

1 MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES

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**

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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**

30
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 (e) "Certificate of Need Commission" or "Commission" means the Commission created pursuant to
54 Section 22211 of the code, being Section 333.22211 of the Michigan Compiled Laws.

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

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

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

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

65 (j) "Department" means the Michigan Department of Health and Human Services (MDHHS).

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

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

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

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

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

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

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

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

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

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

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

104 (v) "Inpatient Rehabilitation Facility bed" or "IRF bed" means a licensed hospital bed within an IRF
105 hospital or unit that has been approved to participate in the Title XVIII (Medicare) program as a
106 prospective payment system (PPS) exempt Inpatient Rehabilitation Hospital in accordance with 42 CFR
107 Part 412 Subpart P.

- 108 (w) "Inpatient Rehabilitation Facility hospital" or "IRF hospital" means a hospital that has been
109 approved to participate in the Title XVIII (Medicare) program as a prospective payment system (PPS)
110 exempt Inpatient Rehabilitation Hospital in accordance with 42 CFR Part 412 Subpart P.
- 111 (x) "Licensed site" means the location of the facility authorized by license and listed on that licensee's
112 certificate of licensure.
- 113 (y) "Limited access area" means those underserved areas with a patient day demand that meets or
114 exceeds the state-wide average of patient days used per 50,000 residents in the base year and as
115 identified ON THE STATE OF MICHIGAN CON WEB SITE. Limited access areas shall be redetermined
116 when a new hospital has been approved or an existing hospital closes.
- 117 (z) "Long-term (acute) care hospital" or "LTAC hospital" means a hospital has been approved to
118 participate in the Title XVIII (Medicare) program as a prospective payment system (PPS) exempt hospital
119 in accordance with 42 CFR Part 412 Subpart O.
- 120 (aa) "Medicaid" means title XIX of the social security act, chapter 531, 49 Stat. 620, 1396 to 1396g and
121 1396i to 1396u.
- 122 (bb) "Medicaid volume" means the number of Medicaid recipients served at the hospital as stated on
123 the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration
124 within the Department.
- 125 (cc) "Michigan Inpatient Data Base" or "MIDB" means the data base compiled by the Michigan Health
126 and Hospital Association or successor organization. The data base consists of inpatient discharge
127 records from all Michigan hospitals and Michigan residents discharged from hospitals in border states for
128 a specific calendar year.
- 129 (dd) "New beds in a hospital" means hospital beds that meet at least one of the following: (i) are not
130 currently licensed as hospital beds, (ii) are currently licensed hospital beds at a licensed site in one
131 hospital group which are proposed for relocation in a different hospital group as determined by the
132 Department pursuant to Section 3 of these standards, (iii) are currently licensed hospital beds at a
133 licensed site in one hospital group which are proposed for relocation to another geographic site which is in
134 the same hospital group as determined by the Department, but which are not in the replacement zone, or
135 (iv) are currently licensed hospital beds that are proposed to be licensed as part of a new hospital in
136 accordance with Section 6(2) of these standards.
- 137 (ee) "New hospital" means one of the following: (i) the establishment of a new facility that shall be
138 issued a new hospital license, (ii) for currently licensed beds, the establishment of a new licensed site that
139 is not in the same hospital group as the currently licensed beds, (iii) currently licensed hospital beds at a
140 licensed site in one hospital group which are proposed for relocation to another geographic site which is in
141 the same hospital group as determined by the Department, but which are not in the replacement zone, or
142 (iv) currently licensed hospital beds that are proposed to be licensed as part of a new hospital in
143 accordance with section 6(2) of these standards.
- 144 (ff) "Obstetrics patient days of care" means inpatient days of care for patients in the applicant's
145 Michigan Inpatient Data Base data ages 15 through 44 with DRGs 370 through 375 (obstetrical
146 discharges).
- 147 (gg) "Overbedded hospital group" means a hospital group in which the total number of existing hospital
148 beds in that hospital group exceeds the hospital group needed hospital bed supply.
- 149 (hh) "Pediatric patient days of care" means inpatient days of care for patients in the applicant's
150 Michigan Inpatient Data Base data ages 0 through 14 excluding normal newborns.
- 151 (ii) "Planning year" means five years beyond the base year for which hospital bed need is developed.
- 152 (jj) "Qualifying project" means each application in a comparative group which has been reviewed
153 individually and has been determined by the Department to have satisfied all of the requirements of
154 Section 22225 of the code, being section 333.22225 of the Michigan Compiled Laws and all other
155 applicable requirements for approval in the Code or these Standards.
- 156 (kk) "Relocate existing licensed hospital beds" for purposes of sections 6(3) and 8 of these standards,
157 means a change in the location of existing hospital beds from the existing licensed hospital site to a
158 different existing licensed hospital site within the same hospital group or HSA. This definition does not
159 apply to projects involving replacement beds in a hospital governed by Section 7 of these standards.
- 160 (ll) "Remaining patient days of care" means total inpatient days of care in the applicant's Michigan
161 Inpatient Data Base data minus obstetrics patient days of care and pediatric patient days of care.

