

1 MICHIGAN DEPARTMENT OF COMMUNITY HEALTH

2  
3 CERTIFICATE OF NEED (CON) REVIEW STANDARDS FOR HOSPITAL BEDS

4  
5 (By authority conferred on the CON Commission by sections 22215 and 22217 of Act No. 368 of the  
6 Public Acts of 1978, as amended, and sections 7 and 8 of Act No. 306 of the Public Acts of 1969, as  
7 amended, being sections 333.22215, 333.22217, 24.207, and 24.208 of the Michigan Compiled Laws.)  
8

9 **Section 1. Applicability**

10  
11 Sec. 1. (1) These standards are requirements for approval under Part 222 of the Code that involve (a)  
12 beginning operation of a new hospital or (b) replacing beds in a hospital or physically relocating hospital  
13 beds from one licensed site to another geographic location or (c) increasing licensed beds in a hospital  
14 licensed under Part 215 or (d) acquiring a hospital . Pursuant to Part 222 of the Code, a hospital licensed  
15 under Part 215 is a covered health facility. The Department shall use these standards in applying Section  
16 22225(1) of the Code, being Section 333.22225(1) of the Michigan Compiled Laws and Section  
17 22225(2)(c) of the Code, being Section 333.22225(2)(c) of the Michigan Compiled Laws.  
18

19 (2) An increase in licensed hospital beds is a change in bed capacity for purposes of Part 222 of the  
20 Code.  
21

22 (3) The physical relocation of hospital beds from a licensed site to another geographic location is a  
23 change in bed capacity for purposes of Part 222 of the Code.  
24

25 (4) An increase in hospital beds certified for long-term care is a change in bed capacity for purposes  
26 of Part 222 of the Code and shall be subject to and reviewed under the CON Review Standards for Long-  
27 Term-Care Services.  
28

29 **Section 2. Definitions**

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31 Sec. 2. (1) As used in these standards:

32 (a) "Acquiring a hospital" means the issuance of a new hospital license as the result of the acquisition  
33 (including purchase, lease, donation, or other comparable arrangements) of a licensed and operating  
34 hospital and which does not involve a change in bed capacity.

35 (b) "Adjusted patient days" means the number of patient days when calculated as follows:

36 (i) Combine all pediatric patient days of care and obstetrics patient days of care provided during the  
37 period of time under consideration and multiply that number by 1.1.

38 (ii) Add the number of non-pediatric and non-obstetric patient days of care, excluding psychiatric  
39 patient days, provided during the same period of time to the product obtained in (i) above. This is the  
40 number of adjusted patient days for the applicable period.

41 (c) "Alcohol and substance abuse hospital" means a licensed hospital within a long-term (acute) care  
42 (LTAC) hospital that exclusively provides inpatient medical detoxification and medical stabilization and  
43 related outpatient services for persons who have a primary diagnosis of substance dependence covered  
44 by DRGs 433 - 437.

45 (d) "Average adjusted occupancy rate" shall be calculated as follows:

46 (i) Calculate the number of adjusted patient days during the most recent, consecutive 36-month  
47 period, as of the date of the application, for which verifiable data are available to the Department.

48 (ii) Calculate the total licensed bed days for the same 36-month period as in (i) above by multiplying  
49 the total licensed beds by the number of days they were licensed.

50 (iii) Divide the number of adjusted patient days calculated in (i) above by the total licensed bed days  
51 calculated in (ii) above, then multiply the result by 100.

52 (d) "Base year" means the most recent year that final MIDB data is available to the Department  
53 unless a different year is determined to be more appropriate by the Commission.

54 (e) "Certificate of Need Commission" or "Commission" means the Commission created pursuant to  
55 Section 22211 of the code, being Section 333.22211 of the Michigan Compiled Laws.

56 (f) "Close a hospital" means an applicant will demonstrate to the satisfaction of the Department that a  
57 hospital licensed under Part 215, and whose licensed capacity for the most recent 24 months prior to  
58 submission of the application was at least 80 percent for acute care beds, will close and surrender its  
59 acute care hospital license upon completion of the proposed project.

60 (g) "Code" means Act No. 368 of the Public Acts of 1978, as amended, being Section 333.1101 et  
61 seq. of the Michigan Compiled Laws.

62 (h) "Common ownership or control" means a hospital that is owned by, is under common control of,  
63 or has a common parent as the applicant hospital.

64 (i) "Compare group" means the applications that have been grouped for the same type of project in  
65 the same hospital group and are being reviewed comparatively in accordance with the CON rules.

66 (j) "Department" means the Michigan Department of Community Health (MDCH).

67 (k) "Department inventory of beds" means the current list maintained for each hospital group on a  
68 continuing basis by the Department of (i) licensed hospital beds and (ii) hospital beds approved by a valid  
69 CON issued under either Part 221 or Part 222 of the Code that are not yet licensed. The term does not  
70 include hospital beds certified for long-term-care in hospital long-term care units.

71 (l) "Disproportionate share hospital payments" means the most recent payments to hospitals in the  
72 special pool for non-state government-owned or operated hospitals to assure funding for costs incurred by  
73 public facilities providing inpatient hospital services which serve a disproportionate number of low-income  
74 patients with special needs as calculated by the Medical Services Administration within the Department.

75 (m) "Excluded hospitals" means hospitals in the following categories:  
76 (i) Critical access hospitals designated by CMS pursuant to 42 CFR 485.606  
77 (ii) Hospitals located in rural or micropolitan statistical area counties  
78 (iii) LTAC hospitals  
79 (iv) Sole community hospitals designated by CMS pursuant to 42 CFR 412.92  
80 (v) Hospitals with 25 or fewer licensed beds

81 (n) "Existing hospital beds" means, for a specific hospital group, the total of all of the following: (i)  
82 hospital beds licensed by the Department of Licensing and Regulatory Affairs or its successor; (ii) hospital  
83 beds with valid CON approval but not yet licensed; (iii) proposed hospital beds under appeal from a final  
84 decision of the Department; and (iv) proposed hospital beds that are part of a completed application under  
85 Part 222 (other than the application under review) for which a proposed decision has been issued and  
86 which is pending final Department decision.

87 (o) "Gross hospital revenues" means the hospital's revenues as stated on the most recent Medicare  
88 and Michigan Medicaid forms filed with the Medical Services Administration within the Department.

89 (p) "Health service area" OR "HSA" means the groups of counties listed in Appendix A.

90 (q) "Hospital bed" means a bed within the licensed bed complement at a licensed site of a hospital  
91 licensed under Part 215 of the Code, excluding (i) hospital beds certified for long-term care as defined in  
92 Section 20106(6) of the Code and (ii) unlicensed newborn bassinets.

93 (r) "Hospital" means a hospital as defined in Section 20106(5) of the Code being Section  
94 333.20106(5) of the Michigan Compiled Laws and licensed under Part 215 of the Code. The term does  
95 not include a hospital or hospital unit licensed or operated by the Department of Mental Health.

96 (s) "Hospital group" means a cluster or grouping of hospitals based on geographic proximity and  
97 hospital utilization patterns. The list of hospital groups and the hospitals assigned to each hospital group  
98 will be posted on the State OF Michigan CON web site and will be updated pursuant to Section 3.

99 (t) "Hospital long-term-care unit" or "HLTCU" means a nursing care unit, owned or operated by and  
100 as part of a hospital, licensed by the Department, and providing organized nursing care and medical  
101 treatment to 7 or more unrelated individuals suffering or recovering from illness, injury, or infirmity.

102 (u) "Host hospital" means a licensed and operating hospital, which delicenss hospital beds, and  
103 which leases patient care space and other space within the physical plant of the host hospital, to allow an  
104 LTAC hospital, or alcohol and substance abuse hospital, to begin operation.

105 (v) "Licensed site" means the location of the facility authorized by license and listed on that licensee's  
106 certificate of licensure.

107 (w) "Limited access area" means those underserved areas with a patient day demand that meets or  
108 exceeds the state-wide average of patient days used per 50,000 residents in the base year and as  
109 identified in Appendix D. Limited access areas shall be redetermined when a new hospital has been  
110 approved or an existing hospital closes.

