

Bulletin Number: MSA 06-58

Distribution: Hospitals

Issued: August 16, 2006

Subject: Disproportionate Share Hospitals and Medicaid Access to Care Initiative Update

Effective: As Indicated

Programs Affected: Medicaid

Purpose

The Michigan Department of Community Health (MDCH) will update its Disproportionate Share Hospitals (DSH) and Medicaid Access to Care Initiative (MACI) policies. The changes to these policies are outlined in this bulletin and will apply to all of fiscal year 2006, unless otherwise noted, and each subsequent fiscal year.

The public comment portion of the policy promulgation process is being conducted concurrently with the issuance of this policy. Any interested party wishing to comment on the changes may do so by submitting them in writing to:

Jason Jorkasky
Michigan Department of Community Health
Actuarial Division
P.O. Box 30479
Lansing, MI 48909-7979

or

E-mail to: JorkaskyJ@michigan.gov

If responding by e-mail, please include "DSH and MACI" in the subject line.

All comments received will be reviewed and considered before these policies are implemented.

Disproportionate Share Hospitals Update

This portion of the bulletin updates the DSH section of the Medicaid Provider Manual. As a result of this bulletin, DSH categories will be created, modified and terminated. DSH categories not addressed in this bulletin will remain unchanged from current policy.

Government Provider DSH Pool

The DSH category formerly known as *Public Hospitals* in the Medicaid Provider Manual will be renamed to *Government Provider DSH Pool* and revised as indicated.

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 or the calculated Medicaid and uninsured inpatient hospital and outpatient hospital uncompensated care amounts eligible for Federal financial participation. Allocations 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, hospitals must:

1. Meet minimum federal requirements for Medicaid DSH payments; and
2. 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.

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.

Indigent Care Agreements Pool

The DSH category formerly known as *Geographic Areas with Indigent Care Agreements* in the Medicaid Provider Manual will be renamed to *Indigent Care Agreements Pool* and revised as indicated.

Effective June 1, 2006, a separate DSH pool will be created annually for areas covered by an Indigent Care Agreement (ICA). 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 each subsequent fiscal year. No payment will be made from this pool to any hospital with a contractual obligation to forward that payment to a partner health care related entity in the area.

To be eligible for DSH payments made from this pool, hospitals must meet minimum federal requirements for Medicaid DSH payments and have an approved ICA in place.

A hospital specific ICA DSH allocation list is maintained on the MDCH website. (Refer to the Directory Appendix for website information).

University with Both a College of Allopathic Medicine and a College of Osteopathic Medicine

This DSH category is being revised as indicated.

A separate pool will be created annually in the amount of \$2,764,340. The purpose of the pool is to:

- Assure continued access to medical care for indigents, and
- Increase the efficiency and effectiveness of medical practitioners providing services to Medicaid beneficiaries under managed care.

Only one agreement per year is approved by MDCH for this purpose. To be eligible for the pool, a hospital must meet the following criteria:

1. Meet minimum federal requirements for Medicaid DSH payments; and
2. Have in place an approved agreement between itself and a university with both a college of allopathic medicine and a college of osteopathic medicine that specifies all services and activities to be conducted using the funds provided through the agreement.

DSH Category Terminations

The Indigent Funds DSH Pool will be terminated.

Medicaid Access to Care Initiative Update

This portion of the bulletin updates the MACI section of the Medicaid Provider Manual. In addition to providing information regarding the pool size list, this bulletin also provides information related to the determination of the MACI pool sizes. All other sub-sections of the MACI policy not addressed in this bulletin will remain unchanged from current policy.

The MACI pool dollar amounts will be renewed annually. Effective June 1, 2005, the dollar amounts of the new pools will be based on the calculated gap between the Medicare Upper Payment Limit and Medicaid fee-for-service payments

Manual Maintenance

Retain this bulletin until the information has been incorporated into the Michigan Medicaid Provider Manual.

Questions

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Community Health, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mail at ProviderSupport@michigan.gov. When you submit an e-mail, be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may phone toll-free 1-800-292-2550.

Approved



Susan Moran, Acting Deputy Director
Medical Services Administration