- 162 (mm) "Renewal of lease" means execution of a lease between the licensee and a real property owner in
163 which the total lease costs exceed the capital expenditure threshold.
- 164 (nn) "Replace beds" means a change in the location of the licensed hospital, the replacement of a
165 portion of the licensed beds at the same licensed site, or the one-time replacement of less than 50% of
166 the licensed beds to a new site within 250 yards of the building on the licensed site containing more than
167 50% of the licensed beds, which may include a new site across a highway(s) or street(s) as defined in
168 MCL 257.20 and excludes a new site across a limited access highway as defined in MCL 257.26. The
169 hospital beds will be in new physical plant space being developed in new construction or in newly acquired
170 space (purchase, lease, donation, etc.) within the replacement zone.
- 171 (oo) "Replace IRF beds" means a change in the location of all IRF beds from an existing site to a new
172 site within the replacement zone for IRF beds.
- 173 (pp) "Replacement zone" means a proposed licensed site that is (i) in the same hospital group as the
174 existing licensed site as determined by the Department in accord with Section 3 of these standards and (ii)
175 on the same site, on a contiguous site, or on a site within 2 miles (5 miles for IRF beds) of the existing
176 licensed site if the existing licensed site is located in a county with a population of 200,000 or more, or on
177 a site within 5 miles (10 miles for IRF beds) of the existing licensed site if the existing licensed site is
178 located in a county with a population of less than 200,000.
- 179 (qq) "Uncompensated care volume" means the hospital's uncompensated care volume as stated on
180 the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration
181 within the Department.
- 182 (rr) "Underserved area" means those geographic areas not within 30 minute drive time of an existing
183 licensed acute care hospital with 24 hour/7 days a week emergency room services utilizing the most direct
184 route using the lowest speed limits posted as defined by the Michigan Department of Transportation
185 (MDOT).
- 186 (ss) "Use rate" means the number of days of inpatient care per 1,000 population during a one-year
187 period.
- 188
- 189 (2) The definitions in Part 222 shall apply to these standards.

191 **Section 3. Hospital groups**

192

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

194

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

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

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

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

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

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

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

220 (ii) "k-means clustering algorithm" means a method for partitioning observations into a user-specified
221 number of groups. It is a standard algorithm with a long history of use in academic and applied research.
222 The approach identifies groups of observations such that the sum of squares from points to the assigned
223 cluster centers is minimized, i.e., observations in a cluster are more similar to one another than they are
224 to other clusters. Several k-means implementations have been proposed; the bed need methodology
225 uses the widely-adopted Hartigan-Wong algorithm. Any clustering or data mining text will discuss k-
226 means; one example is B.S. Everitt, S. Landau, M. Leese, & D. Stahl (2011) Cluster Analysis, 5th Edition.
227 Wiley, 346 p.

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

235 (f) Calculate the incremental F score (F_{inc}) for each cluster solution (i) between 3 and $n-1$ letting:

236 $r_i^2 = r^2$ of solution i

237 $r_{i-1}^2 = r^2$ of solution i-1

238 $k_i =$ number of clusters in solution i

239 $k_{i-1} =$ number of clusters in solution i-1

240 $n =$ total number of hospitals

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

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

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

246 (i) Identify the minimum number of single hospital clusters from the remaining candidate solutions.
247 Remove all candidate solutions containing a greater number of single hospital clusters than the identified
248 minimum.

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

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

251 (k) Rename hospital groups as follows:

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

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

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

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

260

261 (2) For an application involving a proposed new licensed site for a hospital (whether new or
262 replacement), the proposed new licensed site shall be assigned to an existing hospital group utilizing the

263 methodology described in "A Methodology for Defining Hospital Groups" by Paul L. Delamater, Ashton M.
264 Shortridge, and Joseph P. Messina, 2011 as follows:

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

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

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

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

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

274 (e) Assign the proposed new site to the closest hospital group (HG k) by selecting the minimum value
275 of $d_{k,s}$.

276 (f) If there is only a single applicant, then the assignment procedure is complete. If there are
277 additional applicants, then steps (a) – (e) must be repeated until all applicants have been assigned to an
278 existing hospital group.

279
280 (3) The Department shall amend the hospital groups to reflect: (a) approved new licensed site(s)
281 assigned to a specific hospital group; (b) hospital closures; and (c) licensure action(s) as appropriate.
282

283 (4) As directed by the Commission, new hospital group assignments established according to
284 subsection (1) shall supersede the previous subarea/hospital group assignments and shall be posted on
285 the State of Michigan CON web site effective on the date determined by the Commission.
286

287 **Section 4. Determination of the needed hospital bed supply**

288
289 Sec. 4. (1) The determination of the needed hospital bed supply for a hospital group for a planning
290 year shall be made using the MIDB and the methodology detailed in "New Methodology for Determining
291 Needed Hospital Bed Supply" by Paul L. Delamater, Ashton M. Shortridge, and Joseph P. Messina, 2011
292 as follows:

293 (a) All hospital discharges for normal newborns (DRG 391 prior to 2008, DRG 795 thereafter) and
294 psychiatric patients (ICD-9-CM codes 290 through 319, see Appendix D for ICD-10-CM Codes, as a
295 principal diagnosis) will be excluded.

