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[Sent via email: [daniel.stevenson@dhs.wisconsin.gov](mailto:daniel.stevenson@dhs.wisconsin.gov)]

**Re: SFY 2025 Medicaid Disproportionate Share Hospital Payments**

Dear Daniel:

The Wisconsin Department of Health Services (DHS) engaged Milliman, Inc. (Milliman) to calculate Medicaid Disproportionate Share Hospital (DSH) payments for state fiscal year (SFY) 2025 (the period of July 1, 2024 to June 30, 2025). SFY 2025 DSH payments incorporate state share funding targets as appropriated by the Wisconsin State legislature and directed by DHS, with the payment methodology for these payments remaining the same as last year.

This letter summarizes the results, methodology and assumptions, and data sources for the DSH calculations for DHS' reference and discussion with the State's DSH auditor Myers and Stauffer. See the attached file "**Stevenson04 - SFY 2025 Hospital DSH Payment Appendices – 20250204.xlsx**" for the appendices referenced in this letter.

## RESULTS

### SFY 2025 Supplemental DSH

SFY 2025 Supplemental DSH payments, also referred to as Wisconsin "big" DSH payments, are based on a state share amount of \$71.6 million plus the federal share of each quarterly payment and distributed to hospitals per the methodology established in Wisconsin state plan attachment 4.19-A. The SFY 2025 state share target is the same as the SFY 2024 funding appropriations by the Wisconsin State legislature per the direction of DHS. The federal share for each quarter is based on the effective Federal Medical Assistance Percentage (FMAP). Based on this information and the Wisconsin state plan requirements, we calculated total SFY 2025 Supplemental DSH payments of **\$181.2 million** as shown in Table 1 compared to SFY 2024:

**Table 1 – SFY 2025 Supplemental DSH Payment Totals**

State Fiscal Year	Hospitals Receiving Supplemental DSH	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total SFY Supplemental DSH Payments
		FMAP	Quarterly DSH Payment	FMAP	Quarterly DSH Payment	FMAP	Quarterly DSH Payment	FMAP	Quarterly DSH Payment	
SFY 2025	79	60.66%	\$45.5M	60.43%	\$45.2M	60.43%	\$45.2M	60.43%	\$45.2M	\$181.2M
SFY 2024 <sup>1</sup>	82	62.16%	\$47.3M	62.16%	\$47.3M	60.66%	\$45.5M	60.66%	\$45.5M	\$185.6M
<b>Change</b>	<b>(3)</b>	<b>(1.50%)</b>	<b>(\$1.8M)</b>	<b>(1.73%)</b>	<b>(\$2.1M)</b>	<b>(0.23%)</b>	<b>(\$0.3M)</b>	<b>(0.23%)</b>	<b>(\$0.3M)</b>	<b>(\$4.4M)</b>

<sup>1</sup> SFY 2024 values are populated from the SFY 2024 Supplemental Disproportionate Share Hospital Payments ("big" DSH) Summary shared with DHS on March 21, 2024 and incorporate DSH payment changes that resulted from the closure of HSHS Sacred Heart and HSHS St. Joseph's Hospitals in March of 2024.

See **Appendix A** for hospital level SFY 2025 Supplemental DSH payment calculations.

Between SFY 2024 and SFY 2025, six hospitals gained Supplemental DSH eligibility, six hospitals lost eligibility, one previously qualifying hospital elected to waive DSH, and two previously qualifying hospitals closed, resulting in a net total of three fewer hospitals qualifying for SFY 2025 Supplemental DSH. Hospitals losing Supplemental DSH eligibility either waived their DSH payment (elected not to submit the DSH survey required for eligibility), did not meet the 6% Medicaid utilization threshold, or did not have an eligible projected DSH limit available (based on estimates developed by DHS' auditor Myers and Stauffer). Hospitals gaining Supplemental DSH eligibility either exceeded the 6% Medicaid utilization threshold, no longer had negative DSH limits, or no longer waived DSH. We incorporated payment adjustments based on the available DSH limit for hospitals waiving DSH at DHS' direction (consistent with the SFY 2024 calculation). See the "Methodology and Assumptions" section for more information regarding DSH payment eligibility.

Total modeled SFY 2025 Supplemental DSH payments decreased compared to SFY 2024 because of lower FMAP for all four quarters compared to the FMAP effective during SFY 2024.

### SFY 2025 Standard DSH

SFY 2025 Standard DSH payments, also referred to as Wisconsin "little" DSH payments, are based on a total payment pool of \$100,000 (total computable, combined federal and state share) per the Wisconsin state plan attachment 4.19-A, distributed evenly across eligible hospitals. We calculated SFY 2025 Standard DSH payment distributions as shown in table 2 compared to SFY 2024:

**Table 2 – SFY 2025 Standard DSH Payment Totals**

State Fiscal Year	Hospitals Receiving Standard DSH	Standard DSH Payment Distribution Per Hospital	Total Standard DSH Payments
SFY 2025	6	\$16,666.66	\$100,000
SFY 2024 <sup>2</sup>	11	\$9,339.29	\$100,000
<b>Change</b>	<b>-5</b>	<b>\$7,327.37</b>	<b>\$0</b>

See **Appendix B** for the hospital level SFY 2025 Standard DSH payment calculations.

