Joint Annual Report & Medicaid Supplemental Pools

June 2026

TENNESSEE HOSPITAL ASSOCIATION

Webinar Objectives

- Provide an overview of the methodology for Medicaid (TennCare) supplemental payments in Tennessee
- Describe the connections between the JAR and the distribution of supplemental payments for hospitals
- Discuss some common reporting issues in the JAR data that will negatively impact payment if they are not addressed
- Share the process for correcting 2024 JARs

SFY 2027 Methodology

Virtual DSH Fund: Most sub-pools are based on points for TennCare volume, charity care, and whether the facility qualifies as having a children's hospital.

Charity Care Fund: Sub-pools are distributed based on charity care cost and/or self-pay cost.

Data source will continue to be the Joint Annual Report (JAR)

- Hospitals that report under the same Medicare cost report but have separate JARs will be combined

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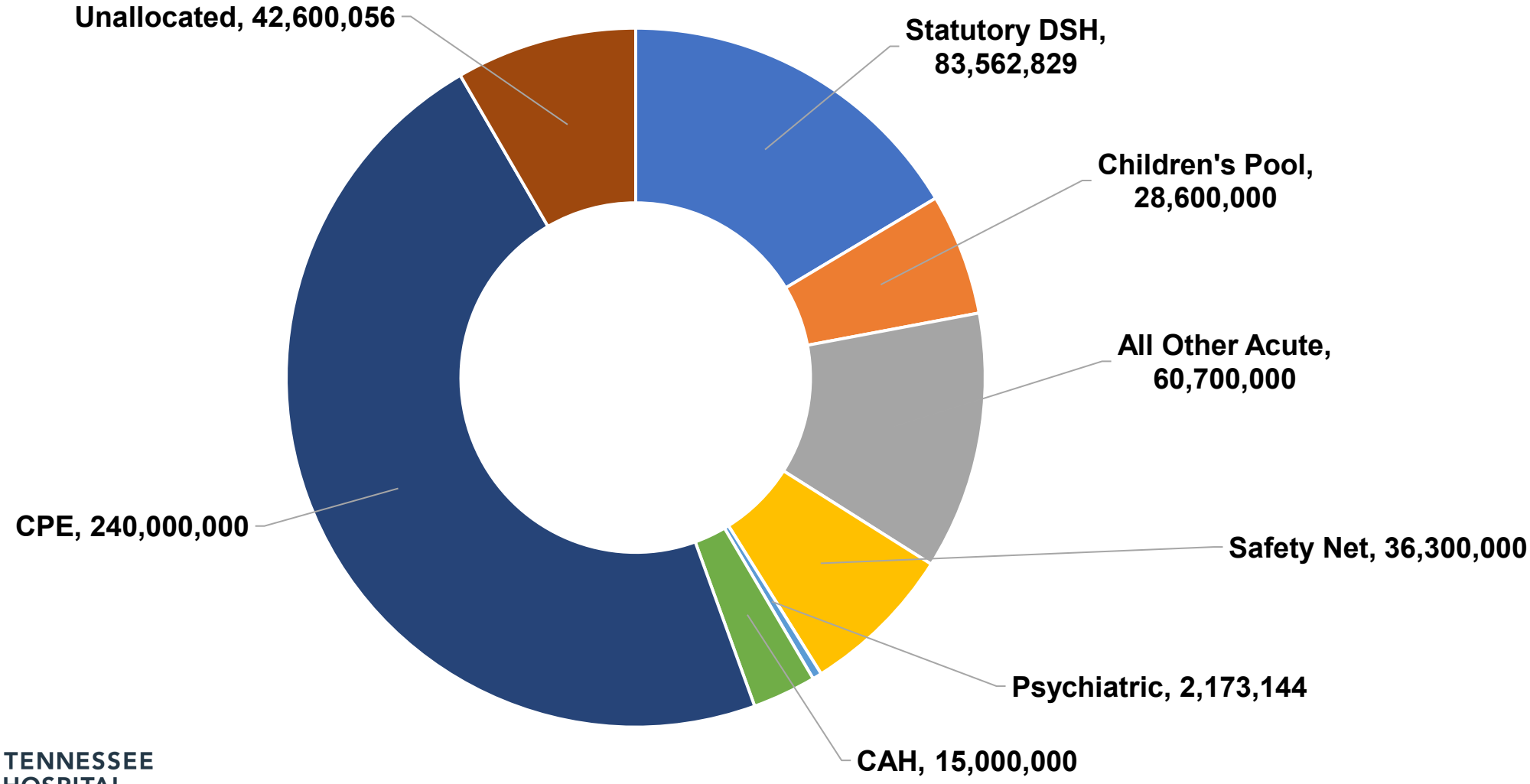
SFY2027 Allocation of Virtual DSH Fund - $508.9m



