

**Report on Disproportionate Share Hospital Verifications
(With Independent Accountant's Report Thereon)**

**State of Connecticut
Department of Social Services
Hartford, Connecticut**

DSH Year Ended September 30, 2019

Prepared by:



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**Independent Accountant's Report
and
Report on DSH Verifications**



Connecticut Department of Social Services
Hartford, Connecticut

Independent Accountant's Report

We have examined the state of Connecticut's compliance with disproportionate share hospital (DSH) payment requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ended September 30, 2019. The state of Connecticut is responsible for compliance with federal Medicaid DSH program requirements. Our responsibility is to express an opinion on the state of Connecticut's compliance with federal Medicaid DSH program requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and General DSH Audit and Reporting Protocol as required by 42 CFR §455.301 and §455.304(d). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the state of Connecticut complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the state of Connecticut complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination was conducted for the purpose of forming an opinion on the state of Connecticut's compliance with federal Medicaid DSH program requirements included in the Report on DSH Verifications. The Schedule of Annual Reporting Requirements provided in accordance with 42 CFR §447.299 is presented for purposes of additional analysis and is not a required part of the Report on DSH Verifications. Such information has not been subjected to the procedures applied in the examination of the Report on DSH Verifications, and, accordingly, we express no opinion on it.

Our examination does not provide a legal determination on the state of Connecticut's compliance with federal Medicaid DSH requirements.

Our examination disclosed certain compliance related issues, which are described in the Schedule of Data Caveats Relating to the DSH Verifications.

In our opinion, except for the possible effect of the items addressed in the Schedule of Data Caveats Relating to the DSH Verifications, the Report on DSH Verifications presents fairly, in all material respects, the state of Connecticut's compliance with federal Medicaid DSH program requirements addressed by the DSH verifications for the year ending September 30, 2019.

This report is intended solely for the information and use of the Connecticut Department of Social Services, the State Legislature, hospitals participating in the State DSH program, and the Centers for Medicare & Medicaid Services (CMS), as required under 42 CFR §455.304, and is not intended to be, and should not be, used by anyone other than these specified parties and for the specified purpose contained in 42 CFR §455.304.

Owings Mills, Maryland
December 27, 2022

State of Connecticut Disproportionate Share Hospital
Report on DSH Verifications
For the Year Ended September 30, 2019

As required by 42 CFR §455.304(d), the state of Connecticut must provide an annual independent certified examination report verifying the following items with respect to its disproportionate share hospital (DSH) program.

Verification 1: Each hospital that qualifies for a DSH payment in the State was allowed to retain that payment so that the payment is available to offset its uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the Medicaid State plan rate year to Medicaid eligible individuals and individuals with no source of third party coverage for the services in order to reflect the total amount of claimed DSH expenditures.

Findings: The results of testing performed related to this verification are summarized in the Report on DSH Verifications (table) included with this report.

Verification 2: DSH payments made to each qualifying hospital comply with the hospital-specific DSH payment limit. The DSH payments made in the Medicaid State plan rate year must be measured against the actual uncompensated care cost in that same Medicaid State plan rate year. The actual uncompensated care costs for the Medicaid State plan rate year have been calculated and compared to the DSH payments made. Uncompensated care costs for the Medicaid State plan rate year were calculated in accordance with Federal Register/Vol. 73, No. 245, December 19, 2008, Federal Register/Vol. 79, No. 232, December 3, 2014, and Federal Register/Vol. 82, No. 62, April 3, 2017.

Findings: The results of testing performed related to this verification are summarized in the Report on DSH Verifications (table) included with this report.

Verification 3: Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services they received as described in Section 1923(g)(1)(A) of the Act are eligible for inclusion in the calculation of the hospital-specific disproportionate share limit payment limit, as described in Section 1923 (g)(1)(A) of the Act.

Findings: The total uncompensated care costs reflected in the Report on DSH Verifications (table) reflects the uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services received.

State of Connecticut Disproportionate Share Hospital
Report on DSH Verifications
For the Year Ended September 30, 2019

Verification 4: For purposes of this hospital-specific limit calculation, any Medicaid payments (including regular Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, and Medicaid managed care organization payments) made to a disproportionate share hospital for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals, which are in excess of the Medicaid incurred costs of such services, are applied against the uncompensated care costs of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third party coverage for such services.

Findings: In calculating the hospital-specific DSH limit represented in the Report on DSH Verifications (table), if a hospital had total Medicaid payments in excess of the calculated Medicaid cost, the excess was used to reduce the total uncompensated care costs.

Verification 5: Any information and records of all of its inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under this Section; and any payments made on behalf of the uninsured from payment adjustments under this Section have been separately documented and retained by the State.

Findings: The state of Connecticut has retained documentation of costs and payments associated with calculating the hospital-specific DSH limits contained in this report. The state retains cost data through the collection of cost reports; Medicaid expenditure data through the MMIS and other documentation; and uninsured data through the DSH payment calculations and DSH examination.