111 (x) "Long-term (acute) care hospital" or "LTAC hospital" means a hospital has been approved to  
112 participate in the Title XVIII (Medicare) program as a prospective payment system (PPS) exempt hospital  
113 in accordance with 42 CFR Part 412.

114 (y) "Medicaid" means title XIX of the social security act, chapter 531, 49 Stat. 620, 1396 to 1396g and  
115 1396i to 1396u.

116 (z) "Medicaid volume" means the number of Medicaid recipients served at the hospital as stated on  
117 the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration  
118 within the Department.

119 (aa) "Michigan Inpatient Data Base" or "MIDB" means the data base compiled by the Michigan Health  
120 and Hospital Association or successor organization. The data base consists of inpatient discharge  
121 records from all Michigan hospitals and Michigan residents discharged from hospitals in border states for  
122 a specific calendar year.

123 (bb) "New beds in a hospital" means hospital beds that meet at least one of the following: (i) are not  
124 currently licensed as hospital beds, (ii) are currently licensed hospital beds at a licensed site in one  
125 hospital group which are proposed for relocation in a different hospital group as determined by the  
126 Department pursuant to Section 3 of these standards, (iii) are currently licensed hospital beds at a  
127 licensed site in one hospital group which are proposed for relocation to another geographic site which is in  
128 the same hospital group as determined by the Department, but which are not in the replacement zone, or  
129 (iv) are currently licensed hospital beds that are proposed to be licensed as part of a new hospital in  
130 accordance with Section 6(2) of these standards.

131 (cc) "New hospital" means one of the following: (i) the establishment of a new facility that shall be  
132 issued a new hospital license, (ii) for currently licensed beds, the establishment of a new licensed site that  
133 is not in the same hospital group as the currently licensed beds, (iii) currently licensed hospital beds at a  
134 licensed site in one hospital group which are proposed for relocation to another geographic site which is in  
135 the same hospital group as determined by the Department, but which are not in the replacement zone, or  
136 (iv) currently licensed hospital beds that are proposed to be licensed as part of a new hospital in  
137 accordance with section 6(2) of these standards.

138 (dd) "Obstetrics patient days of care" means inpatient days of care for patients in the applicant's  
139 Michigan Inpatient Data Base data ages 15 through 44 with drgs 370 through 375 (obstetrical discharges).

140 (ee) "Overbedded hospital group" means a hospital group in which the total number of existing hospital  
141 beds in that hospital group exceeds the hospital group needed hospital bed supply.

142 (ff) "Pediatric patient days of care" means inpatient days of care for patients in the applicant's  
143 Michigan Inpatient Data Base data ages 0 through 14 excluding normal newborns.

144 (gg) "Planning year" means five years beyond the base year, established by the CON Commission, for  
145 which hospital bed need is developed, unless a different year is determined to be more appropriate by the  
146 Commission.

147 (hh) "Qualifying project" means each application in a comparative group which has been reviewed  
148 individually and has been determined by the Department to have satisfied all of the requirements of  
149 Section 22225 of the code, being section 333.22225 of the Michigan Compiled Laws and all other  
150 applicable requirements for approval in the Code or these Standards.

151 (ii) "Relocate existing licensed hospital beds" for purposes of sections 6(3) and 8 of these standards,  
152 means a change in the location of existing hospital beds from the existing licensed hospital site to a  
153 different existing licensed hospital site within the same hospital group or HSA. This definition does not  
154 apply to projects involving replacement beds in a hospital governed by Section 7 of these standards.

155 (jj) "Remaining patient days of care" means total inpatient days of care in the applicant's Michigan  
156 Inpatient Data Base data minus obstetrics patient days of care and pediatric patient days of care.

157 (kk) "Replace beds" means a change in the location of the licensed hospital, or the replacement of a  
158 portion of the licensed beds at the same licensed site. The hospital beds will be in new physical plant  
159 space being developed in new construction or in newly acquired space (purchase, lease, donation, etc.)  
160 within the replacement zone.

161 (ll) "Replacement zone" means a proposed licensed site that is (i) in the same hospital group as the  
162 existing licensed site as determined by the Department in accord with Section 3 of these standards and (ii)  
163 on the same site, on a contiguous site, or on a site within 2 miles of the existing licensed site if the existing  
164 licensed site is located in a county with a population of 200,000 or more, or on a site within 5 miles of the  
165 existing licensed site if the existing licensed site is located in a county with a population of less than  
166 200,000.

167 (mm) "Uncompensated care volume" means the hospital's uncompensated care volume as stated on  
168 the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration  
169 within the Department.

170 (nn) "Underserved area" means those geographic areas not within 30 minutes drive time of an existing  
171 licensed acute care hospital with 24 hour/7 days a week emergency room services utilizing the most direct  
172 route using the lowest speed limits posted as defined by the Michigan Department of Transportation  
173 (MDOT).

174 (oo) "Use rate" means the number of days of inpatient care per 1,000 population during a one-year  
175 period.

176  
177 (2) The definitions in Part 222 shall apply to these standards.  
178

### 179 **Section 3. Hospital groups**

180  
181 Sec. 3. Each existing hospital is assigned to a hospital group pursuant to subsection (1).  
182

183 (1) These hospital groups and the assignments of hospitals to hospital groups shall be updated by  
184 the Department every five years or at the direction of the Commission. The methodology described in  
185 "New Methodology for Defining Hospital Groups" by Paul I. Delamater, Ashton M. Shortridge, and Joseph  
186 P. Messina, 2011 shall be used as follows:

187 (a) For each hospital, calculate the patient day commitment index (%C – a mathematical computation  
188 where the numerator is the number of inpatient hospital days from a specific geographic area provided by  
189 a specified hospital and the denominator is the total number of patient days provided by the specified  
190 hospital using MIDB data) for all Michigan zip codes using the summed patient days from the most recent  
191 three years of MIDB data. Include only those zip codes found in each year of the most recent three years  
192 of MIDB data. Arrange observations in an origin-destination table such that each hospital is an origin  
193 (row) and each zip code is a destination (column) and include only hospitals with inpatient records in the  
194 MIDB.

195 (b) For each hospital, calculate the road distance to all other hospitals. Arrange observations in an  
196 origin-destination table such that each hospital is an origin (row) and each hospital is also a destination  
197 (column).

198 (c) Rescale the road distance origin-destination table by dividing every entry in the road distance  
199 origin-destination table by the maximum distance between any two hospitals.

200 (d) Append the road distance origin-destination table to the %C origin-destination table (by hospital)  
201 to create the input data matrix for the clustering algorithm.

202 (e) Group hospitals into clusters using the k-means clustering algorithm with initial cluster centers  
203 provided by a wards hierarchical clustering method. Iterate over all cluster solutions from 2 to the number  
204 of hospitals ( $n$ ) minus 1.

205 (i) For each cluster solution, record the group membership of each hospital, the cluster center  
206 location for each of the clusters, the  $r^2$  value for the overall cluster solution, the number of single hospital  
207 clusters, and the maximum number of hospitals in any cluster.

208 (ii) "k-means clustering algorithm" means a method for partitioning observations into a user-specified  
209 number of groups. It is a standard algorithm with a long history of use in academic and applied research.  
210 The approach identifies groups of observations such that the sum of squares from points to the assigned  
211 cluster centers is minimized, i.e., observations in a cluster are more similar to one another than they are  
212 to other clusters. Several k-means implementations have been proposed; the bed need methodology  
213 uses the widely-adopted Hartigan-Wong algorithm. Any clustering or data mining text will discuss k-

214 means; one example is B.S. Everitt, S. Landau, M. Leese, & D. Stahl (2011) Cluster Analysis, 5th Edition.  
215 Wiley, 346 p.

216 (iii) "Wards hierarchical clustering method" means a method for clustering observations into groups.  
217 This method uses a binary tree structure to sequentially group data observations into clusters, seeking to  
218 minimize overall within-group variance. In the bed need methodology, this method is used to identify the  
219 starting cluster locations for k-means. Any clustering text will discuss hierarchical cluster analysis,  
220 including Ward's method; one example is: G. Gan, C. Ma, & J. Wu (2007) Data Clustering: Theory,  
221 Algorithms, and Applications (Asa-Siam Series on Statistics and Applied Probability). Society for Industrial  
222 and Applied Mathematics (Siam), 466 p.