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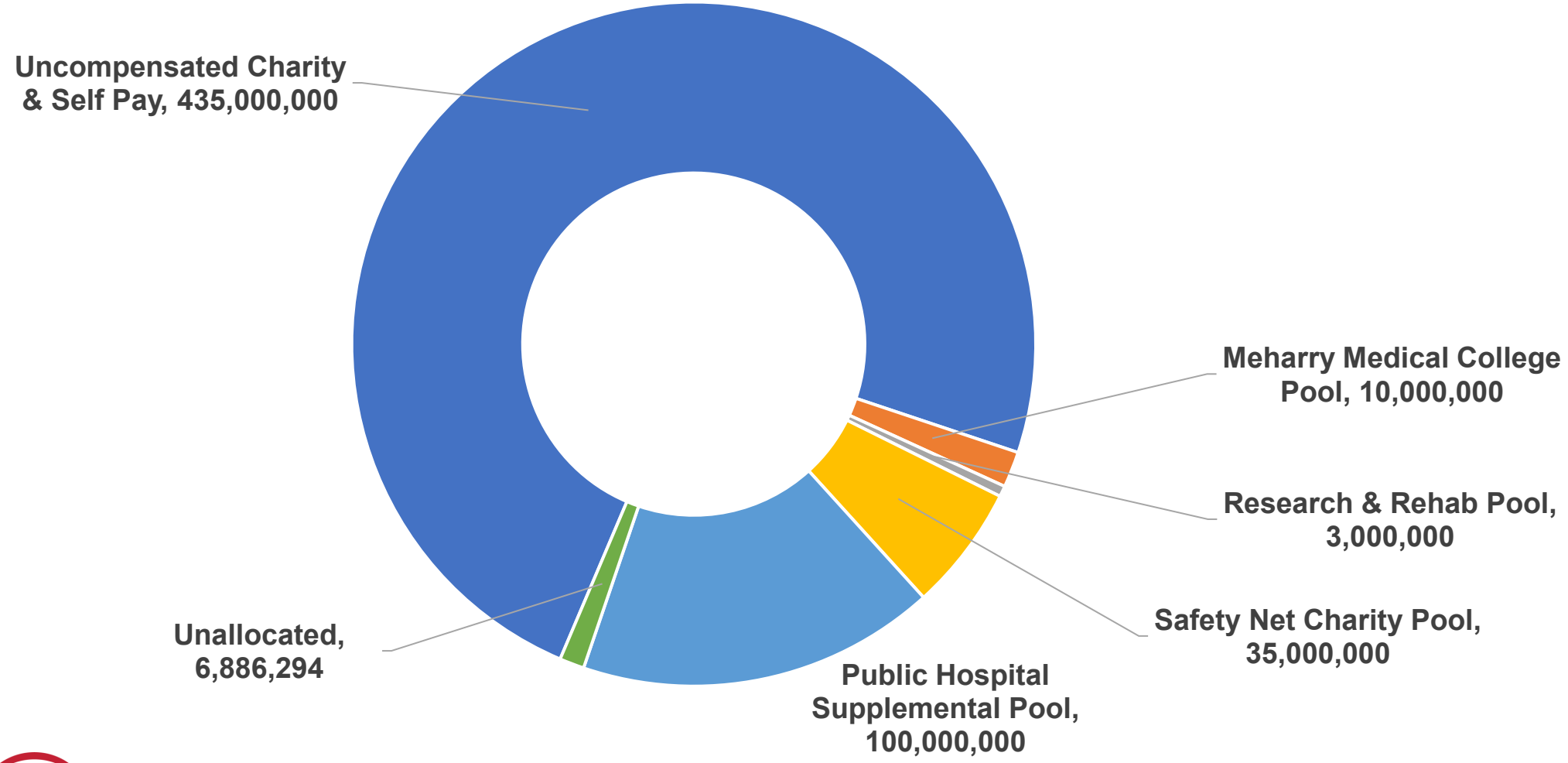
SFY2027 Allocation of Charity Care Fund - $589.9m