Verification 6: The information specified in verification 5 above includes a description of the methodology for calculating each hospital's payment limit under Section 1923(g)(1) of the Act. Included in the description of the methodology, the audit report must specify how the State defines incurred inpatient hospital and outpatient hospital costs for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage for the inpatient hospital and outpatient services they received.

Findings: The documentation retained related to the calculation of the hospital-specific DSH limits contained in this report includes a description of the methodology used to calculate each hospital's DSH limit under Section 1923(g)(1) of the Act. For DSH payment purposes, the state defines the hospitals' payment limits in accordance with its state plan. For purposes of this examination, the state defines the hospitals' payment limits in accordance with 42 CFR §455.304.

State of Connecticut
 Report on DSH Verifications (table)
 For the Medicaid State Plan Rate Year Ended September 30, 2019

| Hospital | Verification #1 | Verification #2 | | | Verification #3 | Verification #4 | Verification #5 | Verification #6 | |
|-----------------------------------|---|---|--|--|---|--|--|---|---|
| | Was Hospital Allowed to Retain DSH Payment? | DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State) | Total Uncompensated Care Costs for Medicaid State Plan Rate Year | DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC) | DSH Payment Complies with the Hospital-Specific DSH Limit | Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC? | If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount? | Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained? | Does the retained documentation include a description of the methodology used to calculate the UCC? |
| CT CHILDRENS MEDICAL CENTER | Yes | 10,125,736 | 45,336,597 | 35,210,861 | Yes | Yes | Yes | Yes | Yes |
| CT MENTAL HEALTH CENTER | Yes | 9,270,192 | 26,975,506 | 17,705,314 | Yes | Yes | Yes | Yes | Yes |
| CT VALLEY HOSPITAL | Yes | 77,523,485 | 185,023,168 | 107,499,683 | Yes | Yes | Yes | Yes | Yes |
| JOHN DEMPSEY HOSPITAL | Yes | 35,170,114 | 71,810,168 | 36,640,054 | Yes | Yes | Yes | Yes | Yes |
| SOUTHWEST CT MENTAL HEALTH SYSTEM | Yes | 18,780,049 | 39,041,807 | 20,261,758 | Yes | Yes | Yes | Yes | Yes |
| WATERBURY HOSPITAL | Yes | 100,000 | 4,480,981 | 4,380,981 | Yes | Yes | Yes | Yes | Yes |

This report is intended solely for the information and use of the Connecticut Department of Social Services, the State Legislature, hospitals participating in the State DSH program, and the Centers for Medicare and Medicaid Services (CMS) as required under 42 CFR §455.304 and is not intended to be, and should not be, used by anyone other than these specified parties and for the specified purpose contained in 42 CFR §455.304.

State of Connecticut Disproportionate Share Hospital (DSH)
Schedule of Data Caveats Relating to the DSH Verifications
For the Year Ended September 30, 2019

During the course of the engagement, the following data issues or other caveats were identified and are being reported in accordance with the requirements of 42 CFR §455.301.

(1) **State Crossover Data**

For one hospital, state supplied Medicare cross over data was used in the calculation of the hospital specific DSH limits. The state cross over data may not be complete in that it does not typically include data that was not billed to the Medicaid program. This could occur in situations where Medicare or the private insurer paid the entire bill. As such, Medicaid uncompensated care cost may not reflect all Medicare cross over payments and cost.

(2) **Uninsured Self Pay Payments**

Three hospitals submitted uninsured self-pay payments based on the accrual basis (i.e., all payments received for dates of service falling in the cost reporting year as of the date the uninsured report was prepared) instead of the cash basis (i.e., payments received during the cost reporting period regardless of the date of service) as required by the DSH rule. Additionally, due to missing data elements in the submitted self-pay schedules, certain screening procedures designed to detect errors in the submitted data could not be performed.

Schedule of Annual Reporting Requirements

State of Connecticut
 Schedule of Annual Reporting Requirements (table)
 For the Medicaid State Plan Rate Year Ended September 30, 2019

Definition of Uncompensated Care: The definition of uncompensated care was based on guidance published by CMS in the 73 Fed. Reg. 77904 dated December 19, 2008, the 79 Fed. Reg. 71679 dated December 3, 2014, the 82 Fed. Reg. 16114 dated April 3, 2017, and the withdrawal of FAQs 33 and 34 by CMS on December 31, 2018. The calculated uncompensated care costs (UCC) represent the net uncompensated costs of providing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage for the inpatient and outpatient hospital services received. The UCC for these patient groups was calculated using Medicare cost reporting methods, and utilized the most recent CMS 2552 cost report, Medicaid paid claims summaries, and hospital-provided data. Total UCC represents the net uncompensated care costs of providing inpatient and outpatient hospital services to patients that fall into one of the following Medicaid in-state and out-of-state payment categories: Fee-for-Service Medicaid primary, Fee-for-Service cross-overs, Managed Care Medicaid primary, Managed Care Medicaid cross-overs, and uninsured individuals with no source of third party coverage for the inpatient and outpatient hospital services received. The cost of services for each of these payment categories was calculated using the appropriate per diems or cost-to-charge ratios from each hospital's most recent CMS 2552 cost report. These costs were then reduced by the total payments received for the services provided, except for Medicare and private insurance payments for services prior to June 2, 2017, including any supplemental Medicaid payments and Section 1011 payments where applicable.

