



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH
LANSING

RICK SNYDER
GOVERNOR

JAMES K. HAVEMAN
DIRECTOR

DATE: August 19, 2013

TO: Community Mental Health Services Program Directors and Finance Staff

FROM: Tim Becker, Senior Deputy Director
Operations Administration *Timothy J. Becker*

RE: Implementation of New County 10% Billing Process

The Michigan Department of Community Health (MDCH) is pleased to announce implementation of a new county 10% billing process related to services provided at the state-owned and operated hospitals / centers. The new county 10% billing offers increased administrative efficiencies for both the MDCH and the Community Mental Health Service Programs (CMHSP's). Per Section 302 of the Mental Health Code (MHC), the county is financially liable for 10% of the net costs of the services provided at the state-owned and operated hospital / centers, except for an individual under a criminal sentence, a criminal defendant determined to be incompetent to stand trial, or an individual acquitted of a criminal charge by reason of insanity. To expedite the billing of the county obligation, the MDCH will develop a daily rate similar to the purchase of state services for the county 10% liability. The establishment of a daily rate for 10% of net cost liability of the county will allow the county 10% billing to be generated simultaneously with the full management billing.

Section 304 of the Mental Health Code defines net cost as the operating costs of providing the services to the individual minus the part of operating costs paid for by federal funds, private funds and any first and third party reimbursements. To calculate a daily rate for the county liability, MDCH will identify the total cost of operating the state-owned and operated hospital / centers and determine what portion of these costs the county is financially liable for 10% as defined in Section 302. Then, in keeping with Section 304 of the MHC, the amount of federal funds, private funds and any first and third party reimbursements received for the provision of services at the hospital / centers will be deducted to determine the net cost. The county liability is 10% of the net cost. The daily rate will be determined by dividing the net cost by the estimated days of care (census) for which the county is responsible. For further details on the calculation of the county 10% daily rate, please refer to the attachment to this communication.

The MDCH will be calculating two county 10% daily rates. The first rate, or "interim" rate, will be calculated early in the fiscal year based on the prior fiscal year's data. This interim rate will be utilized to bill the CMHSP's monthly for the estimated liabilities of the counties in their geographic region based on the current fiscal year's usage at the hospital / centers. The county 10% billing will be sent with the full management billing each month. The second rate, or "final" rate, will be calculated at the close of the fiscal year (mid-to-late November). MDCH will use the same formula, but apply current year data. MDCH will notify the CMHSP of the final county 10% rate for the fiscal year so year-end accruals can be established. The variance between the interim and final rate will be included in the

September or next available billing of the fiscal year. Any changes in utilization due to prior year / late adjustments will be handled similarly to the full management billing process.

The implementation of the new county 10% billing process impacts the following for the CMHSP:

- The bad debt referral billing will be discontinued effective fiscal year 2013 dates of service.
- The county 10% billing will be issued at the CMHSP level. There will not be a county breakdown on the billing. The county detail is available on the full management billing (16007 - report).
- The fiscal year 2012 county 10% billing will be issued prior to the close of fiscal year 2013. The billing will cover the entire fiscal year.

Note: Due to the delay in billing of the FY12 County 10%, MDCH will not be requesting revisions to the FY12 Financial Status Report (FSR). If there is a variance between what was accrued and reported on the FY12 FSR and actual billing, MDCH will anticipate that any variance between FY12 accrued and actual be included on the FY 13 FSR and that the CMHSP will identify the variance amount in the remarks section of the All Non-Medicaid FSR.

- The fiscal year 2013 county 10% billing will be issued – as one full fiscal year billing once the final rate is determined (mid-to-late November 2013)
- The State Facility worksheet of the year-end reporting package will be modified to accommodate the new County 10% billing.

We are confident that the new county 10% billing process will result in administrative efficiencies for both MDCH and the CMHSP as well as provide a significant improvement in the timeliness of the billings. Please refer to the attachments to this communication for further details.

If you have any questions or concerns, you may direct them to Enika Whitmon at WhitmonE@michigan.gov or 517-241-0279 or Kidada Smith at SmithK67@michigan.gov or 517-241-5572. Thank you.

TB/ml

Attachment

cc: Lynda Zeller
Cindy Kelly
Elizabeth Knisely
Steve Bendele
Kidada Smith
Kim Stephen
Sue Malkin
Tom MacDonald
Alex Coulon

County 10% Rate Development & Billing Process

The formula for the calculation of the County 10% Daily Rate is as follows:

NOTE: For calculation of the “interim” rate, MDCH utilizes the prior fiscal year data. For calculation of the “final” rate, MDCH utilizes the current fiscal year data.

Step 1: Operating Costs times (x) the Billable Census Percentage (%) = Gross Operating Billable Expenditures

The definition of the terms used in the above calculation is provided below:

Operating Costs: Expenditures associated with administration of inpatient psychiatric care in the state-owned and operated Hospital / Centers; **not including** expenditures determined by the MDCH to be:

- Special Items – Material transaction or other event determined to be either unusual *and/or* infrequent in occurrence.
- Discontinued Operations – Expenditures that are incurred due to the discontinuance of a complete entity component.
- Accounting Change – Expenditures that result due to a change from one acceptable accounting method to another.

Billable Census %: The Billable Census Percentage is calculated by dividing the Billable Census days by the Total Census days.

- Billable Census Days represent the total number of days of care for consumers residing in a state-owned and operated Hospital / Center that do not meet the following criteria:
 - An individual under a criminal sentence
 - An individual who is a criminal defendant determined to be incompetent to stand trial
 - An individual acquitted of a criminal charge by reason of insanity
 - An individual who has a county of residence (county of origin) of “Out of State” or “Unknown”

Note: The exclusions listed above related to criminal classification are stated in Section 302 of the Mental Health Code (MHC). Please refer to the Not Guilty by Reason of Insanity (NGRI) protocol, CMHSP Contract Attachment C6.9.1.1, for additional guidance. If an individual meets any of the criteria listed above, he/she is considered to be **Non-Billable** in regard to the County liability.

- Total Census days represent the total number of days for consumers residing in a state-owned and operated Hospital / Center.

Step 2: Gross Operating Billable Expenditures minus (-) Federal, Private, & First/Third Party Reimbursement Revenue = Net Operating Expenditures

The definition of terms used in the above calculation is provided below:

Gross Operating Billable Expenditures: Operating costs multiplied by the Billable Census Percentage as previously defined.

Federal, Private, & First/Third Party Reimbursement Revenue: Revenue sources received by the MDCH as funding or reimbursement for services provided at a state-owned and operated Hospital / Center.

Step 3: Net Operating Expenditures times (x) 10% = County Liability

Step 4: County Liability divided (/) by the Estimated Census = County 10% Rate (Interim / Final)

The definition of terms used in the above calculation is provided below:

Estimated Census: Estimated Billable Census days at the state-owned and operated Hospital / Center adjusted for leap year (when applicable).

Note: Billable Census days should reconcile to those on the Full Management billing (16007 report).

Interim Rate: In October, or as early as possible in the fiscal year, the MDCH will calculate the interim County 10% rate utilizing the formula previously described above, based on the prior fiscal year data. This rate will be used to bill the current fiscal year State Hospital Utilization billable days.

Final Rate: At the close of the fiscal year (mid-to late November), MDCH will calculate the final County 10% rate utilizing the formula described above, based on the current fiscal year data. This rate will be communicated to the CMHSPs for accrual purposes. The variance between the interim and final rate will be incorporated into the September or next available billing.

Note: Any changes in utilization due to prior year / late adjustments will be handled similarly to the Full Management Billing process.