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JAR Connections to Pool Distributions

The JAR is the source of information for the following key statistics for Medicaid supplemental pool distribution:

- Hospital Cost to Charge Ratio
- Medicaid Shortfall (Medicaid Costs – Medicaid Payments)
- Medicaid & Total Adjusted Patient Days
- Hospital Charity Care Costs
- Hospital Unreimbursed Self-pay Costs
- Total Expense, which is relevant for the “all other acute” hospital pools to determine the tier for the hospital
- Meeting the SSA requirement of providing OB for *statutory DSH* based on having an obstetrics service and at least one delivery

Important JAR Definitions – Cost to Charge Ratio

$$\text{Cost to charge ratio} = \frac{\textit{Total Expenses}}{\textit{Total Charges}}$$

- This ratio is used any time hospital “cost” is used in a supplemental pool distribution methodology, such as calculating Medicaid costs or charity care costs.

- In the methodology, if multiple hospitals share a Medicare provider number, the JAR data for those hospitals will be calculated using the group’s total expenses and gross patient charges.

Important JAR Definitions – Cost to Charge Ratio

$$\text{Cost to charge ratio} = \frac{\textit{Total Expenses}}{\textit{Total Charges}}$$

Total expenses - Schedule E. Section B

B. EXPENSES (for the reporting period only; round to the nearest dollar)

1. Payroll Expenses for all categories of personnel specified below; (see definitions page)

a) Physicians and dentists (include only salaries) . . . . . .

b) Medical and dental residents (include medical and dental interns) . . . . . .

c) Trainees (medical technology, x-ray therapy, administrative, and so forth) . .

d) Registered and licensed practical nurses . . . . . .

e) All other personnel . . . . . .

f) Total payroll expenses (add B1a through B1e) . . . . . .

2. Nonpayroll Expenses

a) Employee benefits (social security, group insurance, retirement benefits) . .

b) Professional fees . . . . . .

1. Medical professional fees . . . . . .

2. Other professional fees (dental, legal, auditing, consultant and so forth) . .

c) Contracted nursing services (include staff from nursing registries, service contracts, and temporary help agencies)

d) Depreciation expense . . . . . .

e) Interest expense . . . . . .

f) Energy expense . . . . . .

g) TennCare Shared Risk Payment-Hospitals Only . . . . . .

h) All other expenses (supplies, purchased services, nonoperating expenses, and so forth) . . . . . .

i) Total nonpayroll expenses (add B2a through B2h) . . . . . .

3. TOTAL EXPENSES (add B1f + B2i) . . . . . .

Total Charges - Schedule E, Section A

A. CHARGES (continued)

	Gross Patient Charges	minus	Adjustments to Charges	equals	Net Patient Revenue	
2. Nongovernment						
a) Self Pay						
b) Blue Cross Blue Shield						
c) Commercial Insurers (excludes Workers Comp)						
d) *COMBINED Blue Cross Blue Shield and Commercial Insurers (excludes Workers Comp)						
e) Workers Compensation						
f) Other						
g) Total Nongovernment Sources						
3. Totals						
a)Total Inpatient (excludes Normal Newborn)						
b)Normal Newborns						
c) Total Inpatient (includes Normal Newborn) (A3a + A3b)						
d) Total Outpatient						
e) Grand Total (Ali + A2g)						

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Important JAR Definitions – Medicaid Shortfall

$$\text{Medicaid Shortfall} = (Total\ Medicaid\ Charges \times CCR) - Medicaid\ Net\ Patient\ Revenues$$

- If the Medicaid costs **exceed** reported Medicaid net patient revenue, then the hospital meets one of the qualifications for Virtual DSH payments.

- If costs **are less than** revenue, then charity care costs and unreimbursed self-pay costs must be greater than the amount of Medicaid revenue in excess of costs.

Otherwise, there is no shortfall amount to be offset by supplemental pool payments.