Between SFY 2024 and SFY 2025, two hospitals lost standard DSH eligibility, and one hospital closed. DHS also implemented a new policy to limit "little" DSH payments to in-state providers, making out-of-state hospitals ineligible for SFY 2025. These changes resulted in five fewer hospitals receiving the Standard DSH payment compared to SFY 2024. Hospitals that waived DSH were exempted at DHS' direction (consistent with the SFY 2024 calculations). See the "Methodology and Assumptions" section for more information on DSH payment eligibility.

The SFY 2025 Standard DSH payment distribution to each eligible hospital increased to \$16,666.66 (up from \$9,339.29 in SFY 2024) because the number of eligible hospitals decreased, and the aggregate payment pool stayed the same size at \$100,000.

### METHODOLOGY AND ASSUMPTIONS

#### SFY 2025 Supplemental DSH

Per the requirements of the Wisconsin state plan attachment 4.19-A section 9230, in-state Wisconsin Medicaid hospitals qualify for Supplemental DSH payments if the following requirements are met:

<sup>2</sup> SFY 2024 values represent final "little" DSH payments delivered to DHS on March 21, 2024 to adjust "little" DSH payments to providers following the closure of HSHS St. Joseph's Hospital on March 22, 2024. HSHS St. Joseph's Hospital received \$6,607.04 in "little" DSH payments with the remaining amount redistributed to other hospitals receiving "little" DSH payments.

- Hospital provides services through an emergency department recognized by the Wisconsin Division of Quality Assurance (DQA).
- The hospital has a Medicaid inpatient utilization rate (MIUR) greater than or equal to 6%, based on the ratio of Medicaid days to all-payer days.
- The hospital either meets CMS' DSH requirement for having at least two obstetricians (OBs) as specified in §9212 or has the CMS OB DSH requirement waived (as a children's hospital or being open before 1987).
- The hospital meets applicable, minimum requirements to be eligible for DSH under 42 USC 1396r-4. This requirement includes consideration of the available "gap" under hospital-specific DSH limits, which is calculated based on the difference between the hospital estimated costs for Medicaid and the uninsured patient services, less payments received for those services.

To determine the SFY 2025 Supplemental DSH payment eligibility for each hospital (per the requirements listed above), we relied on fiscal year end (FYE) 2023 MIUR data, emergency department data, and OB data provided by the Wisconsin Hospital Association (WHA). We combined the emergency department data and OB data, with DSH eligibility data compiled by Myers and Stauffer and provided by DHS. We also relied on SFY 2025 DSH limit projections developed by Myers and Stauffer and provided by DHS and deemed any hospital with a negative projected DSH limit to be ineligible for DSH payments. At DHS' direction, we also excluded from the SFY 2025 Supplemental DSH payment calculations those hospitals that "waived" their DSH payment by deciding not to provide DSH survey data required for demonstrating DSH payment eligibility.

Following the Wisconsin state plan requirements, we calculated SFY 2025 Supplemental DSH payments for eligible hospitals for each quarter as follows:

1. Determined the total annualized Supplemental DSH payment pool, equal to the \$71.6 million state share (per legislative appropriation and DHS direction) plus the estimated federal share, based on the Wisconsin DSH FMAP effective for the quarter.
2. Calculated the DSH factor for each qualifying hospital for each quarter, as follows:  
$$\text{Minimum DSH add on} + [(\text{Hospital MIUR} - 6\%) \times 0.75]$$
3. Calculated annualized DSH payments for each hospital, before applying limits, as follows:  
$$(\text{DSH add-on factor} - 100\%) \times (\text{Projected RY 2024 inpatient FFS payments})$$
4. Reduced the annualized DSH payments, as needed, to not exceed the DSH cap. We calculated the hospital DSH cap for each quarter as follows, at DHS' direction:  
$$(\text{Total annualized SFY 2025 Supplemental DSH payment pool}) \times 6.77\%$$
5. Reduced the annualized capped DSH payments, as needed, to not exceed each hospital's projected SFY 2025 DSH limit.

We solved for the Minimum DSH add on factor for each quarter to result in the target annualized Supplemental DSH payment pool, after applying payment adjustments for DSH caps and DSH limits (to fully distribute the DSH payment pool).

### SFY 2025 Standard DSH

Per the requirements of the Wisconsin state plan attachment 4.19-A section 9210, in-state Wisconsin Medicaid hospitals qualify for Standard DSH payments if the following requirements are met:

- The hospital has a MIUR greater than or equal to 1%, based on the ratio of Medicaid days to all-payer days, and if either:
  - The hospital's MIUR is at least one standard deviation above the mean MIUR for in-state and border status hospitals; or
  - Has a low-income utilization rate (LIUR) of more than 25% (a hospital must make a specific request to DHS to be considered under this method).