223 (f) Calculate the incremental F score ( $F_{inc}$ ) for each cluster solution (i) between 3 and  $n-1$  letting:  
224  $r_i^2 = r^2$  of solution i  
225  $r_{i-1}^2 = r^2$  of solution i-1  
226  $k_i =$  number of clusters in solution i  
227  $k_{i-1} =$  number of clusters in solution i-1  
228  $n =$  total number of hospitals

229 where: 
$$F_{inc,i} = \frac{\left( \frac{r_i^2 - r_{i-1}^2}{k_i - k_{i-1}} \right)}{\left( \frac{1 - r_i^2}{n - (k_i - 1)} \right)}$$

230 (g) Select candidate solutions by finding those with peak values in  $f_{inc}$  scores such that  $f_{inc,i}$  is greater  
231 than both  $f_{inc,i-1}$  and  $f_{inc,i+1}$ .

232 (h) Remove all candidate solutions in which the largest single cluster contains more than 20  
233 hospitals.

234 (i) Identify the minimum number of single hospital clusters from the remaining candidate solutions.  
235 Remove all candidate solutions containing a greater number of single hospital clusters than the identified  
236 minimum.

237 (j) From the remaining candidate solutions, choose the solution with the largest number of clusters

238 (k). This solution ( $k$  clusters) is the resulting number and configuration of the hospital groups.

239 (k) Rename hospital groups as follows:

240 (i) For each hospital group, identify the HSA in which the maximum number of hospitals are located.  
241 In case of a tie, use the HSA number that is lower.

242 (ii) For each hospital group, sum the number of current licensed hospital beds for all hospitals.

243 (iii) Order the groups from 1 to  $k$  by first sorting by HSA number, then sorting within each HSA by the  
244 sum of beds in each hospital group. The hospital group name is then created by appending number in  
245 which it is ordered to "hg" (e.g., hg1, hg2, ... hgk).

246 (iv) Hospitals that do not have patient records in the MIDB - identified in subsection (1)(a) - are  
247 designated as "ng" for non-groupable hospitals.

248  
249 (2) For an application involving a proposed new licensed site for a hospital (whether new or  
250 replacement), the proposed new licensed site shall be assigned to an existing hospital group utilizing the  
251 methodology described in "A Methodology for Defining Hospital Groups" by Paul L. Delamater, Ashton M.  
252 Shortridge, and Joseph P. Messina, 2011 as follows:

253 (a) Calculate the road distance from proposed new site ( $s$ ) to all existing hospitals, resulting in a list of  
254  $n$  observations ( $s_n$ ).

255 (b) Rescale  $s_n$  by dividing each observation by the maximum road distance between any two  
256 hospitals identified in subsection (1)(c).

257 (c) For each hospital group, subset the cluster center location identified in subsection (1)(e)(i) to only  
258 the entries corresponding to the road distance between hospitals. For each hospital group, the result is a  
259 list of  $n$  observations that define each hospital group's central location in relative road distance.

260 (d) Calculate the distance ( $d_{k,s}$ ) between the proposed new site and each existing hospital group

261 where: 
$$d_{k,s} = \sqrt{(HG_{k,1} - s_1)^2 + (HG_{k,2} - s_2)^2 + (HG_{k,3} - s_3)^2 + \dots + (HG_{k,n} - s_n)^2}$$

262 (e) Assign the proposed new site to the closest hospital group (HG $k$ ) by selecting the minimum value  
263 of  $d_{k,s}$ .  
264 (f) If there is only a single applicant, then the assignment procedure is complete. If there are  
265 additional applicants, then steps (a) – (e) must be repeated until all applicants have been assigned to an  
266 existing hospital group.

267  
268 (3) The Department shall amend the hospital groups to reflect: (a) approved new licensed site(s)  
269 assigned to a specific hospital group; (b) hospital closures; and (c) licensure action(s) as appropriate.

270  
271 (4) As directed by the Commission, new hospital group assignments established according to  
272 subsection (1) shall supersede the previous subarea/hospital group assignments and shall be posted on  
273 the State of Michigan CON web site effective on the date determined by the Commission.

#### 274 275 **Section 4. Determination of the needed hospital bed supply**

276  
277 Sec. 4. (1) The determination of the needed hospital bed supply for a hospital group for a planning  
278 year shall be made using the MIDB and the methodology detailed in "New Methodology for Determining  
279 Needed Hospital Bed Supply" by Paul L. Delamater, Ashton M. Shortridge, and Joseph P. Messina, 2011  
280 as follows:

281 (a) All hospital discharges for normal newborns (DRG 391 prior to 2008, DRG 795 thereafter) and  
282 | psychiatric patients (ICD-9-CM codes 290 through 319, **SEE APPENDIX E FOR ICD-10-CM CODES**, as a  
283 principal diagnosis) will be excluded.

284 (b) For each county, compile the monthly patient days used by county residents for the previous five  
285 years (base year plus previous four years). Compile the monthly patient days used by non-Michigan  
286 residents in Michigan hospitals for the previous five years as an "out-of-state" unit. The out-of-state  
287 patient days unit is considered an additional county thereafter. Patient days are to be assigned to the  
288 month in which the patient was discharged. For patient records with an unknown county of residence,  
289 assign patient days to the county of the hospital where the patient received service.

290 (c) For each county, calculate the monthly patient days for all months in the planning year. For each  
291 county, construct an ordinary least squares linear regression model using monthly patient days as the  
292 dependent variable and months (1-60) as the independent variable. If the linear regression model is  
293 significant at a 90% confidence level (F-score, two tailed  $p$  value  $\leq 0.1$ ), predict patient days for months  
294 109-120 using the model coefficients. If the linear regression model is not significant at a 90% confidence  
295 level (F-score, two tailed  $p$  value  $> 0.1$ ), calculate the predicted monthly patient day demand in the  
296 planning year by finding the monthly average of the three previous years (months 25-60).

297 (d) For each county, calculate the predicted yearly patient day demand in the planning year. For  
298 counties with a significant regression model, sum the monthly predicted patient days for the planning year.  
299 For counties with a non-significant regression model, multiply the three year monthly average by 12.

300 (e) For each county, calculate the base year patient day commitment index (%c) to each hospital  
301 group. Specifically, divide the base year patient days from each county to each hospital group by the total  
302 number of base year patient days from each county.

303 (f) For each county, allocate the planning year patient days to the hospital groups by multiplying the  
304 planning year patient days by the %c to each hospital group from subsection (e).

305 (g) For each hospital group, sum the planning year patient days allocated from each county.

306 (h) For each hospital group, calculate the average daily census (ADC) for the planning year by  
307 dividing the planning year patient days by 365. Round each ADC value up to the nearest whole number.

308 (i) For each hospital group, select the appropriate occupancy rate from the occupancy table in  
309 Appendix C.

310 (j) For each hospital group, calculate the planning year bed need by dividing the planning year ADC  
311 by the appropriate occupancy rate. Round each bed need value up to the nearest whole number.

312  
313 (2) The determination of the needed hospital bed supply for a limited access area shall be made  
314 using the MIDB and the methodology detailed in "A Methodology for Determining Needed Hospital Bed  
315 Supply" by Paul L. Delamater, Ashton M. Shortridge, And Joesph P. Messina, 2011 as follows:

316 (a) All hospital discharges for normal newborns (DRG 391 prior to 2008, DRG 795 thereafter) and  
317 | psychiatric patients (ICD-9-CM codes 290 through 319, **SEE APPENDIX E FOR ICD-10-CM CODES**, as a  
318 principal diagnosis) will be excluded.

319 (b) Calculate the average patient day use rate of Michigan residents. Sum total patient days of  
320 Michigan residents in the base year and divide by estimated base year population for the state (population  
321 data available from US Census Bureau).

322 (c) Calculate the minimum number of patient days for designation of a limited access area by  
323 multiplying the average patient day use rate by 50,000. Round up to the nearest whole number.

