

**Center for Medicaid and State Operations (CMSO)**

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Mr. Paul Reinhart, Director  
Medical Services Administration  
Department of Community Health  
400 South Pine  
Lansing, MI 48933

JUL 16 2008

RE: Michigan State Plan Amendment (SPA) 07-017

Dear Mr. Reinhart:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 07-017. This amendment adds a supplemental payment program for nursing facilities participating in the Facility Innovative Design Supplemental program (FIDS). The effective date for the State plan amendment (SPA) is October 1, 2007.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 07-017 is approved effective October 1, 2007. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Todd McMillion at (608) 441-5344.

Sincerely,



Herb B. Kuhn  
Deputy Administrator  
Acting Director, CMSO

Enclosures

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

1. TRANSMITTAL NUMBER:  
07 - 17

2. STATE:  
Michigan

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

4. PROPOSED EFFECTIVE DATE  
October 1, 2007

TO: REGIONAL ADMINISTRATOR  
HEALTH FINANCING ADMINISTRATION  
DEPARTMENT OF HUMAN SERVICES

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 447.250

7. FEDERAL BUDGET IMPACT:  
a. FFY 08 \$ (1,069,090) 1,069,090  
b. FFY 09 \$ (1,069,090) 1,069,090

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19-D, Section IV, pages 21 thru 21c

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  
Attachment 4.19-D, Section IV, page 21

10. SUBJECT OF AMENDMENT:  
Nursing Facility Reimbursement - Facility Innovative Design Supplemental Program

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:  
*Paul Reinhart*

13. TYPED NAME:  
Paul Reinhart

14. TITLE:  
Director, Medical Services Administration

15. DATE SUBMITTED:  
October 25, 2007

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

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:  
7/16/2008

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
OCT - 1 2007

20. SIGNATURE OF REGIONAL OFFICIAL:  
*Richard Strauss*

21. TYPED NAME:  
Richard Strauss

22. TITLE:  
Senior Financial Advisor, CMSO

23. REMARKS:  
PEN AND INK CHANGE - BOX 7 - PER APRIL 17, 2008 LETTER FROM THE STATE.  
Box 8

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

### *Policy and Methods for Establishing Payment Rates (Long Term Care Facilities)*

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#### D. Incentive Component

- 1) If a Class II provider cost settles below the ceiling rate, they will be paid a per patient day efficiency incentive of 50 percent of the difference between actual per diem cost and the ceiling, not to exceed \$2.50 per patient day. Class II providers will not be paid any other incentive.
- 2) Providers actively participating in the Facility Innovative Design Supplemental (FIDS) program on and after October 1, 2007 are eligible to receive a payment incentive not to exceed \$5.00 per Medicaid day over a consecutive 20 year period. The FIDS payment will be terminated if it is determined the facility is not compliant with the culture change requirement.

The qualifying costs for FIDS are the capital costs for construction and/or renovation based on the approved project. The allowable capital costs incurred for land, land improvement, building, building improvement and equipment is based on current policy related to the allowance of those capital assets.

The reimbursement supplement only applies to qualifying FIDS costs above the nursing facility's Capital Asset Value (CAV) Limit for Class I and the Plant Cost Limit (PCL) for Class III.

For Class I nursing facilities, MDCH reimbursement methodology for the FIDS program follows current Medicaid nursing facility reimbursement guidelines and policy with the exceptions noted below:

- a. Up to five dollars (\$5) per Medicaid day is added to the nursing facility's return on current asset value.
- b. The supplement amount is based on qualifying costs above the nursing facility's current asset value limit determined by the Department either by plant cost certification or by cost reporting. When the plant cost certification estimate is used, the amount of the supplement is subject to an adjustment following the completion of an audit to the applicable period's cost report in which the FIDS project is initially reported.

Under FIDS plant cost certification, providers apply for an interim capital reimbursement amount which is an estimate of the capital reimbursement amount a provider would be eligible to receive due to an increase in the reported capital asset value not present when the nursing facility rate was set

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Supersedes  
TN No.: 05-11

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

### ***Policy and Methods for Establishing Payment Rates (Long Term Care Facilities)***

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for the year. The cost report for the reporting period within which the capital value increased is used to adjust the plant cost certification estimate to an actual amount. The plant cost certification estimate is then replaced and reconciled.

