Approved: 3/26/98
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 13, 1998 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Russell Mills, Legislative Research Department
April Holman, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ann Deitcher, Committee Secretary

Conferees appearing before the committee: Bill Ogg, General Manager, State Fair
Sally Finney
Marlin Rein, Office of Chancellor of Kansas Univ.
Rochelle Chronister, Secretary of SRS

Others attending: See attached list

HB 2877 — **An act authorizing state board of regents to sell and convey certain real estate in Scott county, Kansas.**

Sue Peterson of Kansas State University explained to the Committee what **SB 2877** consisted of and agreed to it being held so Kansas University could add their bill into it. Since the land was originally given to the University and not the Kansas State Foundation, it is necessary that they come to the Legislature for permission to sell the property.

Senator Kerr said the bill would be held for an amendment until a later date.

HB 2792 — **An act concerning the state fair.**

Appearing before the committee as a proponent was Bill Ogg, General Manager of the State Fair. Mr. Ogg spoke to the Committee requesting an amendment that would change Section (a)(3)(B) to read "May 1 and extending to October 31" replacing "July 1 and extending to December 31." (Attachment 1).

It was moved by Senator Morris and seconded by Senator Feleciano to make this amendment to **HB 2792**. The motion carried by a voice vote.

It was moved by Senator Morris and seconded by Senator Feleciano to recommend the amended bill favorably for passage. The bill carried by a roll call vote.

HB 2970 — **An act transferring title to certain personal property accepted on behalf of the State of Kansas.**

Senator Salisbury moved and Senator Petty seconded that the bill be adopted favorably for passage. The motion carried on a roll call vote.

Sally Finney, on behalf of her mother, former Governor Joan Finney, thanked the Committee for their recommendation for favorable passage of **HB 2970.**

Marlin Rein of the Kansas University Office of the Chancellor, introduced Scott Glasrud, Chief Financial Officer for Kansas University Hospital.

Senator Kerr agreed with Mr. Rein that the goal is not to diminish the services being provided by KU Medical Center to Missouri residents but to receive fair reimbursement for those services.

Rochelle Chronister, Secretary of the Kansas Department of Social and Rehabilitation Services spoke to the Committee of the fiscal impact to the KU Medical Center of providing care to Missouri Medicaid and medically indigent persons. (Attachment 1).

In discussing the possibility of reimbursement, Secretary Chronister said that it would probably take a lawsuit.

When asked how many years Kansas has been shorted, Scott Glasrud said it had been going on since April 1, 1994.

Asked by Senator Kerr what the Legislature could do to help, Secretary Chronister said SRS will do their best to approach Missouri Medicaid directly.

Mr. Glasrud said that an administrative appeal was what had been recommended to the Medical Center by outside counsel. (Attachment 2).

Senator Kerr requested that Secretary Chronister and Scott Glasrud compile a letter spelling out the steps that the Legislature can take to be helpful in regard to dealing with Missouri.

Secretary Chronister said that one other thing they were exploring was the possibility of St. Louis having the same problem with Illinois.

Senator Salisbury moved and Senator Jordan seconded the approval of minutes for February 27, March 4, 5 and 9. The motion carried on a voice vote.

The Chairman adjourned the meeting at 11:50 a.m. The next meeting is scheduled for March 16, 1998.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3/13/98

NAME	REPRESENTING
Ken Bahr	KHA
Marlon Rus	KU
Elaine Frisbie	Div. of the Budget
[illegible]	Kansas State Hist Soc
Linda Duncan	DOB
TOM Bell	KHA
Kathy Vanney	
TK Shivel	Ks Legal Services
FRED Lucky	KANSAS HOSPITAL ASSN
NANCY LYNN SAMMONS	—
BILL OGG	KANSAS STATE FAIR
Mike Hulfles	SRS
Diane Duffy	SRS
John Gachinger	SRS
Rochelle Chronister	SRS
SUE GLASMEIER	KU HOSPITAL

H.B. 2792
SENATE WAYS AND MEANS COMMITTEE
Friday, March 13, 1998, 11:00 a.m., Room 123S
Kansas State Fair

Submitted by: Bill Ogg, General Manager and Agency Head, Kansas State Fair

On behalf of the Kansas State Fair Board I want to thank this committee for their consideration of HB 2792. HB 2792 passed the House 119-0. The purpose of the bill is amend KSA 2-205 and combines the State Fair Fee Fund and the Non Fair Days Events Fund into one fund.

