

FY02 Boilerplate Report, Section 1695 of Public Act 60 of 2001, the Department of Community Health uses the methodology as defined in the attached Medicaid policy manual and summary document on DSH requirements for the allocation of the Medicaid Disproportionate Share (DSH) payment for FY 2002. The Medicaid Disproportionate Share payment provides reimbursement to hospitals who have served a disproportionate share of Medicaid eligible persons. Section 1695 states that it is the sense of the legislature that the DSH payment should be equitably distributed on a statewide basis. Unfortunately, Medicaid beneficiaries are not distributed equitably throughout the state. The department continues to use the same formula to distribute the DSH payments that was used in FY 2000. This formula creates a 20% indigent volume level of care as a minimum threshold that a hospital must meet to participate in the DSH funding.

Attached is the FY 2001 Hospital DSH payments by region. DSH calculations for FY 2002 have not been finalized. However, by using the same formula used in prior years, the payment in FY 2002 should be comparable to FY 2001.

# 2001 Regular DSH Payments

Facility Name	2001 Regular DSH Payments
<b>NORTHERN REGION</b>	
ALPENA GENERAL HOSPITAL	\$ 856
COMMUNITY MEMORIAL HOSPITAL	\$ 13,993
MEMORIAL MEDICAL CENTER OF WEST MICHIGAN	\$ 23,638
NORTHERN MICHIGAN HOSPITALS, INC.	\$ 803
<b>SOUTHEAST REGION</b>	
AURORA HOSPITAL	\$ 1,175,067
CHILDREN'S HOSPITAL OF MICHIGAN	\$ 14,023,796
COTTAGE HOSPITAL OF GROSSE POINTE	\$ 105,402
DETROIT RECEIVING HOSPITAL	\$ 7,747,288
DETROIT RIVERVIEW HOSPITAL	\$ 3,405,078
HARPER HOSPITAL	\$ 8,798,272
HENRY FORD HOSPITAL	\$ 1,319,206
HENRY FORD WYANDOTTE HOSPITAL	\$ 266,923
MADISON COMMUNITY HOSPITAL	\$ 133,926
NORTH OAKLAND MEDICAL CENTERS	\$ 35,152
OAKWOOD HOSPITAL HERITAGE CENTER	\$ 735,282
PONTIAC OSTEOPATHIC HOSPITAL	\$ 30,838
REHABILITATION INSTITUTE	\$ 345,276
RIVERSIDE OSTEOPATHIC HOSPITAL	\$ 466,825
SINAI HOSPITAL	\$ 2,561,372
ST. JOHN HEALTH SYSTEM - NORTHEAST COMMUNITY	\$ 769,130
ST. JOHN HEALTH SYSTEM OAKLAND HOSPITAL	\$ 62,512
ST. JOSEPH HOSPITAL - EAST	\$ 18,216
<b>THUMB &amp; EASTERN REGION</b>	
BAY MEDICAL CENTER	\$ 11,113
EDWARD W. SPARROW HOSPITAL	\$ 80,846
EMMA L. BIXBY MEDICAL CENTER	\$ 21,247
HEALTHSOURCE SAGINAW	\$ 58,456
HERRICK MEMORIAL HOSPITAL, INC.	\$ 28,605
HURLEY MEDICAL CENTER	\$ 2,147,735
MEMORIAL HEALTHCARE CENTER	\$ 9,455
PORT HURON HOSPITAL	\$ 11,571
W.A. FOOTE MEMORIAL HOSPITAL	\$ 11,959
<b>WEST &amp; SOUTHWEST REGION</b>	
BATTLE CREEK HEALTH SYSTEM	\$ 39,157
COMMUNITY HEALTH CENTER	\$ 1,865
HACKLEY HOSPITAL	\$ 25,350
IONIA COUNTY MEMORIAL HOSPITAL	\$ 8,115
St. MARY'S MERCY MEDICAL CENTER	\$ 65,941
BRONSON METHODIST HOSPITAL	\$ 73,521
CARSON CITY OSTEOPATHIC HOSPITAL	\$ 58,463
GERBER MEMORIAL HOSPITAL	\$ 250,256
LAKELAND MEDICAL CENTER, ST. JOSEPH	\$ 7,809
LAKESHORE COMMUNITY HOSPITAL	\$ 5,841
SOUTH HAVEN COMMUNITY HOSPITAL	\$ 15,052
SPECTRUM HEALTH - DOWNTOWN CAMPUS	\$ 17,269
THREE RIVERS HOSPITAL	\$ 11,523
<b>TOTAL</b>	<b>\$ 45,000,000</b>



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**DISPROPORTIONATE  
SHARE HOSPITAL (DSH)  
PAYMENTS**

Indigent volume data is taken from each hospital's cost report and from supplemental forms that each hospital must file with its cost report. Data from the most recent available filed cost report are used to calculate a disproportionate share adjustor. New adjustors are calculated and become effective concurrently with annual inflation updates. Separate indigent volume data is collected for and separate adjustors are applied to distinct part psychiatric units and distinct part rehabilitation units.

