

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:
07 - 15

2. STATE:
Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH FINANCING ADMINISTRATION
DEPARTMENT OF HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
September 29, 2007

5. TYPE OF PLAN MATERIAL (Check One):
 NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.252

7. FEDERAL BUDGET IMPACT:
a. FFY 07 _____ \$ 926,3000 _____
b. FFY 08 _____ \$ -0- _____

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A pgs.23, 24b and 24c

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
Attachment 4.19-A pgs. 23, 24b and 24c

10. SUBJECT OF AMENDMENT:
Inpatient hospital DSH Pools

11. GOVERNOR'S REVIEW (Check One):
 GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Paul Reinhart, Director
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:


16. RETURN TO:
Medical Services Administration
Program/Eligibility Policy Division - Federal Liaison Unit
Capitol Commons Center - 7th Floor
400 South Pine
Lansing, Michigan 48933
Attn: Nancy Bishop

13. TYPED NAME:
Paul Reinhart

14. TITLE:
Director, Medical Services Administration

15. DATE SUBMITTED:
September 27, 2007

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18 DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPE NAME:

22. TITLE:

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

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c. Distinct Part Rehab Units

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

2. Special Pools

In addition to the regular DSH pools of \$45,000,000, the single state agency (SSA) is establishing the following special pools:

- a. Effective June 1, 2006, a separate DSH pool will be created annually for areas covered by an Indigent Care Agreement (ICA) approved by the Director of the SSA. The areas covered by an ICA must be within reasonable geographic proximity to the hospital receiving the ICA DSH payment. The ICA must be between the hospital and a partner health care related entity in the area. The ICA must stipulate that direct or indirect healthcare services be provided to low-income patients with special needs who are not covered under other public or private health care programs. This pool will be \$158,241,237 in fiscal year 2006 and \$166,052,100 in fiscal year 2007 and each subsequent fiscal year. All payments made under (a) in fiscal year 2006 will occur on or after June 1, 2006. No payment will be made under (a) to any hospital with a contractual obligation to forward that payment to a partner health care related entity in the area.

This program is a locally based collaborative initiative between hospitals and neighboring health care related entities aimed at reducing the level of uncompensated costs incurred by hospitals as a result of providing care to individuals with no source of third party healthcare coverage. Once a hospital has successfully entered into an Indigent Care Agreement with a health care related entity in the area (such as a non-profit County Health Plan Corporation), a unit of government provides the state with the non-Federal share of the DSH payment to the hospital.

Additional payments will be made from this pool after final reconciliation of the Government Provider DSH Pool in (f). The amount of the additional payments will be based on the remaining federal DSH allocation after all other DSH payments have been finalized, and may exceed the original size of the ICA DSH Pool. The additional payments will be disbursed based on the distribution methodology used for the original portion of the ICA DSH Pool. The source of the non-Federal share of the additional payments will be a unit of government.

To be eligible for DSH payments made under (a.), hospitals must meet minimum federal requirements for Medicaid DSH payments (found earlier in this section) and have an approved ICA in place.

- b. The single state agency (SSA) is creating a special DSH payment pool of \$2,772,003 million in fiscal year 2005 and \$2,764,340 for each subsequent fiscal year.

The purpose of this pool is to:

- Assure continued access to medical care for indigents, and

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payments will not exceed a statewide limit equal to 33 percent of the federal share of 1995 payments to institutions for mental diseases based on reporting data specified by the State on HCFA form 64, plus the state share.

f. Government Provider DSH Pool

A special pool for non-state government-owned or operated hospitals will be established and renewed annually. The purpose of the pool is to assure funding for costs incurred by public facilities providing inpatient hospital services which serve a disproportionate number of low-income patients with special needs. The size of the pool will be the lesser of \$88,168,000 for fiscal year 2006 and \$62,000,000 for fiscal year 2007, or the calculated Medicaid and uninsured inpatient hospital and outpatient hospital uncompensated care amounts eligible for Federal financial participation. Allocations for individual hospitals will be determined based upon non-reimbursed costs certified as public expenditures in accordance with 42 CFR 433.51.

To be eligible for the Government Provider DSH Pool, the following must apply:

1. Hospitals must meet minimum federal requirements for Medicaid DSH payments; and
2. Hospitals must be non-state government-owned or operated.

Medicare 2552 cost reports, supplemented by Michigan Medicaid Forms (MMFs) will be used to determine each hospital's allowable DSH costs eligible for federal financial participation.

An interim payment and reconciliation process will be employed when making allocations from this pool. Allowable DSH costs will be determined based on information obtained from the cost report periods ending during the second previous state fiscal year. Costs will be obtained from the most recently filed Medicare 2552 cost report and Michigan Medicaid Forms for that period. These costs will be trended to the current state fiscal year using an inflation factor taken from *Health-Care Cost Review* published quarterly by Global Insight. Interim payments will then be made.

Interim payments will be reconciled twice. First, an interim reconciliation of the original payments will be conducted based on updated allowable DSH costs. Information needed to reconcile initial payments will be obtained from hospital Medicare 2552 cost reports filed with the fiscal intermediary and Michigan Medicaid Forms for the applicable reporting period. Second, payments will be adjusted for a final time based on Medicare 2552 cost reports finalized with the fiscal intermediary and Michigan Medicaid Forms for the applicable reporting period.

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Aggregate DSH expenditures will be made in accordance with Section 1923(g)(1)(A) of the Social Security Act. Prior to computing the amount of payment each individual hospital is eligible to receive from this pool, all other DSH and Medicaid payments that the hospital is scheduled to receive will be counted against the hospital's DSH limit.

Payments made under section 2.f. are authorized to continue through September 30, 2006.

g. Supplemental DSH Pool

A special pool of \$20 million will be established and renewed annually at the same level. In order to receive a payment from the Supplemental DSH Pool, hospitals must meet the minimum requirements for Medicaid DSH payments as specified in Section H.

Funds will be distributed from the Supplemental DSH Pool to all Privately-Owned or Operated and Non-State Government-Owned or Operated DSH eligible hospitals in Michigan. The distribution will be based on each hospital's proportion of statewide Medicaid and uninsured inpatient hospital and outpatient hospital uncompensated care amounts after Regular DSH payments from the \$45 Million Pool (Section H. 1. a.-c.) and the \$5 Million Small Hospital DSH Pool (Section H. 2. d.) are calculated. The calculation for each hospital will be as follows:

$(\text{Hospital Title XIX Costs} + \text{Hospital Uninsured Costs}) - (\text{Hospital Title XIX Payments} + \text{Hospital Uninsured Payments}) = \text{Hospital DSH Ceiling}$

$\text{Hospital DSH Ceiling} - \text{Hospital Share of } \$45 \text{ Million Pool Payments} - \text{Hospital Share of Small Hospital Pool Payments} = \text{Adjusted Hospital DSH Ceiling}$

$\frac{\text{Adjusted Hospital DSH Ceiling}}{\sum \text{ of all Adjusted Hospital DSH Ceilings}} = \text{Supplemental DSH Hospital Pool Factor}$

$\text{Supplemental DSH Hospital Pool Factor} \times \$20 \text{ million} = \text{Hospital Supplemental DSH Pool Payment}$

3. Public Hospitals DSH Sunset Provision

Medicaid DSH payments to public hospitals are made up to the public hospital DSH ceiling as permitted by current federal regulations.

These payments are authorized to continue through September 30, 2005. The state may submit state plan amendments effective after September 30, 2005 that re-implement the current payment structure or different payment methodologies.

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TN No.: 06-20