Important JAR Definitions – Medicaid Shortfall

$$\text{Medicaid Shortfall} = (Total\ Medicaid\ Charges \times CCR) - Medicaid\ Net\ Patient\ Revenues$$

Schedule E.

A. CHARGES (For reporting period only. Do not include revenue related loses; round to the nearest dollar.)

	Gross Patient Charges	minus	Adjustments to Charges	equals	Net Patient Revenue
1. Government					
a) Medicare Inpatient - Fee for Service					
b) Medicare Advantage - Inpatient					
c) Medicare Outpatient - Fee for Service					
d) Medicare Advantage - Outpatient					
e) Medicaid TennCare Inpatient					
i. United Health Care Community Plan					
ii. Amerigroup					
iii. Blue Care					
iv. TennCare Select					
v. TennCare MCO not specified					
vi. Other State Medicaid					
f) Medicaid TennCare Outpatient					
i. United Health Care Community Plan					
ii. Amerigroup					
iii. Blue Care					
iv. TennCare Select					
v. TennCare MCO not specified					
vi. Other State Medicaid					
g) CoverKids					
h) Other (Include TRICARE/CHAMPUS)					
i) Total Government Sources					

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Important JAR Definitions – Charity Care Cost

Charity Care Cost = $Total\ Charity\ Care\ Charges \times CCR$

Schedule E		
A. Charges		
	Adjustments To Charges	
5. Nongovernment Adjustments to Charges		
a) Charity Care - Inpatient	$	
b) Charity Care - Outpatient	$	
	Total Charity (A5a + A5b)	$

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Important JAR Definitions – Unreimbursed Self-Pay

$$\text{Unreimbursed Self-Pay} = (Selfpay\ Charges \times CCR) - Selfpay\ Net\ Patient\ Rev$$

Schedule E.

A. CHARGES (continued)

	Gross Patient Charges	minus	Adjustments To Charges	equals	Net Patient Revenue
2. Nongovernment					
a) Self-Pay	$	-	$	=	$
b) Blue Cross Blue Shield	$	-	$	=	$ 0
c) Commercial Insurers (excludes Workers Comp)	$	-	$	=	$ 0
d) *COMBINED Blue Cross Blue Shield and Commercial Insurers (excludes Workers Comp)	$	-	$	=	$ 0
e) Workers Compensation	$	-	$	=	$ 0
f) Other	$	-	$	=	$ 0
g) Total Nongovernment Sources	$ 0	-	$ 0	=	$ 0
3. Totals					

Per the instructions, the self-pay line should NOT include charity care.

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Important JAR Definitions – Adjusted Patient Days

Total Adjusted Patient Days = $Patient\ Days \times \left(\frac{Total\ Charges}{Total\ Inpatient\ Charges}\right)$

TennCare Adj. Days = $TennCare\ Inpatient\ Days \times \left(\frac{Total\ Medicaid\ Charges}{Total\ Medicaid\ IP\ Charges}\right)$

- The statistic that is **important** when evaluating a hospital's ability to earn supplemental payments is TennCare Adjusted Days expressed as a percent of Total Adjusted Patient Days.

Qualify for Payment

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Eligibility Requirements

- Common requirements across **ALL** pools in Virtual DSH
  - ✓ Be licensed to operate in the State of Tennessee
  - ✓ Meets a specific TennCare volume threshold
  - ✓ Contract with TennCare Select and, where available, at least one MCO
  - ✓ Have unreimbursed Medicaid, self-pay, and/or charity care costs
  - ✓ Provide accurate and timely admission, discharge, and transfer (ADT) data to TennCare
  - ✓ Participate in the State's payment reform initiatives