We are requesting an amendment from this committee that would change Section (a)(3)(B) on page 2 to read "May 1 and extending to October 31" replacing "July 1 and extending to December 31."

This section of KSA 2-205 governs when the Kansas State Fair may employ labor and personnel in conjunction with the current operation of the state fair. This refers to the part-time employees who help us present the annual state fair. The additional two months ahead of the Fair, May and June, instead of after the Fair, November and December, are a higher priority to conduct the annual event. The State Fair Board and management would like to sell advance tickets to the Grandstand events starting earlier than the traditional August on-sale date. We feel this is a way to increase sales, gain commitment from people to attend the Fair, and allow our patrons additional pay periods to accumulate their discretionary leisure dollars to enjoy the Fair.

HB 2792 would combine the two Kansas State Fair accounts into one account, which would be the State Fair Fee Fund. Currently, per K.S.A. 2-205, all the revenues and expenditures related to the Kansas State Fair are accounted for in the State Fair Fee Fund. All revenues and expenditures related to events other than the State Fair period are accounted for in the Non Fair Days Events Fund.

The Non Fair Days Events Fund was originated in the 1970's to account for Fairgrounds events outside of the State Fair period. It was an active year-round fund and was set up as a "no limit" fund.

In 1989, the State Fair Fee Fund became a "no limit" fee fund. Since the agency is able to account for revenues and expenditures at the sub-program level, there is no longer a valid reason or advantage to maintaining the two separate funds. The two funds necessitate two accounts for the Division of Accounts and Reports, and two separate local banking accounts for the agency.

S W+M
3/13/98
Attachment 1-1

HB 2792, amends K.S.A. 2-205, and combines the two accounts into the State Fair Fee Fund which would be an active fund year-round. Advantages to the agency are:

1. Allow the agency to maintain a $150,000 carry forward balance. Currently the agency strives for $150,000 balance in the State Fair Fee Fund and $50,000 in the Non Fair Events Fund. Combining the funds would free up $50,000 the first year that could be contributed to the State Fair Capital Improvements Fund. A major goal of the agency is to improve the physical plant, this can only be accomplished if there is adequate funds in the State Fair Capital Improvements Fund.

2. Currently credit cards can only be processed in the State Fair Fee Fund account. The money has to be transferred from the State Fair Fee Fund to the Non Fair Fund when credit cards are accepted for Non Fair events.

3. Would save approximately $1,230 in actual costs.

$1,000	Bank service fees
$ 70	Check printing
$ 160	Computer access time for Non Fair Fund at HCC computer

4. Agency would have one bank account to reconcile each month.

Your favorable consideration of HB 2792 with the amendment requested would simplify the accounting procedures for the Kansas State Fair. It will not jeopardize accountability. The agency already accounts for youth, administration, competitive exhibits, and fair week expenses as subprograms. We would account for the Non Fair at the subprogram level.

We want and need to know, as you do, what part of our budget is related to the annual state fair and what part is attributed to the events in the non-fair period. We feel like we can continue to provide those breakouts through internal accounting measures. It is not necessary to have two separate funds to accomplish this.

Again, thank you for your time and consideration. I would be happy to answer any questions you might have at this time.

S W+M
3/13/98
Attachment 1-2

State of Kansas
Department of Social & Rehabilitation Services

Rochelle Chronister, Secretary
Janet Schalansky, Deputy Secretary

For additional information, contact:

SRS Office of Research
Suzanne Woods, Director
915 SW Harrison Street, Sixth Floor
Topeka, Kansas 66612-1570
☎785.296.3329 / Fax 785.296.4685

For fiscal information, contact:

SRS Finance Office
Diane Duffy, CFO
915 SW Harrison Street, Tenth Floor
Topeka, Kansas 66612-1570
☎785.296.6216 / Fax 785.296.4676

Senate Ways and Means
Friday, March 13, 1998

Testimony: KUMC Fiscal Impact of Providing Care to Missouri Medicaid and Medically Indigent Persons

---

Office of the Secretary
Rochelle Chronister, Secretary
785.296.3271

S W+M
3/13/98
Attachment 2-1

Contents

5 W+M
3/13/98
Attachment 2-2

Kansas Department of Social and Rehabilitation Services
Rochelle Chronister, Secretary

Senate Ways and Means

KUMC Fiscal Impact of Providing Care to Missouri Medicaid and Medically Indigent Persons

March 13, 1998

Mr. Chairman and members of the committee, I am Rochelle Chronister, Secretary of the Department of Social and Rehabilitation Services. Thank you for the opportunity to testify on the issue of Missouri Medicaid reimbursement to the University of Kansas Medical Center. As many of you know, the issue of the KU Hospital providing care to residents of Missouri who are either Missouri Medicaid or indigent patients and the resulting fiscal impact on the KU Hospital has been a legislative concern for many years. In fact, it was an issue that I worked on several times when I served in the Legislature.