324 (d) Follow steps outlined in Section 4(1)(b) – (d) to predict planning year patient days for each  
325 underserved area. Round up to the nearest whole number. The patient days for each underserved area  
326 are defined as the sum of the zip codes corresponding to each underserved area.

327 (e) For each underserved area, compare the planning year patient days to the minimum number of  
328 patient days for designation of a limited access area calculated in (c). Any underserved area with a  
329 planning year patient day demand greater than or equal to the minimum is designated as a limited access  
330 area.

331 (f) For each limited access area, calculate the planning year bed need using the steps outlined in  
332 Section 4(1)(h) – (j). For these steps, use the planning year patient days for each limited access area.  
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### 334 **Section 5. Bed Need**

335  
336 Sec. 5. (1) The bed-need numbers shall apply to projects subject to review under these standards,  
337 except where a specific CON review standard states otherwise.  
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339 (2) The Department shall re-calculate the acute care bed need methodology in Section 4 every two  
340 years, or as directed by the Commission.  
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342 (3) The Commission shall designate the base year and the future planning year which shall be utilized  
343 in applying the methodology pursuant to subsection (2).  
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345 (4) The effective date of the bed-need numbers shall be established by the Commission.  
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347 (5) New bed-need numbers established by subsections (2) and (3) shall supersede PREVIOUS bed-  
348 need numbers and shall be posted on the State Of Michigan CON web site as part of the hospital bed  
349 inventory.  
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351 (6) Modifications made by the Commission pursuant to this section shall not require standard  
352 advisory committee action, a public hearing, or submittal of the standard to the legislature and the  
353 governor in order to become effective.  
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### 355 **Section 6. Requirements for approval -- new beds in a hospital**

356  
357 Sec. 6. (1) An applicant proposing new beds in a hospital, except an applicant meeting the  
358 requirements of subsection 2, 3, 4, or 5 shall demonstrate that it meets all of the following:

359 (a) The new beds in a hospital shall result in a hospital of at least 200 beds in a metropolitan  
360 statistical area county or 25 beds in a rural or micropolitan statistical area county. This subsection may be  
361 waived by the Department if the Department determines, in its sole discretion, that a smaller hospital is  
362 necessary or appropriate to assure access to health-care services.

363 (b) The total number of existing hospital beds in the hospital group to which the new beds will be  
364 assigned does not currently exceed the needed hospital bed supply. The Department shall determine the  
365 hospital group to which the beds will be assigned in accord with Section 3 of these standards.

366 (c) Approval of the proposed new beds in a hospital shall not result in the total number of existing  
367 hospital beds, in the hospital group to which the new beds will be assigned, exceeding the needed hospital  
368 bed supply. The Department shall determine the hospital group to which the beds will be assigned in  
369 accord with Section 3 of these standards.

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(2) An applicant proposing to begin operation as a new LTAC hospital or alcohol and substance abuse hospital within an existing licensed, host hospital shall demonstrate that it meets all of the requirements of this subsection:

(a) If the LTAC hospital applicant described in this subsection does not meet the Title XVIII requirements of the Social Security Act for exemption from PPS as an LTAC hospital within 12 months after beginning operation, then it may apply for a six-month extension in accordance with R325.9403 of the CON rules. If the applicant fails to meet the Title XVIII requirements for PPS exemption as an LTAC hospital within the 12 or 18-month period, then the CON granted pursuant to this section shall expire automatically.

(b) The patient care space and other space to establish the new hospital is being obtained through a lease arrangement and renewal of a lease between the applicant and the host hospital. The initial, renewed, or any subsequent lease shall specify at least all of the following:

(i) That the host hospital shall delicense the same number of hospital beds proposed by the applicant for licensure in the new hospital or any subsequent application to add additional beds.

(ii) That the proposed new beds shall be for use in space currently licensed as part of the host hospital.

(iii) That upon non-renewal and/or termination of the lease, upon termination of the license issued under Part 215 of the act to the applicant for the new hospital, or upon noncompliance with the project delivery requirements or any other applicable requirements of these standards, the beds licensed as part of the new hospital must be disposed of by one of the following means:

(A) Relicensure of the beds to the host hospital. The host hospital must obtain a CON to acquire the LTAC hospital. In the event that the host hospital applies for a CON to acquire the LTAC hospital [including the beds leased by the host hospital to the LTAC hospital] within six months following the termination of the lease with the LTAC hospital, it shall not be required to be in compliance with the hospital bed supply if the host hospital proposes to add the beds of the LTAC hospital to the host hospital's medical/surgical licensed capacity and the application meets all other applicable project delivery requirements. The beds must be used for general medical/surgical purposes. Such an application shall not be subject to comparative review and shall be processed under the procedures for non-substantive review (as this will not be considered an increase in the number of beds originally licensed to the applicant at the host hospital);

(B) Delicensure of the hospital beds; or

(C) Acquisition by another entity that obtains a CON to acquire the new hospital in its entirety and that entity must meet and shall stipulate to the requirements specified in Section 6(2).

(c) The applicant or the current licensee of the new hospital shall not apply, initially or subsequently, for CON approval to initiate any other CON covered clinical services; provided, however, that this section is not intended, and shall not be construed in a manner which would prevent the licensee from contracting and/or billing for medically necessary covered clinical services required by its patients under arrangements with its host hospital or any other CON approved provider of covered clinical services.

(d) The new licensed hospital shall remain within the host hospital.

(e) The new hospital shall be assigned to the same hospital group as the host hospital.

(f) The proposed project to begin operation of a new hospital, under this subsection, shall constitute a change in bed capacity under Section 1(2) of these standards.

(g) The lease will not result in an increase in the number of licensed hospital beds in the hospital group.

(h) Applications proposing a new hospital under this subsection shall not be subject to comparative review.

(3) An applicant proposing to add new hospital beds, as the receiving licensed hospital under Section 8, shall demonstrate that it meets all of the requirements of this subsection and shall not be required to be in compliance with the needed hospital bed supply if the application meets all other applicable CON review standards and agrees and assures to comply with all applicable project delivery requirements.

(a) The approval of the proposed new hospital beds shall not result in an increase in the number of licensed hospital beds as follows:

424 (i) In the hospital group pursuant to Section 8(2)(a), or  
425 (ii) in the HSA pursuant to Section 8(2)(b).  
426 (b) Where the source hospital was subject to Section 8(3)(b), the receiving hospital shall have an  
427 average adjusted occupancy rate of 40 percent or above.  
428 (c) Where the source hospital was subject to Section 8(3)(b), the addition of the proposed new  
429 hospital beds at the receiving hospital shall not exceed the number determined by the following  
430 calculation:  
431 (i) As of the date of the application, calculate the adjusted patient days for the most recent,  
432 consecutive 36-month period where verifiable data is available to the Department, and divide by .40.  
433 (ii) Divide the result of subsection (i) by 1095 (or 1096, if the 36-month period includes a leap year)  
434 and round up to next whole number or 25, whichever is larger. This is the maximum number of beds that  
435 can be licensed at the receiving hospital.  
436 (iii) Subtract the receiving hospital's total number of licensed beds and approved beds from the result  
437 of subsection (ii). This is the maximum number of beds that can be added to the receiving hospital.  
438 (d) Where the source hospital was subject to Section 8(3)(b), the receiving hospital's average  
439 adjusted occupancy rate must not be less than 40 percent after the addition of the proposed new hospital  
440 beds.  
441 (e) Subsection (3)(b), (c), and (d) shall not apply to excluded hospitals.  
442 (f) The proposed project to add new hospital beds, under this subsection, shall constitute a change in  
443 bed capacity under Section 1(2) of these standards.  
444 (g) Applicants proposing to add new hospital beds under this subsection shall not be subject to  
445 comparative review.  
446  
447 (4) An applicant may apply for the addition of new beds if all of the following subsections are met.  
448 Further, an applicant proposing new beds at an existing licensed hospital site shall not be required to be in  
449 compliance with the needed hospital bed supply if the application meets all other applicable CON review  
450 standards and agrees and assures to comply with all applicable project delivery requirements.  
451 (a) The beds are being added at the existing licensed hospital site.  
452 (b) The hospital at the existing licensed hospital site has operated at an adjusted occupancy rate of  
453 80 percent or above for the previous, consecutive 24 months based on its licensed and approved hospital  
454 bed capacity. The adjusted occupancy rate shall be calculated as follows:  
455 (i) Calculate the number of adjusted patient days during the most recent, consecutive 24-month  
456 period for which verifiable data are available to the Department.  
457 (ii) Divide the number calculated in (i) above by the total possible patient days [licensed and approved  
458 hospital beds multiplied by 730 (or 731 if including a leap year)]. This is the adjusted occupancy rate.  
459 (c) The number of beds that may be approved pursuant to this subsection shall be the number of  
460 beds necessary to reduce the adjusted occupancy rate for the hospital to 75 percent. The number of beds  
461 shall be calculated as follows:  
462 (i) Divide the number of adjusted patient days calculated in subsection (b)(i) by .75 to determine  
463 licensed bed days at 75 percent occupancy.  
464 (ii) Divide the result of step (i) by 730 (or 731 if including a leap year) and round the result up to the  
465 next whole number.  
466 (iii) Subtract the number of licensed and approved hospital beds as documented on the "Department  
467 Inventory of Beds" from the result of step (ii) and round the result up to the next whole number to  
468 determine the maximum number of beds that may be approved pursuant to this subsection.  
469 (d) A licensed acute care hospital that has relocated its beds, after the effective date of these  
470 standards, shall not be approved for hospital beds under this subsection for five years from the effective  
471 date of the relocation of beds.  
472 (e) Applicants proposing to add new hospital beds under this subsection shall not be subject to  
473 comparative review.  
474 (f) Applicants proposing to add new hospital beds under this subsection shall demonstrate to the  
475 Department that they have pursued a good faith effort to relocate acute care beds from other licensed  
476 acute care hospitals within the HSA. At the time an application is submitted to the Department, the