- For the Charity Care pool payments, no TennCare volume threshold

Virtual DSH

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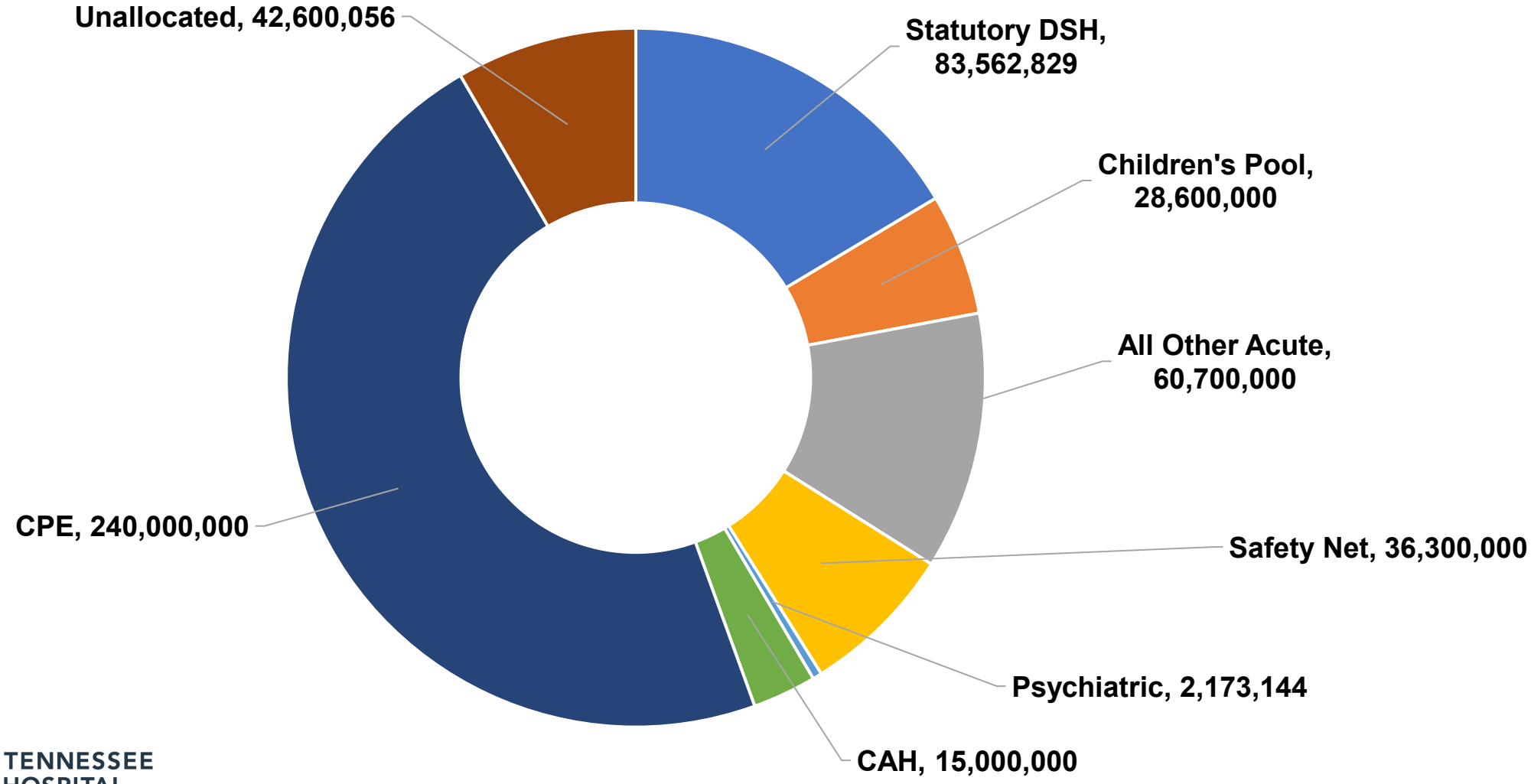
SFY2027 Allocation of Virtual DSH Fund - $508.9m



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TennCare Reconciliation Approval

- TennCare received approval from CMS in May 2024 on a Supplemental Reconciliation
  - **Only Statutory DSH is subject to a DSH audit and recoupment**
  - Other Virtual DSH payments will have a review but no recoupment
  - For Charity payments, data from the JAR will be used to conduct a review, no recoupment

Virtual DSH Review

Contains language around “overpayments” and “redistribution”

Only references an annual report on the amount of payments, no reference to recoupments

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.