Comparing state Medicaid plans and reimbursement rates is complex. With regard to the issue of Missouri Medicaid reimbursement to the KU hospital, I can confirm that the Missouri Medicaid reimbursement to KU Hospital for FY 1997 was $2.7 million less than Kansas Medicaid would have paid. The average payment that SRS would have made to KU Hospital was $1,519 per day, in contrast to the $345 per day which Missouri is paying for patients 21 years and older.

SRS will work with KUMC on this issue. Today, I would suggest that the following action steps are in order:

- ❑ SRS will encourage KUMC to pursue an administrative appeal to the State of Missouri with a potential outcome of finding the per diem limits on reimbursement for out-of-state hospitals to be "void and invalid" from its inception (April, 1, 1994).

- ❑ SRS will pursue informal channels with Missouri including contacting the Missouri Medicaid Director, and my counterpart at the agency level.

- ❑ SRS will explore further changing our reimbursement inpatient hospital services in out-of-state border cities. In response to Legislative concerns on this topic in 1995, SRS conducted an in-depth evaluation and reduced reimbursement for inpatient hospital services in out-of-state border cities. (See Attachment A).

I would be pleased to answer any questions.

S W+M
3/13/98
Attachment 2-3

State of Kansas Department of Social and Rehabilitation Services
Rochelle Chronister, Secretary

Adult and Medical Services Commission
Ann Koci, Commissioner
915 SW Harrison 6th Floor Topeka, KS 66612-1570
Phone 785-296-5217 Fax 785-296-4813

MEMORANDUM

TO:	Rochelle Chronister	**DATE:**	March 12, 1998
FROM:	Ann Koci	**RE:**	KUMC Fiscal Impact of Providing Care to Missouri Medicaid and Medically Indigent Persons

First, we have reviewed the analysis in Dr. Hagen's letter and can confirm that Missouri Medicaid reimbursement to KU Hospital for FY 1997 was indeed $2.3 million less than Kansas Medicaid would have paid. The average payment that SRS would have made to KU Hospital was $1,519 per day, in contrast to the $345 per day which Missouri is paying for patients 21 years and older. It seems very appropriate that KU Hospital pursue an administrative appeal to the Missouri Medicaid program to obtain fair reimbursement.

The balance of the memo provides background on adopting a two-tier reimbursement system to pay lower Medicaid rates to out-of-state hospitals. Federal regulations require the State to pay for out-of-state services to the same extent that they would pay for in-state services under certain conditions (i.e. emergencies). *See attachment 1*

In response to Legislative discussions on this topic in 1995, SRS reduced reimbursement for inpatient hospital services in out-of-state border cities by reassigning large border hospitals from Group 1 (large urban hospitals) to Group II (mid-sized hospitals) pricing. Using April 1, 1998 hospital rates, this results in the large Kansas City, Missouri hospitals receiving $2,369 average payment for a typical Diagnostic Related Groups (DRG) rather than $2,984. This policy change was relatively easy to implement and has resulted in less Kansas dollars going out of state. It did not penalize rural health care consumer due to the referral patterns utilized by the physicians in the urban Kansas City area. It also did not violate Federal rules which do not allow the Medicaid agency to single out one area of the State and limit their choice in medical services.

The Kansas Medicaid program allows beneficiaries to obtain services within 50 miles of the Kansas border. Any services provided further than 50 miles must have prior authorization or be an emergency situation. Any further restrictions on out-of-state hospital services must take into consideration the need for Medicaid consumers (1) to have choice of providers; (2) to establish referral patterns that access specialty needs; and (3) to access quality health care within a reasonable travel distance. This policy balances the need for access to qualify healthcare with the desire to keep Kansas' Medicaid dollars in-state.

