet titled, "Mississippi Medicaid – Inpatient Upper Payment Limit." The aggregate payment to each class of hospitals (governmental non-state, private, state) in this calculation does not exceed the Available IP UPL under the Average Discharge Method calculated in Step 9 above.

2. The gross UPL allocation was determined by first calculating each provider's percentage of uncompensated costs for their ownership class, and then dividing their amount by the aggregate within their peer group (governmental non-state, private, state). This ratio was then multiplied by the gross UPL available for each peer group to calculate the maximum UPL payment that could be made. The Mississippi Medicaid program may pay out less than 100% of the available UPL calculation. The final determination of the UPL payout amount will be largely dependent upon available non-federal funding.

3. The net UPL allocation is then limited to total unreimbursed Medicaid and uninsured costs (DSH limit) for DSH eligible hospitals, and/or the inpatient charge limit, as applicable to non-public hospitals.

Allocation of $40.1 million OIG Audit Repayment Allocation

1. Out of the total UPL funds available to the State, approximately $40.1 million of UPL funds are to be repaid by the State to CMS based on the Office of the Inspector General's audit of the FY-02 & FY-03 MS UPL program. The funds will be repaid by the State by reducing FY-07 UPL by $40.1 million, which includes both the state and federal share of total overpayments identified in the audit. The methodology will identify all hospitals, except for those hospitals which are owned and/or operated by the State of Mississippi, which have been identified by the above methodology to have an allocation in excess of $2 million of their hospital specific DSH limit. The allocation percentage for each hospital that meets these criteria is based on the proportion in excess of their hospital specific DSH limit for each hospital in relation to the excess of the total DSH limits for all qualifying hospitals.