Meeting the OB Requirement – *Statutory DSH only*

Schedule D

Schedule D Services							
18. Hospital Based Detailed Services							
Utilization of Selected Services							
E.	Surgery						
	Inpatient Only						
	# Dedicated Operating Rooms						
	# Dedicated Procedure Rooms						
	Outpatient Only						
	# Dedicated Operating Rooms						
	# Dedicated Procedure Rooms						
	Shared Rooms used for Inpatients and Outpatients						
	# Dedicated Operating Rooms						
	# Dedicated Procedure Rooms						
			Is this Service Provided in your Hospital			To Inpatients	
			Yes	No		Unit	Number
	Acupuncture					Cases	
	Dental					Cases	
	Ear Nose and Throat					Cases	
	Endoscopy					Cases	
	General Surgery					Cases	
	Gynecology					Cases	
	Hand Surgery					Cases	
	Infertility					Cases	
	Neurology					Cases	
	Obstetrics					Cases	

Schedule L

Schedule L - Perinatal		Yes	No	
11. Obstetrics				
Obstetrics Level Of Care		must have Yes marked in one of these levels		
	Level I			
	Level II			
	Level III			
	Regional Perinatal Center			

Total Deliveries			Deliveries
			Patient Days

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TennCare Volume Threshold

To qualify for Virtual DSH payments, a hospital's TennCare/Medicaid Adjusted Days percentage must be **greater than or equal to 13.5%** of Total Adjusted Days

or

The hospital's percentage is **greater than 9.5%** AND the hospital's number of TennCare Adjusted Days is **greater than the average** for all acute care hospitals

- The acute care hospital average *excludes* the following hospitals:
  - state mental health institutes
  - critical access hospitals
  - children's hospitals
  - safety net hospitals

$$\frac{Medicaid\ Adj.\ Days}{Total\ Adj.\ Days}$$

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How is a Hospital's Payment Determined - Virtual DSH Fund

- Virtual DSH payments are allocated based on assignment of points for:
  - TennCare volume – 0 through 4
  - Level of charity care – 0 through 3
  - Children's hospital status – 1 point

- TennCare volume is defined as the percent of a hospital's total adjusted days that are covered by TennCare
- Charity Care costs are as a percent of Total Expenses
- Children's hospital - a free-standing hospital that serves primarily children under 18 years of age and is identified to the public as a children's hospital with a separate emergency department staffed and equipped to provide emergency services to pediatric patients

Adjusted Patient Days & Supplemental Payment Points

- In addition to determining whether a hospital qualifies for payment, the *Medicaid adjusted days percentage* is also used to determine a point value for a hospital with respect to the amount of Medicaid volume in the hospital.

Higher Medicaid volume hospitals receive a higher point value as shown below:

- 1 point – Percentage ≥ 9.5% and < 13.5% **and** Medicaid adjusted days is greater than the average for acute care hospital group
- 1 point – Percentage ≥ 13.5% and ≤ 24.5%
- 2 points – Percentage > 24.5% and ≤ 30.5%
- 3 points – Percentage > 30.5% and ≤ 49.5%
- 4 points – Percentage > 49.5%

$$\frac{Medicaid\ Adj.\ Days}{Total\ Adj.\ Days}$$

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Charity Care Percent & Supplemental Pool Points

- The total charity care cost is divided by total expenses to produce a charity care percentage that earns points for a facility when calculating supplemental payments.

Hospitals with higher charity care receive a higher point value as shown below:

- 0 points- Percentage < 0.5%
- 1 point - Percentage ≥ 0.5% and < 4.5%
- 2 points- Percentage ≥ 4.5% and < 10.0%
- 3 points- Percentage ≥ 10.0%

$$\frac{\textit{Total Charity Care Cost}}{\textit{Total Expenses}}$$

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The Relationship Between Points & Payments

- Virtual DSH pools will continue to use the Tennessee Medicaid historical General Hospital Rate (GHR) to calculate payment shares within pools.
  - The GHR for Safety Net Hospitals is $908.52
  - The GHR for all other hospitals is $674.11

- The hospital's number of points determines the percentage of GHR that is multiplied by the hospital's adjusted Medicaid days to calculate an initial payment amount for each facility.

- If the sum of the initial payment amounts exceeds the amount allocated to the pool, each hospital's share of the pool is calculated as the hospital's percent of the total initial amount times the total amount in the pool.