In 1995, Medical Services evaluated data that specifically identified all border (within 50 miles of Kansas border) hospitals, reasons for admission (admitting diagnosis), the numbers of patients admitted, and the amount of dollars spent in these facilities. We found that rural border hospitals are being used by the consumer and physician in a very appropriate manner. The most common reasons for admission to border hospitals are: (1) accidents - which require expedient evaluation and possible specialty surgery; (2) special provider demands - such as tests, evaluation, and surgery which require admission to border facilities for

obstetrics, newborn, cardiac and orthopedic services; (3) childbirth and newborn services that need to have close access for consumer as well as availability for specialty services if needed by the consumer, or provider, or both.

The other options that we examined in 1995 but did not pursue were:

Require prior authorization for all services to border facilities:

While this would increase monitoring of the use of border hospitals, it would

- slow down access to necessary health services due to the paper trail that is necessary with the authorization process,
- provide questionable cost savings to the State - more costly to wait longer for necessary referral patterns to be completed if completed at all, and
- require additional resources: $45,000 for a registered nurse position at the administrative level, and $80,000 for MMIS modification and ongoing operation by the fiscal agent. Each prior authorization request involves a minimum of four phone calls for a total of thirty minutes per request, plus ten minutes for filling out the authorization forms, plus ten minutes for follow-up involved in the authorization process.

Do not reimburse for inpatient hospitalization in "border hospitals":

While this would keep all funds within the State, it would

- violate federal mandate dictates that recipients must have access to health care
- increase travel expenses
- increase provider hassle by requiring prior authorization
- compromise availability of expedient health care for recipients
- limit the number of providers available for health care services
- interrupt physician referral patterns
- increase Kansas health care costs; i.e., without a choice in providers, the beneficiary may choose not to seek the needed health care services resulting in higher expenses.

Reimburse the average per diem rate to border hospitals as is reimbursed for in-state hospitals:

This option would be more costly: it would tend to encourage longer hospital stays due to the per diem reimbursement and could encourage more border hospital utilization. Also, the methodology is not currently in use by fiscal agent and would require considerable change in system.

At this point, we believe the Kansas Medicaid reimbursement system for border hospitals has reduced the resources going out of state without jeopardizing patient care. We will work with our sister Medicaid agency in Missouri to improve their reimbursement of needed services provided by Kansas facilities. This week the Missouri Medicaid program proposed increasing their out-of-state reimbursement to $809 per day for burn unit services, which should assist KU Hospital. (*See attachment 2)* As noted earlier, pursuit of further reimbursement through administrative appeals to the Missouri Medicaid program would seem to be the next effective step for KU Hospital.

Attachment 1: *Payments for Services Furnished Out-of-State*

§ 431.52 Payments for services furnished out of State.

(a) *Statutory basis.* Section 1902(a)(16) of the Act authorizes the Secretary to prescribe State plan requirements for furnishing Medicaid to State residents who are absent from the State.

(b) *Payment for services.* A State plan must provide that the State will pay for services furnished in another State to the same extent that it would pay for services furnished within its boundaries if the services are furnished to a recipient who is a resident of the State, and any of the following conditions is met:

(1) Medical services are needed because of a medical emergency;

(2) Medical services are needed and the recipient's health would be endangered if he were required to travel to his State of residence;

(3) The State determines, on the basis of medical advice, that the needed medical services, or necessary supplementary resources, are more readily available in the other State;

(4) It is general practice for recipients in a particular locality to use medical resources in another State.

(c) *Cooperation among States.* The plan must provide that the State will establish procedures to facilitate the furnishing of medical services to individuals who are present in the State and are eligible for Medicaid under another State's plan.

~~Attachment 1~~ S WM
3/13/98
Attachment 2-6

Attachment 2: ***Missouri Letter Regarding Out-of-State Reimbursement***

MEL CARNAHAN
GOVERNOR

MISSOURI
DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
P.O. BOX 6500
JEFFERSON CITY
65102-6500

TELECOMMUNICATIONS DEVICE
FOR THE DEAF
1-800-735-2966
VOICE
1-800-735-2466

March 9, 1998

Nancy L. Seelen
Vice President, Public Affairs
St. Luke's Shawnee Mission Health System
4401 Wornall Road
Kansas City, MO 64111

Dear Ms. Seelen:

This letter is in response to our discussions regarding reimbursement for Missouri Medicaid residents transferred to the special burn unit at KU Medical Center.

Missouri does not reimburse hospitals on a claim specific basis similar to Kansas, but instead reimburses at an average inpatient rate. Reimbursement for out-of-state hospitals has typically been limited to an inpatient rate of $345.13. Much of the Medicaid population in the Kansas City area is covered under Missouri's MC+ Managed Care Program, and reimbursement arrangements are established by the health plan provider. With those constraints in mind, we have developed an alternative that may help alleviate some of the financial concerns with the Medicaid fee-for-service population.

