US Supreme Court Rules in Favor of HHS Over Calculation of Medicare Payments to Hospitals



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In a recent decision, the United States Supreme Court upheld the Department of Health and Human Services' (HHS) interpretation of federal regulations regarding the calculation of Medicare payments for hospitals that serve a high percentage of low-income individuals. In Advocate Christ Medical Center v. Kennedy, more than 200 hospitals sued the federal government arguing that HHS's definition of low-income patients left the hospitals underfunded from 2006 to 2009. In a decision authored by Justice Amy Coney Barrett writing for a 7-2 majority, the Supreme Court upheld HHS' interpretation of the regulations.

At issue was the enhanced payment system under Medicare, which was designed to provide hospitals with an incentive to treat lower-income patients as a means to offset the disconnect between fixed rates and costs of care. The enhanced payment system provides an enhanced payment to hospitals that treat larger numbers of low-income patients. The regulations utilize the "Medicare Fraction," which was at issue in the case, to measure "the hospital's senior (or disabled) low-income population." The Medicare Fraction uses Medicare patients' entitlement to supplemental security income (SSI) as the determining factor for low-income status. The Medicare Fraction's numerator includes patients entitled to Medicare Part A benefits and patients entitled to SSI benefits, while the denominator comprises the inpatient days of all Medicare patients.

The hospitals argued that a patient is "entitled to SSI benefits" if they are in the SSI system, even if they are not currently receiving SSI benefits. HHS interpreted "entitled to SSI benefits" to mean patients who received SSI cash payments during their hospital stays, which resulted in a lower "Medicare Fraction" numerator and thus lower enhanced payments. The Supreme Court's ruling upheld the decision of all lower courts that ruled in this case, and upheld how HHS has historically determined payments under the enhanced payment system. Justice Ketanji Brown Jackson dissented, joined by Justice Sonia Sotomayor,

warning that the majority's interpretation of the law at issue "will deprive hospitals serving the neediest among us of critical federal funds that Congress plainly attempted to provide."

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