The Relationship Between Points & Payments

- Virtual DSH pools will continue to use the Tennessee Medicaid historical General Hospital Rate (GHR) to calculate payment shares within pools.
  - The GHR for Safety Net Hospitals is $908.52
  - The GHR for all other hospitals is $674.11

- Point values that determine the percentage of the GHR:

Points	% of GHR	Safety Net	All Other
1	30%	272.56	202.23
2	40%	363.41	269.64
3	50%	454.26	337.06
4	60%	545.11	404.47
5	70%	635.96	471.88
6	80%	726.82	539.29
7	100%	908.52	674.11

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Example of Points Impact - $10m Pool

Acute Care Hospital A

- Acute Care Hospital A has 9,000 adjusted Medicaid Days & 50,000 total adjusted days
- Percent of adjusted Medicaid days is 18% (9,000/50,000), earning **1** point
- No charity point
- Does not have a children's hospital
- Hospital A's initial calculated amount would be:
- 9,000 x (30% of GHR) = 9,000 x $202.23 = $1,820,070

Acute Care Hospital B

- Acute Care Hospital B has 9,000 adjusted Medicaid Days & 36,000 total adjusted days
- Percentage of adjusted Medicaid days is 25% (9,000/36,000), earning **2** points
- No charity point
- Has a children's hospitals, earning **1** point
- Hospital B's initial calculated amount calculated amount would be:
- 9,000 x (50% of GHR) = 9,000 x $ 337.06 = $3,033,540

Total initial amounts in the pool = $60 million

Hospital A - $1,820,070 / $60m = 3.0335%
3.0335% x 10m = $303,350

Hospital B - $ 3,033,540 / $60m = 5.0559%
5.0559% x $10m = $505,590

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Charity Care Fund

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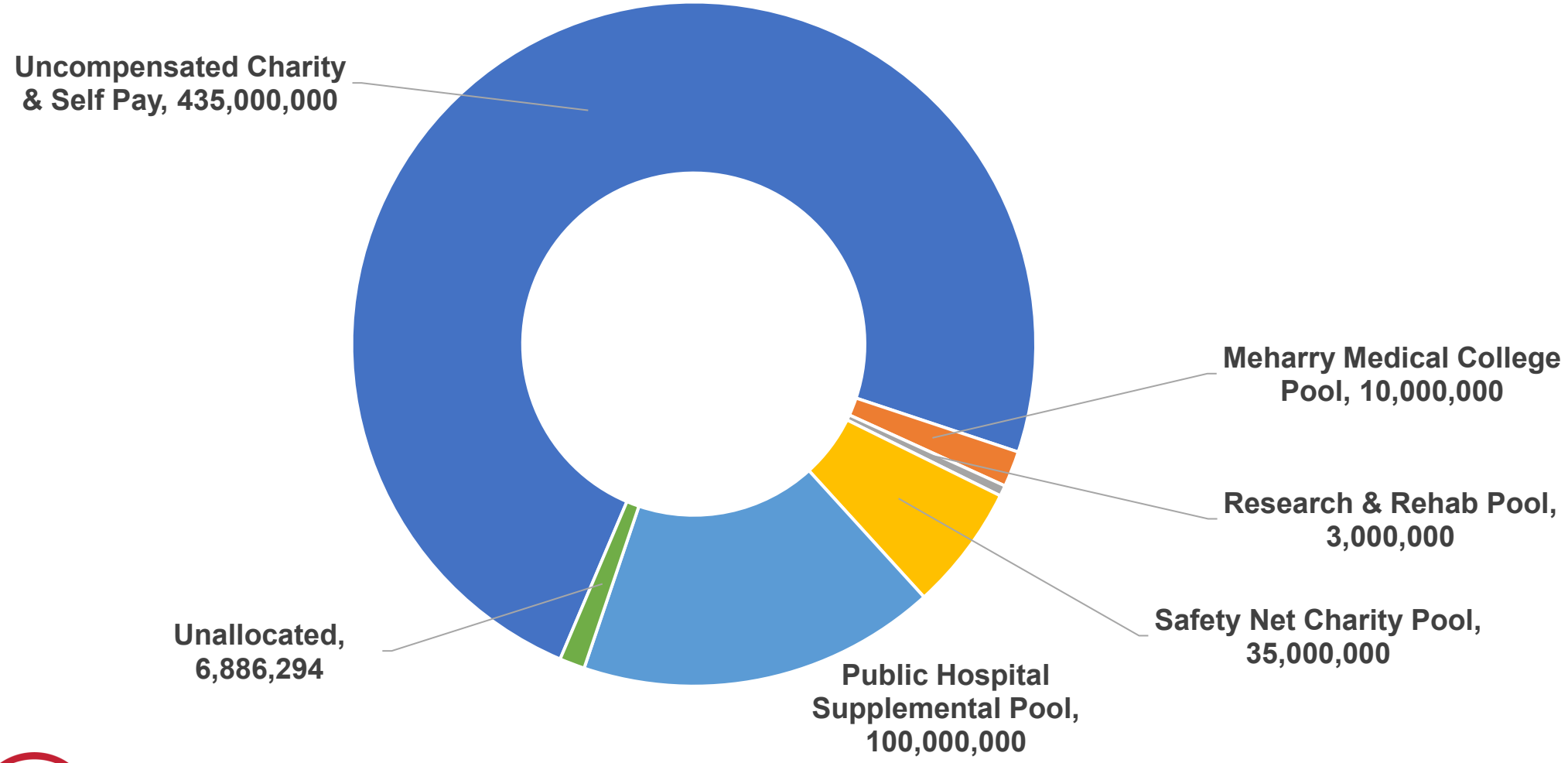
SFY2027 Allocation of Charity Care Fund - $589.9m



