Memorandum

TO: Hospital Administrators
Hospital CFO's
Consultants

FROM: D. Parker Haddix

DATE: September 26, 2000

RE: **Policy Statement 2000-5**
Hospital Distinct Part Units

Since the inception of the cost based rate methodology, the Authority has collected data and set rates for distinct part units. These include but are not limited to, psychiatric (in and out patient), behavorial medicine/mental health, substance abuse (in and out patient), long term care, skilled nursing facility, medical rehabilitation, respite care, physician offices, rural health clinics, homemaker, primary care physicians, swing bed, rehabilitation (in and out patient), clinics, and hospital based physicians.

After a review of the data collected on these units, the Authority finds as follows:

1- Distinct part unit utilization for most hospitals is small for non-governmental payors.
2- One extraordinary non-governmental patient can have a significant impact on established non-governmental revenue limits.
3- Distinct part unit rates are more significantly impacted by the number of non-governmental payors than the mix of services and this makes justifying overages very difficult.
4- It is very difficult to calculate a uniform average rate for such a small number of non-governmental payors.

Based on the foregoing, the Authority's policy regarding hospital distinct part units is as follows:

FY 2001 Rate Applications

1- For hospitals with FYE of **6/30/01**, the distinct part unit rates established for FYE 2001 will no longer be monitored by the Authority.

2- For hospitals with FYE of **9/30/01**, distinct part unit rates will not be established for FY 2001.

3- For hospitals with FYE of **12/31/01**, distinct part unit rates will not be established for FY 2001. **However**, the hospital must file the necessary information with its FYE 2001 rate application to establish rates. Filing requirements for FY 2001 have not been changed.

FYE 2002 Rate Applications

For FYE 2002 rate applications, hospitals shall be required to:

Combine all distinct part unit data under one category entitled "hospital distinct part units" for CBM forms 1, 2, 3, 4, and 5. For example: Hospital A has rural health clinic, substance abuse and respite DPUs. The data for these units will be listed on CBM forms 1, 2, 3, 4, and 5 under a category entitled "hospital distinct part units". **CBM-DC** will contain a column for **each DPU contract** that is separate from the hospital contracts. **HOWEVER** hospitals will

not be permitted to include any DPU data with acute care data. If the Authority set a DPU rate for a hospital previously, that unit will always be considered a DPU for rate application purposes. If a hospital establishes a new service that would have been considered to be a DPU and rates would have been established in the past, then that new service will be considered to be a DPU and its data will not be reported with acute care. Please contact the Authority for guidance as to how to report data for a new service as a DPU.

(Note: Revised CBM forms will be distributed to all hospitals, as well as published on the Authority's web page by February, 2001)

Discount Contracts

The Authority will continue to review all discount contracts for DPUs.

FY 2001 DPU overage penalties levied or placed in abeyance

For hospitals with FYE 6/30/01 (orders previously issued):

A - If a hospital had DPU penalties placed in abeyance with its FYE 2001 rate decision, then the Authority will remove those penalties with the FY 2002 rate decision.

B - If a hospital had DPU penalties levied with the issuance of the rate decision for FYE 2001, then the Authority will issue an amended decision removing those penalties.

Distinct Part Unit Penalties previously placed in abeyance (Prior to FY 2001)

For hospitals with DPU penalties in abeyances prior to FY 2001, the Authority will remove those penalties with the FY 2002 rate decision.