Indigent volume is measured as the percentage of inpatient indigent charges to a hospital's total inpatient charges. Indigent charges are the annual charges for services rendered to patients eligible for payments under the Medicaid, CSHCS and State Medical Program plus uncompensated care charges. Uncompensated care is limited by Medicare standards and is offset by any recoveries.

Uncompensated care, bad debt recovery, and/or Hill-Burton offset may be apportioned, using the ratio of total inpatient medical-surgical charges to total charges, the ratio of total distinct part rehabilitation unit charges to total charges, the ratio of total distinct part psychiatric unit charges to total charges, and the total of outpatient charges to total charges.

Each hospital must complete the Indigent Volume (IV) Report and Disproportionate Share Eligibility Form as a requirement for complete filing of its annual Medicaid cost report.

The cost report will not be accepted without the IV Report and the Disproportionate Share Eligibility Form.

In order to receive a disproportionate share adjustor other than 1.00, hospitals must also meet at least one of the 4 criteria on the Disproportionate Share Eligibility Form.

**The Indigent Volume  
Report**

The IV Report is sent to the hospital by the MSA as part of the annual cost report package to be completed by the hospital and returned to the MSA.

In addition to completion of the indigent volume report, hospitals must complete the following form in order to be eligible to receive DSH payments.



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**EXAMPLE FORMAT**

**Disproportionate Share Hospital (DSH) Eligibility Form**

Hospital: \_\_\_\_\_  
City: \_\_\_\_\_  
Date: \_\_\_\_\_ FYE: \_\_\_\_\_

In order to receive a disproportionate share adjustor other than 1.00, hospitals must also meet at least one of the eligibility criteria (Items 1 - 4). Please indicate which of the following applies to your hospital as of the end of your current fiscal year.

- 1 \_\_\_\_\_ At least two (2) obstetricians with staff privileges at this hospital have agreed to provide obstetric services to individuals who are eligible for Medicaid services.
- 2 \_\_\_\_\_ This hospital is located in a rural area (as defined for purposes of section 1886 of the Social Security Act) and at least two (2) physicians with staff privileges at this hospital have agreed to provide obstetric services to individuals who are eligible for Medicaid services.
- 3 \_\_\_\_\_ This hospital serves as inpatients a population predominantly comprised of individuals under 18 years of age.
- 4 \_\_\_\_\_ On December 22, 1987, this hospital did not offer obstetric services to the general population, except in emergencies.

\_\_\_\_\_ None of the above apply. The hospital is not eligible for a disproportionate share adjustor.

Each year, this form must submitted to the MSA along with your cost report.



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In addition to the minimum requirements specified in the form above, each hospital must have a Medicaid utilization rate of at least 1%. Medicaid utilization is measured as:

$$\frac{\text{Medicaid Inpatient Days (Whole Hospital, including Subproviders)}}{\text{Total Hospital Days (Whole Hospital, including Subproviders)}}$$

Days are taken from filed hospital cost reports for fiscal years ending during the second previous state fiscal year. All charge, cost and payment data must be on an accrual basis for each hospital's cost reporting period ending during the second previous state fiscal year (i.e. DSH payments for state FY 1998 are calculated using data collected in state FY 1996).

### Regular DSH Payments

Medicaid inpatient DSH payments are made annually in a single distribution, based on charges converted to cost, using the hospital's cost to charge ratio. The payment will normally be made during the first half of the state fiscal year.

Each hospital's indigent volume is taken from hospital cost reporting periods ending during the second previous state fiscal year.

Title XIX charges used for computing DSH payments are the sum of Title XIX charges and Title XIX Qualified Health Plan (QHP) charges from hospital IV Reports for cost periods ending during the second previous state fiscal year. Data for cost periods of more or less that one-year is proportionately adjusted to one year.

Hospital total cost ratios are taken from hospital cost reporting periods ending during the second previous state fiscal year. If a hospital has more than one cost reporting period ending within this range, data from the two periods are added together and a single ratio is computed. If the ratio is greater than 1.00, a ratio of 1.00 is used.

1. DRG Reimbursed Hospitals (\$37,500,000 allocated)

The DSH payments for DRG reimbursed hospitals are split into two pools.

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- a) Hospitals with at least 50% IV (\$7,300,000)

The share of the DSH payment for hospitals with at least 50% IV is based on a DSH share computed as follows:

Title XIX Charges x Operating Ratio x (IV-0.5)

- b) Hospitals with at least 20% IV (\$30,200,000)

The share of the DSH payment paid to hospitals with at least 20% IV is based on the following DSH share amount. This is in addition to the amount from a) above.

