

## **SUBCHAPTER 22Q - DISTRIBUTION OF FEDERAL DISPROPORTIONATE SHARE ADJUSTMENT RECEIPTS ARISING FROM CERTIFIED PUBLIC EXPENDITURES**

### **10A NCAC 22Q .0101 SCOPE**

This Subchapter establishes the requirements for the distribution of federal disproportionate share adjustment receipts as established by 42 CFR 447.298 arising from certified public expenditures.

*History Note:* Authority G.S. 108A-54; 143C-9-9;  
Temporary Adoption Eff. December 29, 2021;  
Eff. August 1, 2022.

### **10A NCAC 22Q .0102 DEFINITIONS**

(a) "Certifying Hospital" means an institution that meets all of the following criteria:

- (1) meets the definition in G.S. 131E-176(13);
- (2) is licensed by the State of North Carolina; and
- (3) certifies as a public agency that its expenditures are eligible for Federal Financial Participation in accordance with 42 CFR 433.51(b), which is incorporated by reference, including subsequent amendments and editions. This document may be accessed at <https://www.ecfr.gov> at no charge.

(b) "Department" means the North Carolina Department of Health and Human Services.

(c) "Outpatient services" means those services as defined by 42 CFR 440.20(a), which is hereby incorporated by reference, including subsequent amendments and editions. This document can be accessed at <https://www.ecfr.gov> at no charge.

(d) "Uninsured patient" means medical care recipients who do not have health insurance, Medicaid or Medicare, or other third-party coverage. State or local government payments made to a hospital for services provided to indigent patients shall not be considered a source of third-party coverage.

(e) "Hospital Uncompensated Care Fund" means the fund established by G.S. 143C-9-9 and governed by 10A NCAC 22R.

(f) "Payment period" means the 12-month term ending September 30th of each year.

*History Note:* Authority G.S. 108A-54; 143C-9-9;  
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### **10A NCAC 22Q .0103 DISTRIBUTIONS**

After distributions are made pursuant to an act appropriating funds for the operation of the North Carolina Medicaid Program and the "Basic Disproportionate Share Hospital (DSH) Payment" section of the North Carolina Medicaid State Plan, Attachment 4.19-A, which is incorporated by reference, including subsequent amendments and editions, and may be accessed free of charge at <https://medicaid.ncdhhs.gov/media/973/download?attachment>, the Department shall make distributions of the remaining DSH funds in the following order to:

- (1) Certifying hospitals; and
- (2) The Hospital Uncompensated Care Fund.

*History Note:* Authority G.S. 108A-54; 143C-9-9;  
Temporary Adoption Eff. December 29, 2021;  
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### **10A NCAC 22Q .0104 CERTIFYING HOSPITAL DISTRIBUTION**

The Department shall distribute available funds to certifying hospitals in two parts:

- (1) An amount equal to 10 percent of expenditures certified by the hospital pursuant to 42 CFR 433.51; and
- (2) An amount equal to the hospital's proportionate share, calculated pursuant to Rule .0106 of this Section, of the available funds based on the hospital's share of outpatient costs for uninsured patients as a percentage of the Statewide aggregate of outpatient costs for uninsured patients. To be eligible for a proportionate share, a hospital shall file with the Department 90 days prior to the date of payment as determined by the Department, a form prescribed by the Department attesting to the hospital's:

- (a) Qualification for disproportionate share status under the "Disproportionate Share Hospital (DSH) Payment" section of the North Carolina Medicaid State Plan, Attachment 4.19-A;
- (b) Unreimbursed charges and payments for outpatient services provided to uninsured patients; and
- (c) Aggregate Medicaid outpatient cost-to-charge ratio.

*History Note:* Authority G.S. 108A-54; 143C-9-9;  
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**10A NCAC 22Q .0105 CERTIFYING HOSPITALS' OUTPATIENT COSTS**

- (a) A certifying hospital's outpatient costs for uninsured patients will be determined by multiplying the hospital's outpatient cost-to-charge ratio in Rule .0104(2)(c) of this Section by the hospital's outpatient charges for uninsured patients from Rule .0104(2)(b) of this Section.
- (b) From the product calculated in Paragraph (a) of this Rule, the Department will then subtract payments that the hospital received from uninsured patients for outpatient services in Rule .0104(2)(b) of this Section.
- (c) The Department will bring the uncompensated care cost data forward to the end of the payment period by applying the applicable Centers for Medicare and Medicaid Services' Prospective Payment System Hospital Input Price Indices, which are incorporated by reference, including subsequent amendments and editions and available at no cost at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/MarketBasketData>.

*History Note:* Authority G.S. 108A-54; 143C-9-9;  
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**10A NCAC 22Q .0106 CERTIFYING HOSPITAL'S PROPORTIONATE SHARE**

The Department shall calculate the certifying hospital's proportionate share of outpatient costs as follows:

- (1) Adding the certifying hospitals' outpatient costs and each of the eligible hospitals' as defined in 10A NCAC 22R .0103, eligible outpatient costs under 10A NCAC 22R .0104. The sum represents the total of the outpatient costs.
- (2) The sum of all certifying hospitals' outpatient costs under Rule .0105 of this Section shall be divided by the total outpatient costs in Item (1) of this Rule. The quotient represents the certifying hospitals' proportionate share, expressed as a decimal.
- (3) The amount of available funds shall be multiplied by the certifying hospitals' proportionate share in Item (2) of this Rule. The product represents the funds available for distribution to individual certifying hospitals.
- (4) A certifying hospital shall be eligible for a payment from funds available for distribution in Item (3) of this Rule. In each payment period, a certifying hospital shall receive a proportional payment of the available funds based on the certifying hospital's share of outpatient costs for uninsured patients as a percentage of the aggregate of outpatient costs for uninsured patients for certifying hospitals.
- (5) Hospitals receiving payments pursuant to this Subchapter shall be subject to the audit and reporting requirements of the North Carolina Medicaid State Plan, Attachment 4.19-A.

*History Note:* Authority G.S. 108A-54; 108A-55(c); 143C-9-9;  
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