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

302 (c) For each county, calculate the monthly patient days for all months in the planning year. For each
303 county, construct an ordinary least squares linear regression model using monthly patient days as the
304 dependent variable and months (1-60) as the independent variable. If the linear regression model is
305 significant at a 90% confidence level (F-score, two tailed p value ≤ 0.1), predict patient days for months
306 109-120 using the model coefficients. If the linear regression model is not significant at a 90% confidence
307 level (F-score, two tailed p value > 0.1), calculate the predicted monthly patient day demand in the
308 planning year by finding the monthly average of the three previous years (months 25-60).

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

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

- 315 (f) For each county, allocate the planning year patient days to the hospital groups by multiplying the
316 planning year patient days by the %c to each hospital group from subsection (e).
317 (g) For each hospital group, sum the planning year patient days allocated from each county.
318 (h) For each hospital group, calculate the average daily census (ADC) for the planning year by
319 dividing the planning year patient days by 365. Round each ADC value up to the nearest whole number.
320 (i) For each hospital group, select the appropriate occupancy rate from the occupancy table in
321 Appendix C.
322 (j) For each hospital group, calculate the planning year bed need by dividing the planning year ADC
323 by the appropriate occupancy rate. Round each bed need value up to the nearest whole number.
324

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

- 328 (a) All hospital discharges for normal newborns (DRG 391 prior to 2008, DRG 795 thereafter) and
329 psychiatric patients (ICD-9-CM codes 290 through 319, see Appendix D for ICD-10-CM Codes, as a
330 principal diagnosis) will be excluded.
331 (b) Calculate the average patient day use rate of Michigan residents. Sum total patient days of
332 Michigan residents in the base year and divide by estimated base year population for the state (population
333 data available from US Census Bureau).
334 (c) Calculate the minimum number of patient days for designation of a limited access area by
335 multiplying the average patient day use rate by 50,000. Round up to the nearest whole number.
336 (d) Follow steps outlined in Section 4(1)(b) – (d) to predict planning year patient days for each
337 underserved area. Round up to the nearest whole number. The patient days for each underserved area
338 are defined as the sum of the zip codes corresponding to each underserved area.
339 (e) For each underserved area, compare the planning year patient days to the minimum number of
340 patient days for designation of a limited access area calculated in (c). Any underserved area with a
341 planning year patient day demand greater than or equal to the minimum is designated as a limited access
342 area.
343 (f) For each limited access area, calculate the planning year bed need using the steps outlined in
344 Section 4(1)(h) – (j). For these steps, use the planning year patient days for each limited access area.
345

346 **Section 5. Bed Need**

347
348 Sec. 5. (1) The bed-need numbers shall apply to projects subject to review under these standards,
349 except where a specific CON review standard states otherwise.
350

351 (2) The Department shall re-calculate the acute care bed need methodology in Section 4 every two
352 years, or as directed by the Commission.
353

354 (3) The effective date of the bed-need numbers shall be established by the Commission.
355

356 (4) New bed-need numbers established by subsections (2) and (3) shall supersede previous bed-
357 need numbers and shall be posted on the State of Michigan CON web site as part of the hospital bed
358 inventory.
359

360 (5) Modifications made by the Commission pursuant to this section shall not require standard
361 advisory committee action, a public hearing, or submittal of the standard to the legislature and the
362 governor in order to become effective.
363

364 **Section 6. Requirements for approval -- new beds in a hospital**

365
366 Sec. 6. (1) An applicant proposing new beds in a hospital, except an applicant meeting the
367 requirements of subsection 2, 3, 4, or 5 shall demonstrate that it meets all of the following:

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

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

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

379

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

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

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

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

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

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

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

410 (B) Delicensure of the hospital beds; or

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

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

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

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

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

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

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

426
427 (3) An applicant proposing to add new hospital beds, as the receiving licensed hospital under Section
428 8, shall demonstrate that it meets all of the requirements of this subsection and shall not be required to be
429 in compliance with the needed hospital bed supply if the application meets all other applicable CON review
430 standards and agrees and assures to comply with all applicable project delivery requirements.

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

433 (i) In the hospital group pursuant to Section 8(2)(a), or

434 (ii) in the HSA pursuant to Section 8(2)(b).

435 (b) Where the source hospital was subject to Section 8(3)(b), the receiving hospital shall have an
436 average adjusted occupancy rate of 40 percent or above.

437 (c) Where the source hospital was subject to Section 8(3)(b), the addition of the proposed new
438 hospital beds at the receiving hospital shall not exceed the number determined by the following
439 calculation:

440 (i) As of the date of the application, calculate the adjusted patient days for the most recent,
441 consecutive 36-month period where verifiable data is available to the Department, and divide by .40.

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

445 (iii) Subtract the receiving hospital's total number of licensed beds and approved beds from the result
446 of subsection (ii). This is the maximum number of beds that can be added to the receiving hospital.

