

OFA Summary of Fiscal Components of Hospital Settlement Agreement and Implementing Legislation (Settlement Agreement Covers the Period FY 20 to FY 26 (7 Years))

	Settlement Agreement	Implementing Legislation (Exhibit 4)	
Misc. Provisions	Sec. X	Sec. 5	(1) If total Medicaid Payments exceeds the inpatient or outpatient upper payment limit (UPL), or both, the State shall make the payments required by the Agreement in excess of the UPL with State only funds. The State may move funds between the outpatient and inpatient payments in order to minimize or eliminate the use of State only funds in accordance with the Agreement. (Sec. X of the Agreement)
	Sec. XII	N/A	(2) State Fiscal Impact in Excess of the Agreement Due to Compliance Issues as Defined in the Agreement (in any State fiscal year): Up to \$50 million - State shall absorb the impact, Greater than \$50 million but less than \$100 million - State may file a motion with the Court for modification to the Agreement, In excess of \$100 million - State may terminate the Agreement or may file a motion for modification limited to modifications to address the State impact greater than \$50 million but less than \$100 million.
	Sec. XII	N/A	(3) If the State exercises their option to terminate the State's liability shall be reduced in accordance with Exhibit 7.
Hospital User Fee (i.e., Hospital Provider Tax)	Sec. IV and V, Exhibit 2	Sec. 1, 2, 4, 8	(1) Base year for the user fee is each hospital's audited net revenue for fiscal year 2016 and remains unchanged for duration of the Agreement. Net revenue reported in Exhibit 2.
			(2) Effective Rate of Hospital User Fee as follows: Inpatient User Fee Effective Rate = 6% (term of Agreement); Outpatient User Fee Effective Rate = 12.0942% FY 20, 11.7503% FY 21, 11.0976% FY 22 - FY 25, and 10.4858% FY 26. Effective rate will be modified based on #4.
			(3) Impact of Mergers on User Fee: In the event a hospital or hospitals merge, etc. and "do not continue to maintain a separate short-term general hospital license" the surviving or new entity shall assume any current or past liability from the merged etc. entity.
			(4) Impact on User Fee for Other Reasons: In the event a hospital ceases to operate for any reason other than a merger, etc. during the State fiscal year in which operations cease the State will not collect ANY amount from the hospital after it ceases to operate. In the next State fiscal year the allocation of the user fee to the remaining institutions will be adjusted in accordance with the Agreement so the total amount collected is in accordance with the Agreement.
			(5) The Agreement prohibits the State from (1) imposing any new health care related tax or fee as defined in federal law, (2) modifying the user fee, (3) imposing or amending any tax hospitals are already subject to, or (4) repealing or modifying any exemptions available to hospitals.
			(6) The Agreement does not preclude the State from enacting any new tax or amending any taxes that are not health care related so long as hospitals do not provide more than 15% of total tax/fee.
			(7) The Agreement does not preclude State from modifying user fees for hospitals not subject to the Agreement so long as the payment amounts due to hospitals subject to the Agreement are not adversely impacted (See p. 20).
Hospital User Fee Refund	Sec. III, Exhibit 2	Sec. 8	(1) A one-time refund of \$70 million is provided to hospitals to reflect the "overbreadth" amount claimed by each institution for the Hospital User Fee imposed between (a) October 1, 2015 through June 30, 2017, and (b) July 1, 2012 through September 30, 2015.
Medicaid -One-Time Payments	Sec. VI, Exhibit 5	Sec. 1 and 7	(1) One-time payments shall be made to hospitals regardless of whether the payments are eligible for a federal match.
			(2) One-time payments are related to the following: (1) certain payments for Emergency Dept. physician services (\$3.4 million), (2) Small Hospital Pool Redistribution Dispute (\$3 million), (3) Graduate Medical Education Dispute (\$1.7 million), and (4) Disproportionate Share Hospital (DSH) Dispute (\$1.1 million).
Medicaid- Hospital Rate Increases	Sec. VII, Exhibit 3	Sec. 5 and 7	(1) Hospital Medicaid rates increase annually each January 1 on rates in effect for the prior calendar year (2% certain inpatient rates and 2.2% for certain outpatient rates).
			(2) The Agreement prohibits the State from repealing, removing or otherwise reducing Medicaid rate increase for hospitals required by the Agreement. Rates are not subject to holdbacks or rescissions.
			(3) Methodology and rules for setting rates for the term of the Agreement are those methods and rules in effect as of the effective date of the legislation.
Hospital Supplemental Payments	Sec. VIII, Exhibit 6	Sec. 6, 7, 8	(1) Increase in Hospital Supplemental Payments results in an increase in Federal Grant Revenue as the Agreement requires payments to be gross appropriated (i.e. State appropriates State and federal share of payments), consistent with current practice.
			(2) Supplemental payments are not subject to holdbacks or rescissions.
			(3) Impact of Mergers on Supplemental Payments: In the event a hospital or hospitals merge, etc. and "do not continue to maintain a separate short-term general hospital license" the amount of the supp payment that would have been paid to the hospital shall be paid to the surviving or new entity.
			(4) Impact on Supplemental Payments for Other Reasons: In the event a hospital ceases to operate for any reason other than a merger, etc. during the State fiscal year in which operations cease the supp payment that would have been made to the hospital shall not be paid to any other hospital for the remainder of the State fiscal year. In the next State fiscal year the amount of the supplemental payment shall be redistributed to the other hospitals in accordance with the Agreement.

**This document is intended to provide a summary of certain provisions in the agreement entered into between the parties and does not represent a legal interpretation of the provisions contained in the filed agreement.*

List of Exhibits:

- Exhibit 1: List of Hospitals Party to the Agreement
- Exhibit 2: List of Hospitals and Amount of Tax Refund for Each as well as 2016 Net Patient Revenue by Hospital
- Exhibit 3: Schedule of Medicaid Rate Increases
- Exhibit 4: Implementing Legislation
- Exhibit 5: One-Time Payments to Certain Hospitals
- Exhibit 6: Hospital Supplemental Payments by Institution and Fiscal year. Description of Supplemental Payment Pools.
- Exhibit 7: Percent Discounted From Final Judgement if State Exercises Option to Terminate Agreement in Accordance with Terms.