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U |
|--------------------------------------|---|-------------------------------|-----------------------------|-------------------------------------|--|-----------------------------|---|---------------------------------------|--|---|---|--|------------------------------------|--|---|--------------------------------------|--|---|--------------------------|---------------------|
| Hospital Name | State Estimated Hospital-Specific DSH Limit | Medicaid I/P Utilization Rate | Low-Income Utilization Rate | State-Defined Eligibility Statistic | Regular IP/OP Medicaid FFS Rate Payments | IP/OP Medicaid MCO Payments | Supplemental / Enhanced IP/OP Medicaid Payments | Total Medicaid IP/OP Payments (F+G+H) | Total Cost of Care - Medicaid IP/OP Services | Total Medicaid Uncompensated Care Costs (J-I) | Total IP/OP Indigent Care/Self-Pay Revenues | Total Applicable Section 1011 Payments | Total IP/OP Uninsured Cost of Care | Total Uninsured Uncompensated Care Costs (N-M-L) | Total Eligible Uncompensated Care Costs (K+O) | Total In-State DSH Payments Received | Total Out-of-State DSH Payments Received | Medicaid Provider Number | Medicare Provider Number | Total Hospital Cost |
| CT CHILDRENS MEDICAL CENTER | 10,125,736 | 63.21% | 35.42% | Note 1 | 137,153,929 | 0 | 5,447,396 | 142,601,325 | 186,893,607 | 44,292,282 | 330,301 | 0 | 1,374,616 | 1,044,315 | 45,336,597 | 10,125,736 | 0 | 004159960, 004159978 004041968, 007228718, 004025250 008069222, 008069223 | 073300 | 313,547,442 |
| JOHN DEMPSEY HOSPITAL | 35,170,114 | 50.62% | 20.87% | Note 4, 5 | 129,721,117 | 0 | 12,634,167 | 142,355,284 | 212,320,423 | 69,965,139 | 419,041 | 0 | 2,264,070 | 1,845,029 | 71,810,168 | 35,170,114 | 0 | 004025250 008069222, 008069223 | 070036 | 525,578,528 |
| WATERBURY HOSPITAL | 100,000 | 60.47% | 30.53% | Note 5 | 92,842,083 | 0 | 18,264,139 | 111,106,222 | 113,084,810 | 1,978,588 | 214,430 | 0 | 2,716,823 | 2,502,393 | 4,480,981 | 100,000 | 0 | 008069223 | 070005 | 231,311,305 |
| Institutes for Mental Disease | | | | | | | | | | | | | | | | | | | | |
| CT MENTAL HEALTH CENTER | 9,270,192 | 8.04% | 5.96% | Note 2 | 1,801,218 | 0 | 0 | 1,801,218 | 11,978,859 | 10,177,641 | 34,591 | 0 | 16,832,456 | 16,797,865 | 26,975,506 | 9,270,192 | 0 | 004064218, 004122933, 004064200, 004025359 004049607, 004122941, 004042206 004075651, 004122925, 004075669, 004025607 | 074011 | 53,009,518 |
| CT VALLEY HOSPITAL | 77,523,485 | 11.18% | 4.65% | Note 2 | 11,469,593 | 0 | 0 | 11,469,593 | 22,330,608 | 10,861,015 | 749,488 | 0 | 174,911,641 | 174,162,153 | 185,023,168 | 77,523,485 | 0 | 004042206 004075651, 004122925, 004075669, 004025607 | 074003 | 199,636,528 |
| SOUTHWEST CT MENTAL HEALTH SYSTEM | 18,780,049 | 6.61% | 4.30% | Note 2 | 1,604,510 | 0 | 0 | 1,604,510 | 13,137,601 | 11,533,091 | 90,062 | 0 | 27,598,778 | 27,508,716 | 39,041,807 | 18,780,049 | 0 | 004025607 | 074012 | 56,881,655 |
| Out-of-State DSH Hospitals | | | | | | | | | | | | | | | | | | | | |
| None | | | | | | | | | | | | | | | | | | | | |

Note 1: State Plan Attachment 4.19A - Private Freestanding short-term Children's General Hospital which provides Uncompensated Care
 Note 2: State Plan Attachment 4.19A - Psychiatric Hospitals Serving Low-Income Persons
 Note 3: State Plan Attachment 4.19A - Public Chronic Disease Hospital that provides Uncompensated Care
 Note 4: State Plan Attachment 4.19A - Public Acute Care Hospitals (short-term General Hospitals) which provide Uncompensated Care under Section 1923 of the Social Security Act
 Note 5: State Plan Attachment 4.19A - Acute Care Hospitals (short-term General Hospitals) which provide Uncompensated Care under Section 1923 of the Social Security Act

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Independence Declaration



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

To Whom it May Concern:

Myers and Stauffer LC declares it is independent of the state of Connecticut and its DSH hospitals for the Medicaid State plan rate year ending September 30, 2019.

Myers and Stauffer LC

Owings Mills, Maryland
December 27, 2022