447 (d) Where the source hospital was subject to Section 8(3)(b), the receiving hospital's average
448 adjusted occupancy rate must not be less than 40 percent after the addition of the proposed new hospital
449 beds.

450 (e) Subsection (3)(b), (c), and (d) shall not apply to excluded hospitals.

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

453 (g) Applicants proposing to add new hospital beds under this subsection shall not be subject to
454 comparative review.

455
456 (4) An applicant may apply for the addition of new beds if all of the following subsections are met.
457 Further, an applicant proposing new beds at an existing licensed hospital site shall not be required to be in
458 compliance with the needed hospital bed supply if the application meets all other applicable CON review
459 standards and agrees and assures to comply with all applicable project delivery requirements.

460 (a) The beds are being added at the existing licensed hospital site or are being replaced to a new IRF
461 hospital site being created under Section 7(6) as part of the same CON application.

462 (b) The hospital at the existing licensed hospital site has operated at an adjusted occupancy rate of
463 80 percent or above for the previous, consecutive 24 months based on its licensed and approved hospital
464 bed capacity. The adjusted occupancy rate shall be calculated as follows:

465 (i) Calculate the number of adjusted patient days during the most recent, consecutive 24-month
466 period for which verifiable data are available to the Department.

467 (ii) Divide the number calculated in (i) above by the total possible patient days [licensed and approved
468 hospital beds multiplied by 730 (or 731 if including a leap year)]. This is the adjusted occupancy rate.

469 (c) The number of beds that may be approved pursuant to this subsection shall be the number of
470 beds necessary to reduce the adjusted occupancy rate for the hospital to 75 percent. The number of beds
471 shall be calculated as follows:

472 (i) Divide the number of adjusted patient days calculated in subsection (b)(i) by .75 to determine
473 licensed bed days at 75 percent occupancy.

474 (ii) Divide the result of step (i) by 730 (or 731 if including a leap year) and round the result up to the
475 next whole number.

476 (iii) Subtract the number of licensed and approved hospital beds as documented on the "Department
477 Inventory of Beds" from the result of step (ii) and round the result up to the next whole number to
478 determine the maximum number of beds that may be approved pursuant to this subsection.

479 (d) A licensed acute care hospital that has relocated its beds, after the effective date of these
480 standards, shall not be approved for hospital beds under this subsection for five years from the effective
481 date of the relocation of beds.

482 (e) Applicants proposing to add new hospital beds under this subsection shall not be subject to
483 comparative review.

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

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

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

492 (c) Approval of the proposed new beds in a hospital in a limited access area shall not exceed the bed
493 need for the limited access area as determined by the bed need methodology in Section 4 and as set forth
494 on the State of Michigan CON web site.

495 (d) The new beds in a hospital in a limited access area shall result in a hospital of at least 100 beds in
496 a metropolitan statistical area county or 50 beds in a rural or micropolitan statistical area county. If the
497 bed need for a limited access area, as shown on the State of Michigan CON web site, is less, then that will
498 be the minimum number of beds for a new hospital under this provision. If an applicant for new beds in a
499 hospital under this provision simultaneously applies for status as a critical access hospital, the minimum
500 hospital size shall be that number allowed under state/federal critical access hospital designation.

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

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

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

510 (i) In a metropolitan statistical area county, an applicant proposing to add a new hospital pursuant to
511 this subsection shall locate the new hospital within the limited access area and serve a population of
512 50,000 or more inside the limited access area and within 30 minutes drive time from the proposed new
513 hospital.

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

519 **Section 7. Requirements for approval to replace beds**

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

527
528 (2) The applicant shall specify whether the proposed project is to replace the licensed hospital to a
529 new site, to replace all licensed IRF beds to a new site, to replace a portion of the licensed beds at the

530 existing licensed site, or the one-time replacement of less than 50% of the licensed beds to a new site
531 within 250 yards of the building on the licensed site containing more than 50% of the licensed beds, which
532 may include a new site across a highway(s) or street(s) as defined in MCL 257.20 and excludes a new site
533 across a limited access highway as defined in MCL 257.26.

534
535 (3) The applicant shall demonstrate that the new licensed site is in the replacement zone.

536
537 (4) The applicant shall comply with the following requirements, as applicable:

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

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

543 (i) As of the date of the application, calculate the number of adjusted patient days during the most
544 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by
545 .60.

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

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

550

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

554

555 (6) If the application involves the development of a new licensed IRF hospital site, an applicant
556 proposing to replace IRF beds within the replacement zone shall demonstrate that it meets all of the
557 requirements of this subsection:

558 (a) The new license created by the proposed project shall only be utilized for inpatient rehabilitation
559 beds.

560 (b) The applicant hospital has demonstrated, at the time of the CON filing, it is operating under high
561 occupancy as governed by Section 6(4) of these standards.

562 (c) The applicant has demonstrated, at the time of CON filing, that the beds to be replaced are either
563 IRF beds that meet the Title XVIII requirements of the Social Security Act for exemption from PPS as an
564 IRF hospital, or high occupancy beds being requested under Section 6(4) as part of the same CON
565 application.