477 applicant shall demonstrate that contact was made by one certified mail return receipt for each  
478 organization contacted.

479  
480 (5) An applicant proposing a new hospital in a limited access area shall not be required to be in  
481 compliance with the needed hospital bed supply if the application meets all other applicable CON review  
482 standards, agrees and assures to comply with all applicable project delivery requirements, and all of the  
483 following subsections are met.

484 (a) The proposed new hospital, unless a critical access hospital, shall have 24 hour/7 days a week  
485 emergency services, obstetrical services, surgical services, and licensed acute care beds.

486 (b) The Department shall assign the proposed new hospital to an existing hospital group based on  
487 the current market use patterns of existing hospital groups.

488 (c) Approval of the proposed new beds in a hospital in a limited access area shall not exceed the bed  
489 need for the limited access area as determined by the bed need methodology in Section 4 and as set forth  
490 in Appendix D.

491 (d) The new beds in a hospital in a limited access area shall result in a hospital of at least 100 beds in  
492 a metropolitan statistical area county or 50 beds in a rural or micropolitan statistical area county. If the  
493 bed need for a limited access area, as shown in Appendix D, is less, then that will be the minimum  
494 number of beds for a new hospital under this provision. If an applicant for new beds in a hospital under  
495 this provision simultaneously applies for status as a critical access hospital, the minimum hospital size  
496 shall be that number allowed under state/federal critical access hospital designation.

497 (e) Applicants proposing to create a new hospital under this subsection shall not be approved, for a  
498 period of five years after beginning operation of the facility, of the following covered clinical services: (i)  
499 open heart surgery, (ii) therapeutic cardiac catheterization, (iii) fixed positron emission tomography (PET)  
500 services, (iv) all transplant services, (v) neonatal intensive care services/beds, and (vi) fixed urinary  
501 extracorporeal shock wave lithotripsy (UESWL) services.

502 (f) Applicants proposing to add new hospital beds under this subsection shall be prohibited from  
503 relocating the new hospital beds for a period of 10 years after beginning operation of the facility.

504 (g) An applicant proposing to add a new hospital pursuant to this subsection shall locate the new  
505 hospital as follows:

506 (i) In a metropolitan statistical area county, an applicant proposing to add a new hospital pursuant to  
507 this subsection shall locate the new hospital within the limited access area and serve a population of  
508 50,000 or more inside the limited access area and within 30 minutes drive time from the proposed new  
509 hospital.

510 (ii) In a rural or micropolitan statistical area county, an applicant proposing to add a new hospital  
511 pursuant to this subsection shall locate the new hospital within the limited access area and serve a  
512 population of 50,000 or more inside the limited access area and within 60 minutes drive time from the  
513 proposed new hospital.

## 514 **Section 7. Requirements for approval to replace beds**

515  
516  
517 Sec. 7. (1) If the application involves the development of a new licensed site, an applicant proposing  
518 to replace beds in a hospital within the replacement zone shall demonstrate that the new beds in a  
519 hospital shall result in a hospital of at least 200 beds in a metropolitan statistical area county or 25 beds in  
520 a rural or micropolitan statistical area county. This subsection may be waived by the Department if the  
521 Department determines, in its sole discretion, that a smaller hospital is necessary or appropriate to assure  
522 access to health-care services.

523  
524 (2) The applicant shall specify whether the proposed project is to replace the licensed hospital to a  
525 new site or to replace a portion of the licensed beds at the existing licensed site.

526  
527 (3) The applicant shall demonstrate that the new licensed site is in the replacement zone.

528  
529 (4) The applicant shall comply with the following requirements, as applicable:

530 (a) The applicant's hospital shall have an average adjusted occupancy rate of 40 percent or above.

531 (b) If the applicant hospital does not have an average adjusted occupancy rate of 40 percent or  
532 above, then the applicant hospital shall reduce the appropriate number of licensed beds to achieve an  
533 average adjusted occupancy rate of 60 percent or above. The applicant hospital shall not exceed the  
534 number of beds calculated as follows:

535 (i) As of the date of the application, calculate the number of adjusted patient days during the most  
536 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by  
537 .60.

538 (ii) Divide the result of subsection (i) above by 1095 (or 1096 if the 36-month period includes a leap  
539 year) and round up to the next whole number or 25, whichever is larger. This is the maximum number of  
540 beds that can be licensed at the licensed hospital site after the replacement.

541 (c) Subsection (4)(a) and (b) shall not apply to excluded hospitals.

542  
543 (5) An applicant proposing replacement beds in the replacement zone shall not be required to be in  
544 compliance with the needed hospital bed supply if the application meets all other applicable CON review  
545 standards and agrees and assures to comply with all applicable project delivery requirements.

546  
547 **Section 8. Requirements for approval of an applicant proposing to relocate existing licensed**  
548 **hospital beds**

549  
550 Sec 8. (1) The proposed project to relocate beds, under this section, shall constitute a change in bed  
551 capacity under Section 1(3) of these standards.

552  
553 (2) Any existing licensed acute care hospital (source hospital) may relocate all or a portion of its beds  
554 to another existing licensed acute care hospital as follows:

555 (a) The licensed acute care hospitals are located within the same hospital group, or

556 (b) the licensed acute care hospitals are located within the same HSA if the receiving hospital meets  
557 the requirements of Section 6(4)(b) of these standards.

558  
559 (3) The applicant shall comply with the following requirements, as applicable:

560 (a) The source hospital shall have an average adjusted occupancy rate of 40 percent or above.

561 (b) If the source hospital does not have an average adjusted occupancy rate of 40 percent or above,  
562 then the source hospital shall reduce the appropriate number of licensed beds to achieve an average  
563 adjusted occupancy rate of 60 percent or above upon completion of the relocation(s). The source hospital  
564 shall not exceed the number of beds calculated as follows:

565 (i) As of the date of the application, calculate the number of adjusted patient days during the most  
566 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by  
567 .60.

568 (ii) Divide the result of subsection (i) by 1095 (or 1096 if the 36-month period includes a leap year)  
569 and round up to the next whole number or 25, whichever is larger. This is the maximum number of beds  
570 that can be licensed at the source hospital site after the relocation.

571 (c) Subsections (3)(a) and (b) shall not apply to excluded hospitals.

572  
573 (4) A source hospital shall apply for multiple relocations on the same application date, and the  
574 applications can be combined to meet the criteria of (3)(b) above. A separate application shall be  
575 submitted for each proposed relocation.

