

Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601-5519



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Refer to: IIO2

December 14, 2004

Paul Reinhart, Director  
Medical Services Administration  
Federal Liaison Unit  
Michigan Department of Community Health  
400 South Pine  
Lansing, Michigan 48913

ATTN: Nancy Bishop

Dear Mr. Reinhart:

Enclosed for your records is an approved copy of the following State Plan Amendment:

Transmittal #04-011 PACE Capitation Rate Development Procedures  
--Effective October 1, 2004

If you have any additional questions, please have a member of your staff contact Ms. Hye Sun Lee at (312) 353-1565.

Sincerely,

/s/

Cheryl A. Harris  
Associate Regional Administrator  
Division of Medicaid & Children's Health

Enclosure

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: 04 - 11	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 October 1, 2004	

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 460.182	7. FEDERAL BUDGET IMPACT: a. FFY 05 \$ -0- b. FFY 06 \$ -0-
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Supplement 2, Attachment 3.1-A, page 7 and 7.1	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Supplement 2, Attachment 3.1-A, page 7

10. SUBJECT OF AMENDMENT:  
PACE capitation rate development procedures

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: <i>Paul Reinhart</i>	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
13. TYPED NAME: Paul Reinhart	Attn: Nancy Bishop
14. TITLE: Director, Medical Services Administration	
15. DATE SUBMITTED: <i>Sept 28, 2004</i>	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: 9/29/04	18. DATE APPROVED: <i>12/14/04</i>
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**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OFFICIAL: <i>Cheryl A. Harris</i>
21. TYPE NAME: Cheryl A. Harris	22. TITLE: Associate Regional Administrator Division of Medicaid and Children's Health

23. REMARKS:

**RECEIVED**  
SEP 29 2004  
DMCH - IL/JN/OH

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

State of MICHIGAN

### Program of All-Inclusive Care for the Elderly (PACE)

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#### Rates and Payments

- A. The State assures HCFA that the capitated rates will be equal to or less than the cost to the agency of providing those same fee-for-service State plan approved services on a fee-for-service basis, to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the cost in fee-for-service. Please refer to the attached rate setting information specific to Michigan.
1.  Rates are set at a percent of fee-for-service costs
  2.  Experience-based (contractors/State's cost experience or encounter date)(please describe)
  3.  Adjusted Community Rate (please describe)
  4.  Other (please describe)
- B.  The rates were set in a reasonable and predictable manner. A letter from an actuarial consulting firm under contract with the State and supporting the rates shall be submitted with the proposed rates for every rebasing year and may be submitted with the rates for other years at the State's discretion. The Medicaid portion of the PACE rates will be rebased at least every fourth year by selecting a time period where costs and eligibility data have been stable and computing the costs of persons who have met the nursing home level of care, including individuals who utilize the MI Choice Home and Community Based Services Waiver for the Elderly and Disabled. Costs are analyzed in seven provider type categories: nursing facility, home and community based waiver, inpatient hospital facility, outpatient hospital facility, physician services, ancillary services, and pharmacy. These cost components are computed using Medicaid claims and eligibility data stored on the Michigan data warehouse.
- Costs are then aggregated into per member per month costs and updated for inflation and other trends to bring them into the proposed payment period using adjustment factors. Rates are discounted at least five percent from the projected costs for the eligible PACE population. In the analysis for the rebasing years and the years subsequent to rebasing computations, base rates are updated using trend factors for each provider type cost category. Cost trend factors are the Global insight Skilled Nursing Home Market Basket for nursing facility cost category and State Medicaid actuarial trend projections for the remaining provider categories for the geographic area served by the PACE provider. These trend factors may then be adjusted to account for the projected effects of policy changes unanticipated by the Global Insight national industry trend or implemented after the time period of the base data used for the estate Medicaid Actuarial trends.

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TN NO 04-11

Approval Date

Effective Date: 10/01/2004

Supersedes

TN No.: 03-05

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

State of MICHIGAN

***Program of All-Inclusive Care for the Elderly (PACE)***

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- C.   X   The State will submit all capitated rates to the HCFA Regional Office for prior approval.
- V. Enrollment and Disenrollment: For both State Medicaid Agencies and State Administering Agencies, the State assures that it has developed and will implement procedures for the enrollment and disenrollment of participants in the State's management information system, including procedures for any adjustment to account for the difference between the estimated number of participants on which the prospective monthly payment was based and the actual number of participants in that month. In cases where the State Medicaid Agency is separate from the State Administering Agency, the State Medicaid Agency assures that there is a process in place to provide for dissemination of enrollment and disenrollment data between the two agencies.

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TN NO.: 04-11

Approval Date: 12/14/20

Effective Date: 10/01/2004

Supersedes

TN No.: N/A new page