- The hospital either meets CMS' DSH requirement for having at least two obstetricians (OBs) as specified in §9212, or has had the CMS OB DSH requirement waived (as a children's hospital or being open before 1987).
- The hospital meets applicable, minimum requirements to be a DSH hospital under 42 USC 1396r-4. Per DHS, this includes available "gap" under hospital-specific DSH limits, which is calculated based on the difference between the hospital estimated costs for Medicaid and the uninsured patient services, less payments received for those services.

To determine the SFY 2025 Standard DSH payment eligibility for each hospital (per the requirements listed above), we relied on hospital fiscal year ending (FYE) 2023 MIUR data and OB data for in-state hospitals provided by the WHA. At DHS' direction, we also excluded from the SFY 2025 Standard DSH payment calculations for hospitals that waived their DSH payment by deciding not to provide DSH survey data required for demonstrating DSH payment eligibility. In addition, we relied on SFY 2025 DSH limit projections developed by Myers and Stauffer to confirm whether any hospitals had a negative projected DSH limit. Per DHS, no hospitals requested that they qualify for DSH payments under the LIUR method.

The MIUR threshold needed to qualify for Standard DSH payments is shown in Table 3.

**Table 3 – SFY 2025 Supplemental DSH Payment Factors**

DSH Payment Component	SFY 2024 Calculation	SFY 2025 Calculation
Mean MIUR	16.79%	16.66%
Standard deviation MIUR	13.55%	14.29%
MIUR threshold (mean + 1 standard deviation)	30.34%	30.94%

Following Wisconsin state plan requirements, we calculated SFY 2025 Standard DSH payment distributions for eligible hospitals by dividing the \$100,000 total payment pool by the number of qualifying hospitals. DHS only makes one lump sum annual Standard DSH payment to each hospital.

## DATA SOURCES

### SFY 2025 Supplemental DSH

We relied on the following data sources for the SFY 2025 Supplemental DSH payment calculations:

- Hospital crosswalk provided by DHS on August 28, 2024.
- SFY 2024 DHS supplemental payment calculations, as described in the Milliman report "SFY 2024 Hospital Supplemental Payments Letter" dated January 17, 2024.
- Updated SFY 2024 DSH calculations delivered to DHS by Milliman on March 21, 2024.
- SFY 2025 DSH survey data provided by WHA on September 10, 2024.
- SFY 2025 FMAPs provided by DHS on December 17, 2024.
- SFY 2025 estimated DSH limits and qualification criteria calculated by Myers and Stauffer and provided by DHS on October 2, 2024.
- RY 2024 projected Medicaid FFS base payments modeled based on FFY 2022 inpatient Medicaid FFS claims data, as described in the Milliman report "Rate Year 2024 Hospital Rate-Setting Report" dated December 21, 2023.
- The Wisconsin State Legislature's appropriated DSH funding increases per its 2023-25 biennial budget motion, provided by DHS June 16, 2023.

### SFY 2025 Standard DSH

We relied on the following data sources for the SFY 2025 Standard DSH payment calculations:

- Hospital crosswalk provided by DHS on August 28, 2024.



- SFY 2024 DHS supplemental payment calculations, as described in the Milliman report "SFY 2024 Hospital Supplemental Payments Letter" dated January 17, 2024.
- Updated SFY 2024 DSH calculations delivered to DHS by Milliman on March 21, 2024.
- SFY 2025 DSH survey data provided by WHA on September 10, 2024.
- SFY 2025 estimated DSH limits and qualification criteria calculated by Myers and Stauffer and provided by DHS on October 2, 2024.

#### CAVEATS AND LIMITATION ON USE

*The terms of Milliman's contract #435400-O21-0818RATESET-00 with DHS apply to this letter and its use.*

*The information contained in this letter has been prepared solely for the business use of DHS related Divisions for determining state fiscal year (SFY) 2025 Medicaid Disproportionate Share Hospital (DSH) payments. This document and information contained within is not appropriate for other purposes. We understand DHS may share this letter with the State Medicaid hospital stakeholders and with DHS' DSH auditor Myers and Stauffer. This letter must not be shared with other third parties without Milliman's prior consent. To the extent that the information contained in this letter is provided to any approved third parties, this letter and appendices should be distributed in their entirety. Any user of the data must possess a certain level of expertise in health care modeling that will allow appropriate use of the data presented.*

*Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for DHS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.*

*Milliman has developed certain models to estimate the values included in this letter. The intent of the models is to calculate SFY 2025 Medicaid DSH payments. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose.*

*In performing this analysis, we relied on data and other information provided by DHS, the Wisconsin Hospital Association (WHA), SAS, DHS' MMIS vendor Gainwell, DHS' current DSH auditor Myers and Stauffer, and CMS. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.*



Dan, please let me know if you have any questions regarding these SFY 2025 Medicaid hospital supplemental payment calculations.

Sincerely,

Benjamin A. Mori  
Principal and Senior Healthcare Consultant

BAM

cc: Jill Brostowitz, Milliman  
Shelly Brandel, Milliman  
Andrew Vidikan, Milliman

Attachment (**Stevenson04 - SFY 2025 Hospital DSH Payment Appendices – 20250204.xlsx**)