576  
577 (5) The hospital from which the beds are being relocated, and the hospital receiving the beds, shall  
578 not require any ownership relationship.

579  
580 (6) The relocated beds shall be licensed to the receiving hospital and will be counted in the inventory  
581 for the applicable hospital group.

582  
583 (7) The relocation of beds under this section shall not be subject to a mileage limitation.

584

585 **Section 9. Project delivery requirements terms of approval for all applicants**

586  
587 Sec. 9. An applicant shall agree that, if approved, the project shall be delivered in compliance with the  
588 following terms of CON approval:

- 589 (1) Compliance with these standards.
- 591 (2) Compliance with the following quality assurance standards:
- 593 (a) The applicant shall assure compliance with Section 20201 of the Code, being Section 333.20201  
594 of the Michigan Compiled Laws.
- 595 (3) Compliance with the following access to care requirements:
- 597 (a) An applicant shall participate in Medicaid at least 12 consecutive months within the first two years  
598 of operation and continue to participate annually thereafter.
- 599 (b) The applicant, to assure appropriate utilization by all segments of the Michigan population, shall:
- 600 (i) Not deny services to any individual based on ability to pay or source of payment.
- 601 (ii) Maintain information by source of payment to indicate the volume of care from each payor and  
602 non-payor source provided annually.
- 603 (iii) Provide services to any individual based on clinical indications of need for the services.
- 604
- 605 (4) Compliance with the following monitoring and reporting requirements:
- 606 (a) An applicant approved pursuant to Section 6(4) must achieve a minimum occupancy of 75  
607 percent over the last 12-month period in the three years after the new beds are put into operation, and for  
608 each subsequent calendar year, or the number of new licensed beds shall be reduced to achieve a  
609 minimum of 75 percent average annual occupancy for the revised licensed bed complement.
- 610 (b) The applicant must submit documentation acceptable and reasonable to the Department, within  
611 30 days after the completion of the 3-year period, to substantiate the occupancy rate for the last 12-month  
612 period after the new beds are put into operation and for each subsequent calendar year, within 30 days  
613 after the end of the year.
- 614 (c) The applicant shall participate in a data collection system established and administered by the  
615 Department or its designee. The data may include, but is not limited to, annual budget and cost  
616 information, operating schedules, through-put schedules, and demographic, morbidity, and mortality  
617 information, as well as the volume of care provided to patients from all payor sources. The applicant shall  
618 provide the required data on a separate basis for each licensed site; in a format established by the  
619 Department, and in a mutually agreed upon media. The Department may elect to verify the data through  
620 on-site review of appropriate records.
- 621 (d) The applicant shall participate and submit data to the Michigan Inpatient Data Base (MIDB). The  
622 data shall be submitted to the Department or its designee.
- 623 (e) The applicant shall provide the Department with timely notice of the proposed project  
624 implementation consistent with applicable statute and promulgated rules.
- 625
- 626 (5) The agreements and assurances required by this section shall be in the form of a certification  
627 agreed to by the applicant or its authorized agent.

628  
629 **Section 10. Rural, micropolitan statistical area, and metropolitan statistical area Michigan**  
630 **counties**

631  
632 Sec. 10. Rural, micropolitan statistical area, and metropolitan statistical area Michigan counties, for  
633 purposes of these standards, are incorporated as part of these standards as Appendix B. The  
634 Department may amend Appendix B as appropriate to reflect changes by the statistical policy office of the  
635 office of information and regulatory affairs of the United States office of management and budget.

636  
637 **Section 11. Department inventory of beds**

638

639 Sec. 11. The Department shall maintain and provide on request a listing of the Department inventory  
640 of beds for each hospital group.

641  
642 **Section 12. Effect on prior planning policies; comparative reviews**  
643

644 Sec. 12. (1) These CON review standards supersede and replace the CON standards for hospital  
645 beds approved by the CON Commission on December 9, 2008 and effective March 2, 2009.

646  
647 (2) Projects reviewed under these standards shall be subject to comparative review except those  
648 projects meeting the requirements of Section 7 involving the replacement of beds in a hospital within the  
649 replacement zone and projects involving acquisition (including purchase, lease, donation or comparable  
650 arrangements) of a hospital.

651  
652 **Section 13. Additional requirements for applications included in comparative reviews**  
653

654 Sec. 13. (1) Except for those applications for limited access areas, any application for hospital beds,  
655 that is subject to comparative review under Section 22229 of the Code, being Section 333.22229 of the  
656 Michigan Compiled Laws, or under these standards shall be grouped and reviewed comparatively with  
657 other applications in accordance with the CON rules.

658  
659 (2) Each application in a comparative review group shall be individually reviewed to determine  
660 whether the application is a qualifying project. If the Department determines that two or more competing  
661 applications are qualifying projects, it shall conduct a comparative review. The Department shall approve  
662 those qualifying projects which, when taken together, do not exceed the need, as defined in Section  
663 22225(1) of the Code, and which have the highest number of points when the results of subsection (3) are  
664 totaled. If two or more qualifying projects are determined to have an identical number of points, then the  
665 Department shall approve those qualifying projects that, when taken together, do not exceed the need in  
666 the order in which the applications were received by the Department based on the date and time stamp  
667 placed on the applications by the department in accordance with rule 325.9123.

668  
669 (3)(a) A qualifying project will be awarded points based on the percentile ranking of the applicant's  
670 uncompensated care volume and as measured by percentage of gross hospital revenues as set forth in  
671 the following table. The applicant's uncompensated care volume will be the cumulative of all currently  
672 licensed Michigan hospitals under common ownership or control with the applicant that are located in the  
673 same health service area as the proposed hospital beds. If a hospital under common ownership or control  
674 with the applicant has not filed a Cost Report, then the related applicant shall receive a score of zero. The  
675 source document for the calculation shall be the most recent Cost Report filed with the Department for  
676 purposes of calculating disproportionate share hospital payments.

677  
678

<u>Percentile Ranking</u>	<u>Points Awarded</u>
90.0 – 100	25 pts
80.0 – 89.9	20 pts
70.0 – 79.9	15 pts
60.0 – 69.9	10 pts
50.0 – 59.9	5 pts

684

685 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to  
686 be closed shall be excluded from this calculation.

687 (b) A qualifying project will be awarded points based on the health service area percentile rank of the  
688 applicant's Medicaid volume as measured by percentage of gross hospital revenues as set forth in the  
689 following table. For purposes of scoring, the applicant's Medicaid volume will be the cumulative of all  
690 currently licensed Michigan hospitals under common ownership or control with the applicant that are  
691 located in the same health service area as the proposed hospital beds. If a hospital under common

692 ownership or control with the applicant has not filed a Cost Report, then the related applicant shall receive  
 693 a score of zero. The source document for the calculation shall be the most recent Cost Report filed with  
 694 the department for purposes of calculating disproportionate share hospital payments.  
 695

	<u>percentile rank</u>	<u>points awarded</u>
696	87.5 – 100	20 pts
697	75.0 – 87.4	15 pts
698	62.5 – 74.9	10 pts
699	50.0 – 61.9	5 pts
700	less than 50.0	0 pts

702  
 703 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to  
 704 be closed shall be excluded from this calculation.

705 (c) A qualifying project shall be awarded points as set forth in the following table in accordance with  
 706 its impact on inpatient capacity. If an applicant proposes to close a hospital(s), points shall only be  
 707 awarded if (i) closure of that hospital(s) does not create a bed need in any hospital group as a result of its  
 708 closing; (ii) the applicant stipulates that the hospital beds to be closed shall not be transferred to another  
 709 location or facility; and (iii) the utilization (as defined by the average daily census over the previous 24-  
 710 month period prior to the date that the application is submitted) of the hospital to be closed is at least  
 711 equal to 50 percent of the size of the proposed hospital (as defined by the number of proposed new  
 712 licensed beds).