We would propose a special reimbursement rate for out-of-state hospital burn units treating Missouri Medicaid burn patients. The rate would be based on the average per diem rate paid by the state where the hospital is located or, if not paid on a per diem basis (such as Kansas), the average Missouri rate of $808.81. Reimbursement would be limited to hospitals more than 75 miles from the nearest Missouri hospital with a burn unit.

I welcome your thoughts on this proposal, and if acceptable, we will proceed with issuance of proposed regulations. If you have any specific questions please feel free to contact Roger Backes of my staff at (573) 751-5663.

Sincerely,

Gregory A. Vadner
Director

GAV:cgo

cc: Dan Couch

¶ 37,646

West Virginia University Hospitals, Inc. v. Casey.

U.S. District Court for the Middle District of Pennsylvania, No. 86-0955, November 30, 1988

Medicaid: Prospective Payment Systems

Provider reimbursement--Disproportionate share hospitals--Prospective payment to hospitals for inpatient services.--Pennsylvania's Medicaid prospective payment system, which reimbursed out-of-state hospitals differently than it reimbursed in-state hospitals, violated federal law. The state's administrative appeals system for out-of-state hospitals was also legally inadequate. In this case, a West Virginia hospital that provided inpatient care for a significant number of Pennsylvania Medicaid patients challenged Pennsylvania's payment system claiming that the state did not base its system of reimbursing out-of-state hospitals on any relevant data and did not test its reimbursement methodology against the requirements of federal law.Under Sec. 1902(a)(13) of the Medicaid Act (the Boren Amendment), and its implementing regulations, states participating in the Medicaid program are required to make findings and submit assurances to the Secretary that their inpatient hospital service payment rates "are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated facilities . . ." In addition, states must, in setting their reimbursement rates, "take into account the situation of hospitals which serve a disproportionate number of low income patients . . ." Here, the state's payments to the hospital: (1) did not reflect the hospital's disproportionate share of low income patients; (2) failed to compensate the hospital for Pennsylvania's Medicaid share of the hospital's direct medical education (DME) costs; (3) did not fairly cover Pennsylvania's Medicaid share of the hospital's operating and capital costs; and (4) arbitrarily set payment rates for diagnosis-related groups (DRG) of illnesses for the hospital without considering its actual costs. Finally, the state's failure to articulate a rational connection between legitimate state interests and the classifications of in-state versus out-of-state hospitals resulted in invidious discrimination in violation of the hospital's right to equal protection under the Fourteenth Amendment. Accordingly, the state was ordered to formulate and seek government approval of a methodology and a prospective payment system for the hospital consistent with and in conformity with federal law.

See ¶14,725, ¶15,632

S W+M
3/13/18
Attachment 9-8

The University of Kansas Medical Center

Office of the Executive Vice Chancellor

March 6, 1998

The Honorable Dave Kerr
Chair, Senate Ways and Means Committee
Room 120-S, State Capitol
Topeka, KS 66612

Dear Senator Kerr:

When the University of Kansas Medical Center appeared before the Senate Ways and Means Committee, questions were raised relative to the fiscal impact on the University of Kansas Hospital of providing care to residents of Missouri who were either Missouri Medicaid or indigent patients.

I have enclosed an analysis of the reimbursement implications of serving this patient population. I hope the analysis sufficiently addresses the committee's concern. If there is any additional information or further explanation of the enclosed analysis desired, please advise and we will respond as desired.

I want to thank you and the members of the committee for the courtesy extended to myself and others from the Medical Center during our appearance before the committee. I look forward to further opportunities to brief the committee on issues of interest.

Sincerely yours,

Donald F. Hagen, M.D.
Executive Vice Chancellor
University of Kansas Medical Center

DFH:dmr
Enclosure

3901 Rainbow Blvd., Kansas City, Kansas 66160-7100 • (913) 588-1400

S W+M
3/13/98
Attachment 3-1

UNIVERSITY OF KANSAS HOSPITAL
MISSOURI MEDICAID & INDIGENT PATIENT POPULATION
REIMBURSEMENT IMPLICATIONS

By virtue of its location on the state line between Kansas and Missouri, the University of Kansas Hospital serves a number of Missouri residents within its patient population. Many of these patients are either insured by Missouri Medicaid or are uninsured. This patient group tends to access the Hospital through the emergency room due to the lack of ongoing physician relationships.