566 (d) The new IRF hospital will have at least 40 IRF beds if located in a county with a population of
567 200,000 or more; or at least 25 IRF beds if located in a county with a population of less than 200,000.

568 (e) As part of the phasing of the replacement of IRF beds to the new site, the applicant may retain, for
569 36-months from the time of activation of the new site, up to eight IRF beds at the existing hospital site.
570 Any IRF beds at the existing site that have not been transitioned to the new site within the 36-month time
571 period shall not be utilized for inpatient rehabilitation and shall revert back to acute medical-surgical
572 hospital beds.

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

575 (g) The existing hospital site shall delicense the same number of IRF beds proposed by the applicant
576 for licensure in the new IRF hospital.

577 (h) Applicants proposing a new IRF hospital under this subsection shall not be subject to comparative
578 review.

579 (i) The new IRF hospital shall be assigned to the same hospital group as the hospital where the IRF
580 beds originated.

581 (j) If the IRF hospital approved under this subsection ceases operation as an IRF hospital, the beds
582 licensed as part of the new IRF hospital must be disposed of by one of the following means:

583 (i) relocate the replaced IRF beds back to the site of origin;

- 584 (ii) relocate all IRF beds approved under high occupancy to the site of origin in subsection (i) if they
585 are to be utilized as an IRF bed; or
586 (iii) delicense any IRF beds approved under high occupancy if they are not to be utilized as an IRF
587 bed.

588
589 **Section 8. Requirements for approval of an applicant proposing to relocate existing licensed**
590 **hospital beds**

591
592 Sec. 8. (1) The proposed project to relocate beds, under this section, shall constitute a change in
593 bed capacity under Section 1(3) of these standards.

594
595 (2) Any existing licensed acute care hospital (source hospital) may relocate all or a portion of its beds
596 to another existing licensed acute care hospital as follows:

- 597 (a) The licensed acute care hospitals are located within the same hospital group, or
598 (b) the licensed acute care hospitals are located within the same HSA if the receiving hospital meets
599 the requirements of Section 6(4)(b) of these standards.

600
601 (3) The applicant shall comply with the following requirements, as applicable:

- 602 (a) The source hospital shall have an average adjusted occupancy rate of 40 percent or above.
603 (b) If the source hospital does not have an average adjusted occupancy rate of 40 percent or above,
604 then the source hospital shall reduce the appropriate number of licensed beds to achieve an average
605 adjusted occupancy rate of 60 percent or above upon completion of the relocation(s). The source hospital
606 shall not exceed the number of beds calculated as follows:

607 (i) As of the date of the application, calculate the number of adjusted patient days during the most
608 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by
609 .60.

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

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

614
615 (4) A source hospital shall apply for multiple relocations on the same application date, and the
616 applications can be combined to meet the criteria of (3)(b) above. A separate application shall be
617 submitted for each proposed relocation.

618
619 (5) The hospital from which the beds are being relocated, and the hospital receiving the beds, shall
620 not require any ownership relationship.

621
622 (6) The relocated beds shall be licensed to the receiving hospital and will be counted in the inventory
623 for the applicable hospital group.

624
625 (7) The relocation of beds under this section shall not be subject to a mileage limitation.

626
627 **Section 9. Project delivery requirements terms of approval for all applicants**

628
629 Sec. 9. An applicant shall agree that, if approved, the project shall be delivered in compliance with the
630 following terms of CON approval:

631
632 (1) Compliance with these standards.

633
634 (2) Compliance with the following quality assurance standards:

635 (a) The applicant shall assure compliance with Section 20201 of the Code, being Section 333.20201
636 of the Michigan Compiled Laws.

637

- 638 (3) Compliance with the following access to care requirements:
- 639 (a) An applicant shall participate in Medicaid at least 12 consecutive months within the first two years
- 640 of operation and continue to participate annually thereafter.
- 641 (b) The applicant, to assure appropriate utilization by all segments of the Michigan population, shall:
- 642 (i) Not deny services to any individual based on ability to pay or source of payment.
- 643 (ii) Maintain information by source of payment to indicate the volume of care from each payor and
- 644 non-payor source provided annually.
- 645 (iii) Provide services to any individual based on clinical indications of need for the services.
- 646
- 647 (4) Compliance with the following monitoring and reporting requirements:
- 648 (a) An applicant approved pursuant to Section 6(4) must achieve a minimum occupancy of 75
- 649 percent over the last 12-month period in the three years after the new beds are put into operation, and for
- 650 each subsequent calendar year, or the number of new licensed beds shall be reduced to achieve a
- 651 minimum of 75 percent average annual occupancy for the revised licensed bed complement.
- 652 (b) The applicant must submit documentation acceptable and reasonable to the Department, within
- 653 30 days after the completion of the 3-year period, to substantiate the occupancy rate for the last 12-month
- 654 period after the new beds are put into operation and for each subsequent calendar year, within 30 days
- 655 after the end of the year.
- 656 (c) The applicant shall participate in a data collection system established and administered by the
- 657 Department or its designee. The data may include, but is not limited to, annual budget and cost
- 658 information, operating schedules, through-put schedules, and demographic, morbidity, and mortality
- 659 information, as well as the volume of care provided to patients from all payor sources. The applicant shall
- 660 provide the required data on a separate basis for each licensed site; in a format established by the
- 661 Department, and in a mutually agreed upon media. The Department may elect to verify the data through
- 662 on-site review of appropriate records.
- 663 (d) The applicant shall participate and submit data to the Michigan Inpatient Data Base (MIDB). The
- 664 data shall be submitted to the Department or its designee.
- 665 (e) The applicant shall provide the Department with timely notice of the proposed project
- 666 implementation consistent with applicable statute and promulgated rules.
- 667
- 668 (5) An applicant approved for the replacement of IRF beds under Section 7(6) to a new non-
- 669 contiguous site shall be in compliance with the following:
- 670 (a) The replaced IRF beds shall maintain their PPS exempt inpatient rehabilitation hospital status.
- 671 (b) The new license created by the proposed project will only be utilized for inpatient rehabilitation
- 672 beds.
- 673
- 674 (6) The agreements and assurances required by this section shall be in the form of a certification
- 675 agreed to by the applicant or its authorized agent.
- 676