	<u>Impact on Capacity</u>	<u>Points Awarded</u>
713	Closure of hospital(s)	25 pts
714	Closure of hospital(s) which creates a bed need	-15 pts

715  
 716  
 717  
 718 (d) A qualifying project will be awarded points based on the percentage of the applicant's historical  
 719 market share of inpatient discharges of the population in an area which will be defined as that area  
 720 circumscribed by the proposed hospital locations defined by all of the applicants in the comparative review  
 721 process under consideration. This area will include any zip code completely within the area as well as any  
 722 zip code which touches, or is touched by, the lines that define the area included within the figure that is  
 723 defined by the geometric area resulting from connecting the proposed locations. In the case of two  
 724 locations or one location or if the exercise in geometric definition does not include at least ten zip codes,  
 725 the market area will be defined by the zip codes within the county (or counties) that includes the proposed  
 726 site (or sites). Market share used for the calculation shall be the cumulative market share of the  
 727 population residing in the set of above-defined zip codes of all currently licensed Michigan hospitals under  
 728 common ownership or control with the applicant, which are in the same health service area.  
 729

	<u>Percent</u>	<u>Points Awarded</u>
730	% of market share	% of market share served x 30 (total pts. awarded)

731  
 732  
 733  
 734 The source for calculations under this criterion is the MIDB.  
 735  
 736  
 737

738 **Section 14. Review standards for comparative review of a limited access area**

739  
740 Sec. 14. (1) Any application subject to comparative review, under Section 22229 of the Code, being  
741 Section 333.22229 of the Michigan Compiled Laws, or under these standards, shall be grouped and  
742 reviewed comparatively with other applications in accordance with the CON rules.

743  
744 (2) Each application in a comparative group shall be individually reviewed to determine whether the  
745 application has satisfied all the requirements of Section 22225 of the Code, being Section 333.22225 of  
746 the Michigan Compiled Laws and all other applicable requirements for approval in the Code and these  
747 standards. If the Department determines that two or more competing applications satisfy all of the  
748 requirements for approval, these projects shall be considered qualifying projects. The Department shall  
749 approve those qualifying projects which, when taken together, do not exceed the need, as defined in  
750 Section 22225(1) of the Code, being Section 333.22225(1) of the Michigan Compiled Laws, and which  
751 have the highest number of points when the results of subsection (3) are totaled. If two or more qualifying  
752 projects are determined to have an identical number of points, then the Department shall approve those  
753 qualifying projects, when taken together, that do not exceed the need, as defined in Section 22225(1) in  
754 the order in which the applications were received by the Department based on the date and time stamp  
755 placed on the application by the Department when the application is filed.

756  
757 (3)(a) A qualifying project will be awarded points based on the percentile ranking of the applicant's  
758 uncompensated care volume as measured by percentage of gross hospital revenues as set forth in the  
759 following table. For purposes of scoring, the applicant's uncompensated care will be the cumulative of all  
760 currently licensed Michigan hospitals under common ownership or control with the applicant. The source  
761 document for the calculation shall be the most recent Cost Report submitted to MDCH for purposes of  
762 calculating disproportionate share hospital payments. If a hospital under common ownership or control  
763 with the applicant has not filed a Cost Report, then the related applicant shall receive a score of zero.

764

<u>Percentile Ranking</u>	<u>Points Awarded</u>
90.0 – 100	25 pts
80.0 – 89.9	20 pts
70.0 – 79.9	15 pts
60.0 – 69.9	10 pts
50.0 – 59.9	5 pts

770

771  
772 Where an applicant proposes to close a hospital as part of its application, data from the closed hospital  
773 shall be excluded from this calculation.

774 (b) A qualifying project will be awarded points based on the statewide percentile rank of the  
775 applicant's Medicaid volume as measured by percentage of gross hospital revenues as set forth in the  
776 following table. For purposes of scoring, the applicant's Medicaid volume will be the cumulative of all  
777 currently licensed Michigan hospitals under common ownership or control with the applicant. The source  
778 documents for the calculation shall be the Cost Report submitted to MDCH for purposes of calculating  
779 disproportionate share hospital payments. If a hospital under common ownership or control with the  
780 applicant has not filed a Cost Report, then the related applicant shall receive a score of zero.

781

<u>Percentile Rank</u>	<u>Points Awarded</u>
87.5 – 100	20 pts
75.0 – 87.4	15 pts
62.5 – 74.9	10 pts
50.0 – 61.9	5 pts
Less than 50.0	0 pts

787

788

789 Where an applicant proposes to close a hospital as part of its application, data from the closed hospital  
790 shall be excluded from this calculation.

791 (c) A qualifying project shall be awarded points as set forth in the following table in accordance with  
792 its impact on inpatient capacity in the health service area of the proposed hospital site.

793

<u>Impact on Capacity</u>	<u>Points Awarded</u>
794 Closure of hospital(s)	15 pts
795 Move beds	0 pts
796 Adds beds (net)	-15 pts
797 or	
798 Closure of hospital(s)	
799 or delicensure of beds	
800 which creates a bed need	
801 or	
802 Closure of a hospital	
803 which creates a new Limited Access Area	

804 (d) A qualifying project will be awarded points based on the percentage of the applicant's market  
805 share of inpatient discharges of the population in the limited access area as set forth in the following table.  
806 Market share used for the calculation shall be the cumulative market share of Michigan hospitals under  
807 common ownership or control with the applicant.  
808

809

<u>Percent</u>	<u>Points Awarded</u>
810 % of market share	% of market share served x 15
811	(total pts awarded)

812 The source for calculations under this criterion is the MIDB.  
813

814 (e) A qualifying project will be awarded points based on the percentage of the limited access area's  
815 population within a 30 minute travel time of the proposed hospital site if in a metropolitan statistical area  
816 population within a 30 minute travel time of the proposed hospital site if in a metropolitan statistical area  
817 county, or within 60 minutes travel time if in a rural or micropolitan statistical area county as set forth in the  
818 following table.

819

<u>Percent</u>	<u>Points Awarded</u>
820 % of population within	% of population
821 30 (or 60) minute travel	covered x 15 (total pts
822 time of proposed site	awarded)

823 (f) All applicants will be ranked in order according to their total project costs as stated in the CON  
824 application divided by its proposed number of beds in accordance with the following table.  
825

826

<u>Cost Per Bed</u>	<u>Points Awarded</u>
827 Lowest cost	10 pts
828 2nd Lowest cost	5 pts
829 All other applicants	0 pts

830  
831  
832 **Section 15. Requirements for approval -- acquisition of a hospital**  
833

834 Sec. 15. (1) An applicant proposing to acquire a hospital shall not be required to be in compliance  
835 with the needed hospital bed supply for the hospital group in which the hospital subject to the proposed  
836 acquisition is assigned if the applicant demonstrates that all of the following are met:  
837

- 838 (a) the acquisition will not result in a change in bed capacity,  
839 (b) the licensed site does not change as a result of the acquisition,  
840 (c) the project is limited solely to the acquisition of a hospital with a valid license, and  
841 (d) if the application is to acquire a hospital, which was proposed in a prior application to be  
842 established as an LTAC hospital and which received CON approval, the applicant also must meet the

843 requirements of Section 6(2). Those hospitals that received such prior approval are so identified on the  
844 Department inventory of beds.

845 (2) The applicant shall comply with the following requirements, as applicable:

846 (a) The existing licensed hospital shall have an average adjusted occupancy rate of 40 percent or  
847 above.

848 (b) If the existing licensed hospital does not have an average adjusted occupancy rate of 40 percent  
849 or above, the applicant shall agree to all of the following:

850 (i) The hospital to be acquired will achieve an annual adjusted occupancy of at least 40% during any  
851 consecutive 12-month period by the end of the third year of operation after completion of the acquisition.  
852 Annual adjusted occupancy shall be calculated as follows:

853 (a) Calculate the number of adjusted patient days during the most recent, consecutive 12-month  
854 period for which verifiable data is available to the Department.

855 (b) Divide the number of adjusted patient days calculated in (a) above by 365 (or 366 if a leap year).

856 (c) If the hospital to be acquired does not achieve an annual adjusted occupancy of at least 40  
857 percent, as calculated in (b) above, during any consecutive 12-month period by the end of the third year of  
858 operation after completion of the acquisition, the applicant shall relinquish sufficient beds at the existing  
859 hospital to raise its adjusted occupancy to 60 percent. The revised number of licensed beds at the  
860 hospital shall be calculated as follows:

861 (i) Calculate the number of adjusted patient days during the most recent, consecutive 12-month  
862 period where verifiable data is available to the Department, and divide by .60.