MISSOURI MEDICAID

Beginning with admissions occurring after April 1, 1994, the Missouri Medicaid program set per diem limits on reimbursement for out-of-state hospitals of $345.13 per day for patients 21 years or older, and $660.89 per day for patients under 21 years. There are also limits on length of stay for certain case types. These reimbursement rates are substantially below those paid Missouri facilities where the per diems developed must approximate "reasonable costs". The out-of-state per diems are similar to a Missouri in-state limitation on psychiatric per diems ("psych cap") which was established in January 1990. This psych cap was subsequently challenged by a Missouri hospital and was determined in October 1996 to be "void and invalid" from its inception.

The reimbursement limits for Missouri Medicaid patients have had a substantial detrimental financial impact on KU Hospital. The following is an overall profile of recent Missouri Medicaid inpatient activity :

Utilization

	FY 1996	FY 1997
Admissions	156	232
Patient Days	1,212	2,007
Average Length of Stay	7.8	8.6

As is apparent from the data, Missouri Medicaid patients have been accessing KU Hospital in increasing numbers. During FY 1997, Missouri Medicaid admissions increased 49 percent and patient days increased 65 percent over the prior year. The FY 1997 average length of stay of 8.6 days was 30 percent higher than the overall Hospital average of 6.6 days. These admissions represented 1.7 percent of total admission in FY 1997. These Missouri Medicaid patients originated from 21 counties in FY 1996 and 25 counties in FY 1997, with between 60 to 65 percent of those coming from Jackson county.

S W+M
3/13/98
Attachment 3-2

Reimbursement

	FY 1996	FY 1997
Gross Charges	$3,261,000	$5,186,000
Charge per Admission	$20,903	$22,353
Missouri Medicaid Payments	$ 342,000	$ 684,000
Payment per Admission	$2,192	$2,948
Est. Kansas Medicaid Payments	$2,022,000	$3,008,000
Payment per Admission	$12,961	$12,965

The overall intensity of service for the Missouri Medicaid patients is substantially higher than the average for all Hospital admissions. The average inpatient charge per admission for all KU Hospital patients was $16,916 in FY 1997 and $15,295 in FY 1996, approximately 25 percent below the average charge per Missouri Medicaid patient. Clearly, Missouri Medicaid payments do not begin to meet the Hospital's costs. These payments represented only 10.5 percent and 13.2 percent of related charges for FY 1996 and FY 1997, respectively. The estimated Kansas payments reflect the reimbursement which would have been received had KU Hospital been reimbursed at the rate allowed by the Kansas Medicaid contract. This reimbursement is more representative of "reasonable cost" allowing 62 percent and 58 percent of charges for FY 1996 and FY 1997, respectively.

The Hospital has had preliminary discussions regarding a potential administrative appeal to the State of Missouri Medicaid program regarding this inappropriate level of reimbursement. We are advised by those familiar with the Missouri Medicaid program that we may have grounds for such an appeal. Additionally, we are encouraged that an increase may be forthcoming for Missouri Medicaid payments for burn cases which must come to KU Hospital, since it has the only burn center in the metropolitan area.

MISSOURI INDIGENT

There are also a substantial number of uninsured patients who access KU Hospital from the state of Missouri. The following is a summary of recent Missouri uninsured patient activity:

	FY 1996	FY 1997
Admissions	193	120
Patient Days	999	449
Average Length of Stay	5.2	3.7
Gross Charges	$2,124,000	$1,190,000
Charge per Admission	$11,005	$9,917
Total Payments	$52,000	$8,000

S W+M
3/13/98
Attachment 3-3

These patients have required less intensive services than the Missouri Medicaid patient population as can be seen by the lower lengths of stay and average charge per admission. Similar to the Medicaid patients, approximately two-thirds originate from Jackson county. However, the Hospital wrote off approximately $2.1 million in charges in FY 1996 and $1.2 million in FY 1997 for these Missouri indigent patients. Fortunately, the recent trend has been a decline in this patient population, which may reflect increased efforts to qualify them for Missouri Medicaid coverage.

In summary, KU Hospital has written off approximately $5.0 million and $5.7 million in charges in FY 1996 and FY 1997, respectively for the care of Missouri Medicaid and indigent patients. These write-offs have required that the Hospital subsidize this activity through income generated from the remainder of its patient population.

5 w+dn
3/13/98

Attachment 3-4