Title XIX Charges x Operating Ratio x (IV-0.2)

2. Per Diem Reimbursed Hospitals and Units (\$7,000,000 allocated)

The share of the DSH payment paid to hospitals with IV of at least 20% is based on a DSH share based on the following:

Title XIX Charges x Operating Ratio x (IV-0.2)

3. Distinct-Part Rehabilitation Units (\$500,000 allocated)

The share of the DSH payment paid to hospitals with IV of at least 20% is based on a DSH share of the following:

Title XIX Charges x Operating Ratio x (IV-0.2)

4. For groups 1. through 3. Above, the determination of the share of the allocated DSH pool is made using the DSH share of the following:

$$\frac{\text{Hospital's DSH Share}}{\sum \text{DSH Shares for the Group}} \times \text{Allocated DSH Pool}$$

5. The payment amount for each hospital is determined by comparing the results of 4. above to the individual hospital payment limit. Any amount not paid to a hospital because of the OBRA 1993 limits is returned to the pool and redistributed using the same formula as the initial distribution with hospitals over the ceiling removed from the calculation. This process will continue until the entire pool is distributed. DSH amounts that cannot be paid because of the ceiling are withheld from hospitals in the following order:

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a) Distinct-Part Rehabilitation Unit DSH Payment

Any hospital that is above the DSH ceiling that is eligible for payment from the distinct-part rehabilitation unit DSH pool will forfeit DSH payments from the distinct-part rehabilitation unit pool in an amount necessary to get to the limit.

b) DRG Reimbursed Hospital

If a hospital is not eligible for a distinct-part rehabilitation unit DSH payment, or if forfeiting that unit's DSH payment is not sufficient to put the hospital below the DSH ceiling, the hospital will forfeit DSH payments from the DRG hospital pool in an amount necessary to get to the limit.

c) Per Diem Reimbursed Hospitals and Units

If steps a) and b) above are not sufficient to get the hospital below the DSH ceiling, the hospital will forfeit DSH payments from the per diem reimbursed hospital and unit pool in an amount necessary to get to the DSH limit.

**Special DSH Payments  
for Public Hospitals**

Determination of annual special DSH payments for public hospitals is based on 100% of Medicaid and uninsured costs. Each public hospital's maximum payment is calculated as follows:

$[(\text{Title XIX Costs} + \text{Uninsured Care Costs}) - (\text{Title XIX Payments} + \text{Uninsured Care Payments})] - \text{Regular DSH payment}$

The maximum payment amount may be reduced if funds are not available to finance the payment.

**DSH Payments for  
Geographic Areas with  
Indigent Care  
Agreements**

Annual DSH payments will be made to hospitals for geographic areas covered by an Indigent Care Agreement (ICA) approved by the Deputy Director for MSA. Separate pools will be established based upon local funds transferred to the state by one or more counties specifically for this purpose, a proportionate share of state dollars appropriated for the

## Distribution of Regular Disproportionate Share Hospital (DSH) Pools

### Federal Requirements:

In order to receive DSH funds, a hospital must meet at least one of the following federal criteria:

- At least 2 obstetricians with staff privileges at the hospital must have agreed to provide obstetric services to individuals who are eligible for Medicaid.
- The hospital is located in a rural area and at least 2 physicians with staff privileges at the hospital must have agreed to provide obstetric services to individuals who are eligible for Medicaid.
- The hospital services as inpatients a population predominantly comprised of individuals under 18 years of age
- On December 22, 1987, the hospital did not offer obstetric services to the general population except in emergencies.

In addition to the above requirements, each hospital must have a Medicaid utilization rate of at least 1 %.

In addition, a hospital's Medicaid inpatient utilization rate must exceed by one or more standard deviations the mean inpatient utilization rate of hospital's receiving Medicaid payments in Michigan or its low-income revenues exceed 25% of a hospital's total revenues. The Medicaid inpatient utilization rate is defined as the hospital's Medicaid inpatient hospital days divided by its total hospital days.

### State Requirements:

\$45 million in regular DSH is distributed annually in the following pools:

- I. DRG Reimbursed Hospitals (\$37.5 Million)  
The DSH payments for DRG reimbursed hospitals are split into 2 pools:
  - a. Hospitals with at least 50% Indigent Volume (IV) (\$7.3 Million)
  - b. Hospitals with at least 20% IV (\$30.2 Million)
- II. Per Diem Reimbursed (Psychiatric and Rehab) Hospitals and Units (\$7.0 Million)
- III. Distinct Part Rehab Units (\$½ Million)

Each hospital's Indigent Volume (IV) charges are computed as follows:

Medicaid Charges + Medicaid Managed Care Charges + Children's Special Health Care Services Charges + State Medical Plan Charges + Total Uncompensated Charges - Recoveries & Offset Charges

IV Factor = Hospital's IV Charges/Net Hospital Charges

An example of a hospital's distribution from a single pool:

Hospital's Costs = Hospital's Medicaid (Fee for Service & Health Plan) Charges x Hospital's Cost to Charge Ratio x (IV Factor - 0.X\*)

$$\text{Hospital's Distribution} = \frac{\text{Hospital Costs}}{\sum \text{Hospital Costs}}$$

\* Eligibility Percentage 20% or 50%