863 (ii) Divide the result of subsection (i) above by 365 (or 366 if the 12-month period includes a leap  
864 year) and round up to the next whole number or 25, whichever is larger. This is the maximum number of  
865 beds that can be licensed at the existing licensed hospital site after acquisition.

866 (d) Subsection (2) shall not apply to excluded hospitals.

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## 868 **Section 16. Requirements for approval – all applicants**

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870 Sec. 16. (1) An applicant shall provide verification of Medicaid participation. An applicant that is a  
871 new provider not currently enrolled in Medicaid shall certify that proof of Medicaid participation will be  
872 provided to the Department within six (6) months from the offering of services if a CON is approved.

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874 (2) The applicant certifies all outstanding debt obligations owed to the State of Michigan for Quality  
875 Assurance Assessment Program (QAAP) or Civil Monetary Penalties (CMP) have been paid in full.

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877 (3) The applicant certifies that the health facility for the proposed project has not been cited for a state  
878 or federal code deficiency within the 12 months prior to the submission of the application. If a state code  
879 deficiency has been issued, the applicant shall certify that a plan of correction for cited state deficiencies  
880 at the health facility has been submitted and approved by the Bureau of Health Systems within the  
881 Department of Licensing and Regulatory Affairs. If a federal code deficiency has been issued, the  
882 applicant shall certify that a plan of correction for cited federal deficiencies at the health facility has been  
883 submitted and approved by the Centers for Medicare and Medicaid Services. If code deficiencies include  
884 any unresolved deficiencies still outstanding with the Department of Licensing and Regulatory Affairs or  
885 the Centers for Medicare and Medicaid Services that are the basis for the denial, suspension, or  
886 revocation of an applicant's health facility license, poses an immediate jeopardy to the health and safety of  
887 patients, or meets a federal conditional deficiency level, the proposed project cannot be approved without  
888 approval from the Bureau of Health Systems or, if applicable, the Centers for Medicare and Medicaid  
889 Services.

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Counties assigned to each health service area are as follows:

<b>HSA</b>	<b>COUNTIES</b>			
1 - Southeast	Livingston	Monroe	St. Clair	
	Macomb	Oakland	Washtenaw	
	Wayne			
2 - Mid-Southern	Clinton	Hillsdale	Jackson	
	Eaton	Ingham	Lenawee	
3 - Southwest	Barry	Calhoun	St. Joseph	
	Berrien	Cass	Van Buren	
	Branch	Kalamazoo		
4 - West	Allegan	Mason	Newaygo	
	Ionia	Mecosta	Oceana	
	Kent	Montcalm	Osceola	
	Lake	Muskegon	Ottawa	
5 - GLS	Genesee	Lapeer	Shiawassee	
6 - East	Arenac	Huron	Roscommon	
	Bay	Iosco	Saginaw	
	Clare	Isabella	Sanilac	
	Gladwin	Midland	Tuscola	
	Gratiot	Ogemaw		
7 - Northern Lower	Alcona	Crawford	Missaukee	
	Alpena	Emmet	Montmorency	
	Antrim	Gd Traverse	Oscoda	
	Benzie	Kalkaska	Otsego	
	Charlevoix	Leelanau	Presque Isle	
	Cheboygan	Manistee	Wexford	
8 - Upper Peninsula	Alger	Gogebic	Mackinac	
	Baraga	Houghton	Marquette	
	Chippewa	Iron	Menominee	
	Delta	Keweenaw	Ontonagon	
	Dickinson	Luce	Schoolcraft	

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Rural Michigan counties are as follows:

Alcona	Hillsdale	Ogemaw
Alger	Huron	Ontonagon
Antrim	Iosco	Osceola
Arenac	Iron	Oscoda
Baraga	Lake	Otsego
Charlevoix	Luce	Presque Isle
Cheboygan	Mackinac	Roscommon
Clare	Manistee	Sanilac
Crawford	Mason	Schoolcraft
Emmet	Montcalm	Tuscola
Gladwin	Montmorency	
Gogebic	Oceana	

Micropolitan statistical area Michigan counties are as follows:

Allegan	Gratiot	Mecosta
Alpena	Houghton	Menominee
Benzie	Isabella	Midland
Branch	Kalkaska	Missaukee
Chippewa	Keweenaw	St. Joseph
Delta	Leelanau	Shiawassee
Dickinson	Lenawee	Wexford
Grand Traverse	Marquette	

Metropolitan statistical area Michigan counties are as follows:

Barry	Ionia	Newaygo
Bay	Jackson	Oakland
Berrien	Kalamazoo	Ottawa
Calhoun	Kent	Saginaw
Cass	Lapeer	St. Clair
Clinton	Livingston	Van Buren
Eaton	Macomb	Washtenaw
Genesee	Monroe	Wayne
Ingham	Muskegon	

Source:

65 F.R., p. 82238 (December 27, 2000)  
Statistical Policy Office  
Office of Information and Regulatory Affairs  
United States Office of Management and Budget

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**OCCUPANCY RATE TABLE**

<b>HOSPITAL GROUP PROJECTED BED ADC</b>		<b>OCCUPANCY RATE</b>	<b>ADJUSTED BED RANGE</b>	
<b>ADC_LOW</b>	<b>ADC_HIGH</b>		<b>BEDS_LOW</b>	<b>BED S_HIGH</b>
30	31	60%	50	52
32	35	61%	53	58
36	39	62%	59	53
40	45	63%	64	72
46	50	64%	72	79
51	58	65%	79	90
59	67	66%	90	102
68	77	67%	102	115
78	88	68%	115	130
89	101	69%	129	147
102	117	70%	146	168
118	134	71%	167	189
135	154	72%	188	214
155	176	73%	213	242
177	204	74%	240	276
205	258	75%	274	344
259	327	76%	341	431
328	424	77%	426	551
425	561	78%	545	720
562	760	79%	712	963
761	895	80%	952	1119

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LIMITED ACCESS AREAS

Limited access areas and the hospital bed need, effective September 28, 2012, for each of those areas are identified below. The hospital bed need for limited access areas shall be changed by the Department in accordance with section 2(1)(w) of these standards, and this appendix shall be updated accordingly.

LIMITED ACCESS AREA	BED NEED	PREDICTED PATIENT DAYS
1 Upper Peninsula	255	68,551
2 East/Central Northern Lower Peninsula	143	35,754
3 West Northern Lower Peninsula	383	106,135
4 East Southern Lower Peninsula	131	32,720

## Sources:

- 1) Michigan State University  
Department of Geography  
2012 REPORT: Hospital Groups, Determination of Needed Hospital Bed Supply,  
and Limited Access Areas  
August 22, 2012
- 2) Section 4 of these standards

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**ICD-9-CM TO ICD-10-CM CODE TRANSLATION**

<b>ICD-9 CODE</b>	<b>DESCRIPTION</b>	<b>ICD-10 CODE</b>	<b>DESCRIPTION</b>
<b>290 THROUGH 319</b>	<b>PSYCHIATRIC PATIENTS</b>	<b>F01.50- F99</b>	<b>MENTAL, BEHAVIORAL, AND NEURODEVELOPMENTAL DISORDERS</b>

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"ICD-9-CM CODE" MEANS THE DISEASE CODES AND NOMENCLATURE FOUND IN THE  
**INTERNATIONAL CLASSIFICATION OF DISEASES - 9TH REVISION - CLINICAL MODIFICATION,**  
PREPARED BY THE COMMISSION ON PROFESSIONAL AND HOSPITAL ACTIVITIES FOR THE U.S.  
NATIONAL CENTER FOR HEALTH STATISTICS.

"ICD-10-CM CODE" MEANS THE DISEASE CODES AND NOMENCLATURE FOUND IN THE  
**INTERNATIONAL CLASSIFICATION OF DISEASES - 10TH REVISION - CLINICAL MODIFICATION,**  
NATIONAL CENTER FOR HEALTH STATISTICS.