677 **Section 10. Department inventory of beds**

678

679 Sec. 10. The Department shall maintain and provide on request a listing of the Department inventory

680 of beds for each hospital group.

681

682 **Section 11. Effect on prior planning policies; comparative reviews**

683

684 Sec. 11. (1) These CON review standards supersede and replace the CON standards for hospital

685 beds approved by the CON Commission on December 11, 2014 and effective March 20, 2015.

686

687 (2) Projects reviewed under these standards shall be subject to comparative review except those

688 projects meeting the requirements of Section 7 involving the replacement of beds in a hospital within the

689 replacement zone and projects involving acquisition (including purchase, lease, donation or comparable

690 arrangements) of a hospital.

691

Section 12. Additional requirements for applications included in comparative reviews

Sec. 12. (1) Any application for hospital beds, that is subject to comparative review under Section 22229 of the Code, being Section 333.22229 of the Michigan Compiled Laws, or under these standards shall be grouped and reviewed comparatively with other same type of applications (limited access area or non-limited access area) in accordance with the CON rules.

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

(3)(a) A qualifying project will be awarded points based on the applicant’s CMS Star Ratings via Hospital Compare as of the date of application as follows:

A qualifying project will be awarded points based on the applicant’s quality of care as measured by the overall Star Ratings available through CMS’ Hospital Compare. For purposes of evaluating this criterion, an average shall be calculated based on the overall Star Ratings of the applicant and all currently licensed Michigan hospitals under common ownership or control with the applicant that are located in the same health service area as the proposed hospital beds. Applicants shall be ranked in order according to this calculated overall Star Rating average.

STAR RATING	POINTS AWARDED
Applicant with highest average star rating	20 points
All other applicants	Applicant’s average Star Rating divided by the highest applicant’s Star Rating, then multiplied by 15
Example: The highest applicant has an average Star Rating of 3.4	20 points
Applicant with Star Rating of 3.1	$(3.1 \div 3.4) \times 15 = 13.7$ is 14 points
Applicant with Star Rating of 3.0	$(3.0 \div 3.4) \times 15 = 13.2$ is 13 points

For purposes of evaluating this criterion, applicants shall submit the overall CMS Star Rating available at the time of the submission of the CON application for the applicant and each currently licensed hospital under common ownership or control located in the same health service area as the proposed hospital beds. Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to be closed shall be excluded from this calculation. Star Ratings shall be rounded to the nearest 1/10, and points awarded shall be rounded to the nearest whole number, i.e. numbers ending in .5 or higher, round up, and numbers ending in .4 or lower, round down.

(b) A qualifying project will be awarded points based on the ranking of the applicant’s uninsured days as measured as a percentage of total days as set forth in the following table. The applicant’s uninsured percentage will be the cumulative of all uninsured inpatient med/surg and uninsured inpatient rehab days divided by the cumulative of all inpatient med/surg and inpatient rehab days at all currently licensed Michigan hospitals under common ownership or control with the applicant that are located in the same health service area as the proposed hospital beds. For purposes of evaluating this criterion, an applicant shall submit the most recent reviewed and accepted Medicaid Cost Report for each currently licensed hospital under common ownership or control within the same health service area. If a hospital under

735 common ownership or control with the applicant has not filed a MEDICAID Cost Report, then the related
 736 applicant shall receive a score of zero.
 737

UNINSURED DAYS	POINTS AWARDED
Applicant with highest percent of uninsured days	10 points
All other applicants	Applicant's percent of uninsured days divided by the highest applicant's percent of uninsured days, then multiplied by 7
Example: The highest applicant has 5.3% uninsured days	10 points
Applicant with 5.0% days	$(5.0 \div 5.3) \times 7 = 6.6$ is 7 points
Applicant with 3.0% days	$(3.0 \div 5.3) \times 7 = 4.0$ is 4 points

738
 739 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to
 740 be closed shall be excluded from this calculation. Percentages of days shall be rounded to the nearest
 741 1/10 (e.g. 5.3%), and points awarded shall be rounded to the nearest whole number, i.e. numbers ending
 742 in .5 or higher, round up, and numbers ending in .4 or lower, round down.