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How is a Hospital's Payment Determined - Charity Care Fund

- Almost all charity care payments are allocated based on a hospital's *proportion* of charity care cost, unreimbursed self-pay cost, or both.
  - *Safety Net Charity* – Safety Nets – distributed based on the individual hospital's proportion of the total unreimbursed self-pay cost
  - *Research & Rehabilitation* – IRF, LTCH, and pediatric research hospital - distributed based on each facility's proportion of the total unreimbursed charity care costs

Unreimbursed Charity & Self-Pay Sub Pool

- First approved by CMS in April 2020

- Eligibility for the pool:
  - ✓ Must be licensed in Tennessee
  - ✓ Must be eligible for a payment from any other sub-pool
  - ✓ Can not have received an allotment from the public hospital charity care sub-pool
  - ✓ Not a children's research facility
  - ✓ Contract with TennCare Select and, where available, at least one MCO
  - ✓ Have remaining unreimbursed self-pay and/or charity care costs
  - ✓ Provide accurate and timely admission, discharge, and transfer (ADT) data to TennCare
  - ✓ Participate in the State's payment reform initiatives

Charity & Self-Pay Methodology

1. Calculate each facility's Virtual DSH and Charity Fund payments from other pools (rolled up to the cost report level)

2. Calculate each facility's unreimbursed TennCare costs, charity costs and unreimbursed self-pay costs

3. Offset the total unreimbursed costs by the calculated Virtual DSH and other Charity Pool payments, by first exhausting the remaining TennCare costs, then charity costs, and finally self-pay costs, to calculate the remaining unreimbursed charity and self-pay costs

4. Apply each facility's proportional amount of the remaining unreimbursed costs to the total pool amount to calculate each facility's payment

5. Cap a hospital at 10% of the total pool, and recalculate the proportions for the remaining hospitals

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Revising the Joint Annual Report

- TDH will accept changes to the 2024 JAR but will not update the final 2024 JAR data base
  - THA will make the corrections to our 2024 data base
  - THA must be copied on all e-mails sending corrections and on TDH's e-mail back to the hospital accepting the correction
  - THA & TDH maintain this documentation in the event there are ever questions or audits

- The THA corrected data base will serve as the official data base for TennCare pool calculations

Revising the Joint Annual Report

- Per Tennessee Department of Health, submit corrections for the 2024 JAR in either Excel or PDF format
  - Please highlight the fields that are being changed.

- Each file/facility should be sent separately and a standard naming format:
  - State ID# Complete Name Year Amendment
  - Ex: 10001 ABC Hospital 2024 Amendment

- E-mail changes must be sent to Trent Sansing Trent.Sansing@tn.gov with the Department of Health **AND**
  - Copy THA (Jenny Murphy, jmurphy@tha.com) on the email
- **Corrections must be submitted by July 10.**

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Questions

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