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OFFICE OF GOVERNOR RONNIE MUSGROVE  
INTEROFFICE MEMORANDUM

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**TO:** SIMMONS  
**FROM:** RILEY  
**SUBJECT:** JIM MCINGVALE: MEDICAID'S DISPROPORTIONATE SHARE CLAUSE AND COAST HOSPITALS  
**DATE** 10/17/00  
**CC:** BOYD

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Jim McIngvale e-mailed Dr. Cole with a head's up that we will probably be hearing from members of the Jackson County Board of Supervisors about a Medicaid issue. The Governor directed me to get with you on this matter.

According to McIngvale, the issue is Medicaid's Disproportionate Share Clause that reimburses hospitals that have 15% or more Medicaid-eligible patients. Singing Ringing Hospital System (1 hospital in Pascagoula, 1 in Ocean Springs) lost several million dollars when this clause was changed to an "all or nothing" basis because 12% of the system's patients are Medicaid-eligible, so Singing River gets \$0. According to McIngvale, the Supervisors want the Governor to institute a graded scale rather than the "all or nothing" 15% rule. McIngvale anticipates that Manly Barton, Board president, or Frank Leach, Board member, will be calling you to set up an appointment.

According to Jamie Collier at the Division of Medicaid, Singing River Hospital System has already met with Rica Payton and Collier on this matter. For FY 01, the state will reimburse hospitals that have 16.5327% or more Medicaid-eligible patients. According to Collier, Singing River wants us to eliminate the % rule and pay all hospitals. 11.58% of Singing River's patients were Medicaid-eligible last year. Collier stated that we could eliminate the % rule, but the State Medicaid Plan would have to be changed and we are limited by the amount of DSH funds that we receive. We will receive \$166 million in FY 01, but we will have more uncompensated care than we can pay. Collier anticipates the state being able to pay approximately 70% of our higher DSH hospitals' costs. Higher DSH hospitals are generally governmental hospitals and the amount the state can pay is limited to the hospital's cost of providing care to the uninsured. Collier warned that any changes to the State Plan could affect the litigation with Memorial Hospital in Gulfport and would probably result in additional lawsuits being filed by other hospitals.

Rica called and said that she gave the Governor a binder of information on this subject last week and copied you on the cover memo (approximately 4 pages). She said that you probably will get a call from the Jackson County Board of Supervisors requesting a meeting, but she would like to meet with you first.