743 (c) A qualifying project will be awarded points based on the ranking of the applicant's Medicaid days
 744 as measured as a percentage of total days as set forth in the following table. For purposes of scoring, the
 745 applicant's Medicaid percentage will be the cumulative of all Title XIX and Healthy Michigan inpatient
 746 med/surg and inpatient rehab days divided by the cumulative of all inpatient med/surg and inpatient rehab
 747 days at all currently licensed Michigan hospitals under common ownership or control with the applicant
 748 that are located in the same health service area as the proposed hospital beds. For purposes of
 749 evaluating this criterion, an applicant shall submit the most recent reviewed and accepted Medicaid Cost
 750 Report for each currently licensed hospital under common ownership or control within the same health
 751 service area. If a hospital under common ownership or control with the applicant has not filed a
 752 MEDICAID Cost Report, then the related applicant shall receive a score of zero.
 753

MEDICAID DAYS	POINTS AWARDED
Applicant with highest percent of Medicaid days	20 points
All other applicants	Applicant's percent of Medicaid days divided by the highest applicant's percent of Medicaid days, then multiplied by 15
Example: the highest applicant has 15.3% Medicaid days	20 points
Applicant with 15.0% days	$(15.0 \div 15.3) \times 15 = 14.7$ is 15 points
Applicant with 12.2% days	$(12.2 \div 15.3) \times 15 = 12.0$ is 12 points

754
 755 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to
 756 be closed shall be excluded from this calculation. Percentages of days shall be rounded to the nearest
 757 1/10 (e.g. 5.3%), and points awarded shall be rounded to the nearest whole number, i.e. numbers ending
 758 in .5 or higher, round up, and numbers ending in .4 or lower, round down.

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

<u>Impact on Capacity</u>	<u>Points Awarded</u>
Closure of hospital(s)	15 pts

770 Closure of hospital(s)
 771 which creates a bed need

5 pts

773 (e) A qualifying project will be awarded points based on the applicant's total project costs per hospital
 774 bed. For purposes of this criterion, total project costs shall be defined as the total costs for construction
 775 and renovation, site work, architectural/engineering and consulting fees, contingencies, fixed equipment,
 776 construction management and permits. The proposed project must include space for inpatient care, and,
 777 if not already available at the proposed site, space to provide 24 hour/7 days a week surgical, emergency
 778 and imaging services. Points shall be awarded in accordance with the table below:
 779

COST PER BED	POINTS AWARDED
Applicant with lowest cost per bed	15 points
All other applicants	The lowest cost per bed in the compare group divided by the applicant's cost per bed, then multiplied by 10
Example: the lowest cost applicant has \$698,000 per bed	15 points
Applicant with \$710,000 per bed	$(\$698,000 \div 710,000) \times 10 = 9.8$ is 10 points
Applicant with \$975,000 per bed	$(\$698,000 \div 975,000) \times 10 = 7.2$ is 7 points

780 Points shall not be awarded under this section for any project that proposes to add beds at a leased
 781 facility. Costs shall be rounded to the nearest whole dollar, and points awarded shall be rounded to the
 782 nearest whole number, i.e. numbers ending in .5 or higher, round up, and numbers ending in .4 or lower,
 783 round down.
 784

785 (f) A qualifying project will be awarded points based on the percentage of the applicant's historical
 786 market share of inpatient days of the population in an area which will be defined as that area
 787 circumscribed by the proposed hospital locations defined by all of the applicants in the comparative review
 788 process under consideration. This area will include any zip code completely within the area as well as any
 789 zip code which touches, or is touched by, the lines that define the area included within the figure that is
 790 defined by the geometric area resulting from connecting the proposed locations. In the case of two
 791 locations or one location or if the exercise in geometric definition does not include at least ten zip codes,
 792 the market area will be defined by the zip codes within the county (or counties) that includes the proposed
 793 site (or sites). Market share used for the calculation shall be the cumulative of the market area's patient
 794 days served by the applicant and all currently licensed Michigan hospitals under common ownership and
 795 control divided by the market area's total patient days for the 12-month period most recently available
 796 through the Michigan inpatient database.
 797

MARKET SHARE	POINTS AWARDED
Applicant with highest market share	10 pts
All other applicants	Applicant's market share divided by the highest applicant's market share in the compare group, then multiplied by 7
Example: the highest applicant has 22.5% of population	10 points
Applicant with 20.0% market share	$(20.0 \div 22.5) \times 7 = 6.2$ is 6 points
Applicant with 15.6% market share	$(15.6 \div 22.5) \times 7 = 4.9$ is 5 points

798 For purposes of evaluating this criterion, an applicant shall submit patient days by zip code for each
 799 currently licensed Michigan hospital under common ownership or control using the most recent 12-months
 800 of data available through the MIDB at the time of the submission of the CON application. Where an
 801 applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to be closed
 802

803 shall be excluded from this calculation. Market share percentages shall be rounded to the nearest 1/10
 804 (e.g. 5.3%), and points awarded shall be rounded to the nearest whole number, i.e. numbers ending in .5
 805 or higher, round up, and numbers ending in .4 or lower, round down.