Providers completing a FIDS project must plant cost certify or forgo reimbursement until the plant cost certification is approved. The plant cost certification interim payment amount is the FIDS payment amount until the provider completes 12 months of actual costs. During the interim rate period, for each cost reporting period, the plant cost certification interim amount for fids is reconciled to that period's cost report to determine the interim supplement payment amount. The cost report is used after 12 months of actual costs to set the final rate for the next rate setting period. The difference between the interim payment amount for FIDS and the final payment amount for FIDS is recovered or reimburse to the provider for providers that complete a FIDS project before January 1, 2008, the cost report submitted in 2007 may be used to establish the interim rate.

- c. To determine the amount of the FIDS supplement, the Department will utilize the following calculation:

Qualifying FIDS construction or renovation costs above the CAV Limit are divided by the number of FIDS beds in the project divided by the number of years remaining in the supplemental program divided by 365 days.

3. For Class III nursing facilities, MDCH reimbursement methodology for the FIDS program follows current MDCH nursing facility reimbursement guidelines and policy with the exceptions noted below:
- a. Up to five dollars (\$5) per Medicaid day is added to the nursing facility's plant cost component.
- b. The supplement amount is based on qualifying costs above the re-determined PCL determined by the Department either by plant cost certification or by cost reporting. When the plant cost certification estimate is used, the amount of the supplement is subject to an adjustment following the completion of an audit to the applicable period's cost report in which the FIDS project is initially reported.

Under FIDS plant cost certification, providers apply for an interim capital reimbursement amount which is an estimate of the capital reimbursement amount a provider would be eligible to receive due to an increase in the

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***Policy and Methods for Establishing Payment Rates  
(Long Term Care Facilities)***

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reported capital asset value not present when the nursing facility rate was set for the year. The cost report for the reporting period within which the capital value increased is used to adjust the plant cost certification estimate to an actual amount. The plant cost certification estimate is then replaced and reconciled.

Providers completing a FIDS project must plant cost certify or forgo reimbursement until the plant cost certification is approved. The plant cost certification interim payment amount is the FIDS payment amount until the provider completes 12 months of actual costs. The cost report is used after 12 months of actual costs to set the rate for the next rate setting period. For each cost reporting period, the plant cost certification interim amount for fids is then reconciled to that period's cost report to determine the supplement payment amount. The difference between the interim payment amount for FIDS and final payment amount for FIDS is recovered or reimbursed to the provider. For providers that complete a FIDS project before January 1, 2008, the cost report submitted in 2007 may be used to establish the interim rate.

- c. To determine the amount of the FIDS supplement, the Department will utilize the following calculation:

For FIDS renovation projects, the supplement is determined using qualifying costs to calculate the plant cost per resident day above the facility's PCL per resident day. For a newly constructed facility, the calculation will be based on plant cost per resident day above the Class PCL per resident day effective the quarter the new construction is placed into service.

E. Husband and Wife Exception

Spouses or blood relatives residing in the same facility may share a room.

F. Payment Determination for Special Facilities

The payment rates for all special facilities for ventilator-dependent patients shall be a flat per patient day prospective rate determined by the single State agency. The special facility prospective rate shall not be subject to the provisions in Section IV.A. through IV.E. above, but instead the provisions within this section shall be used for payment determination.

1. Payment shall be made for prior authorized ventilator-dependent patients who have been transferred from an acute care inpatient hospital setting to a qualifying special facility. The prospective rate shall cover care requirements of the patients, including all the costs

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of benefits associated with Medicare Parts A and B services while the patient resides in the special facility. This includes but is not limited to all routine, ancillary, physician and other services related to ventilator care.

The purpose of the special rate is to provide the facility with payments meant to cover the cost of necessary physician's services including services in the capacity of a case manager who will prescribe and monitor, on a case by case basis, habilitative and rehabilitative services necessary for management of the ventilator dependency. The ultimate goal is de-institutionalization of those ventilator-dependent patients who may gain an adequate level of independence.

2. Factors used by the single State agency in the determination of the per patient day prospective rate shall include audited costs at facilities providing similar services, expected increases in the appropriate inflationary adjustor over the effective period of the prospective rate, the supply response of providers and the number of patients for whom beds are demanded. The prospective rate will not exceed 85 percent nor fall below 15 percent of an estimate of the average

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