806
 807 (4) If the comparative review group involves a limited access area, each qualifying project will be
 808 awarded points based on the percentage of the limited access area's population within a 30-minute travel
 809 time of the proposed hospital site if in a metropolitan statistical area county, or within 60 minutes travel
 810 time if in a rural or micropolitan statistical area county as set forth in the following table.
 811

% OF POPULATION WITHIN 30 (OR 60) MINUTE TRAVEL TIME OF PROPOSED SITE	POINTS AWARDED
Applicant with highest percent of population	10 pts
All other applicants	Applicant's percentage of population divided by the highest applicant's percentage of population, then multiplied by 7
Example: The highest applicant has 22.5% percent of population	10 points
Applicant with 20.0% percent of population	$(20.0 \div 22.5) \times 7 = 6.2$ is 6 points
Applicant with 15.6% percent of population	$(15.6 \div 22.5) \times 7 = 4.9$ is 5 points

812
 813 Percentages of population shall be rounded to the nearest 1/10 (e.g. 21.2%) and points awarded shall be
 814 rounded to the nearest whole number, i.e. numbers ending in .5 or higher, round up, and numbers ending
 815 in .4 or lower, round down.

816
 817 **Section 13. Requirements for approval -- acquisition of an existing hospital or renew the lease of**
 818 **an existing hospital**
 819

820 Sec. 13. An applicant proposing to acquire an existing hospital or renew the lease of an existing
 821 hospital must meet the following as applicable:
 822

823 (1) An applicant proposing to acquire a hospital shall not be required to be in compliance with the
 824 needed hospital bed supply for the hospital group in which the hospital subject to the proposed acquisition
 825 is assigned if the applicant demonstrates that all of the following are met:

- 826 (a) the acquisition will not result in a change in bed capacity,
- 827 (b) the licensed site does not change as a result of the acquisition,
- 828 (c) the project is limited solely to the acquisition of a hospital with a valid license, and
- 829 (d) if the application is to acquire a hospital, which was proposed in a prior application to be
 830 established as an LTAC or IRF hospital and which received CON approval, the applicant also must meet
 831 the requirements of Section 6(2). Those hospitals that received such prior approval are so identified on
 832 the Department inventory of beds.

833
 834 (2) The applicant shall comply with the following requirements, as applicable:

- 835 (a) The existing licensed hospital shall have an average adjusted occupancy rate of 40 percent or
 836 above.
- 837 (b) If the existing licensed hospital does not have an average adjusted occupancy rate of 40 percent
 838 or above, the applicant shall agree to all of the following:

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

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

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

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

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

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

855 (d) Subsection (2) shall not apply to excluded hospitals or to those applicants applying under Section
856 13(3).
857

858 (3) An applicant proposing to renew the lease for an existing hospital shall not be required to be in
859 compliance with the needed hospital bed supply for the hospital group in which the hospital is located, if all
860 of the following requirements are met:

861 (a) The lease renewal will not result in a change in bed capacity.

862 (b) The licensed site does not change as a result of the lease renewal.
863

864 (4) Section 13(3) does not apply to renewal of lease for LTAC hospital, IRF hospital or alcohol and
865 substance abuse hospital within an existing licensed, host hospital under Section 6(2).
866

867 **Section 14. Requirements for approval – all applicants** 868

869 Sec. 14. (1) An applicant shall provide verification of Medicaid participation. An applicant that is a new
870 provider not currently enrolled in Medicaid shall certify that proof of Medicaid participation will be provided
871 to the Department within six (6) months from the offering of services if a CON is approved.
872

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

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

889 (4) The applicant certifies that the requirements for hospitals found in the Minimum Design Standards
890 for Health Care Facilities of Michigan, referenced in Section 20145 (6) of the Public Health Code, Act 368
891 of 1978, as amended, or any future versions, and are published by LARA, will be met when the
892 architectural blueprints are submitted for review and approval by LARA.

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Counties assigned to each health service area are as follows:

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

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Rural Michigan counties are as follows:

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

Micropolitan statistical area Michigan counties are as follows:

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

Metropolitan statistical area Michigan counties are as follows:

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

Source:

75 F.R., p. 37245 (June 28, 2010)
Statistical Policy Office
Office of Information and Regulatory Affairs
United States Office of Management and Budget

OCCUPANCY RATE TABLE

HOSPITAL GROUP PROJECTED BED ADC		OCCUPANCY RATE	ADJUSTED BED RANGE	
ADC_LOW	ADC_HIGH		BEDS_LOW	BED S_HIGH
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

ICD-9-CM TO ICD-10-CM Code Translation

ICD-9 CODE	Description	ICD-10 Code	Description
290 through 319	Psychiatric Patients	F01.50-F99	Mental, Behavioral, and Neurodevelopmental Disorders

"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.