

Bulletin Number: MSA 15-27

Distribution: Hospitals

Issued: July 1, 2015

Subject: Disproportionate Share Hospital (DSH) Pools

Effective: As Indicated

Programs Affected: Medicaid

NOTE: Implementation of this policy is contingent upon State Plan Amendment approval from the Centers for Medicare & Medicaid Services (CMS).

Outpatient Uncompensated Care DSH Pool

Pursuant to Boilerplate Section 1800 of Public Act 252 of 2014, the Michigan Department of Health and Human Services (MDHHS) will increase the Outpatient Uncompensated Care DSH Pool by \$85 million beginning in Fiscal Year (FY) 2015. The Outpatient Uncompensated Care DSH Pool is a special pool created annually for the purpose of reimbursing hospitals for a portion of their uncompensated care. MDHHS convened a workgroup of hospital and health system representatives to discuss alternatives for distribution of these funds, including establishing a Medicaid value pool that rewards and incentivizes hospitals providing low-cost and high quality Medicaid services. MDHHS proposes to split the increased DSH funds between the large urban and small rural components of this pool as follows:

- \$5 million will be allocated to large urban hospitals using the MDHHS historical Outpatient Uncompensated DSH allocation methodology adjusted by the Medicare Value-Based Purchasing (VBP) performance score. Specifically, the VBP Adjustment Factor that is published annually in the federal register will be used. For example, to allocate funding from the FY 2015 Medicaid value pool, the VBP Adjustment Factor CMS published for FY 2015 in Table 16B, Actual Hospital VBP Program Adjustment Factors for FY 2015, of the Medicare Inpatient Prospective Payment System final rule will be used. The adjustment factor will be updated annually. Each hospital's respective payment from this pool component will be calculated as follows:
 - $(\text{Hospital's Outpatient Uncompensated DSH Pool Factor}) \times (\text{Hospital's VBP Adjustment Factor}) = (\text{Hospital Outpatient Uncompensated DSH Value Adjustment Factor})$
 - $(\text{Hospital Outpatient Uncompensated DSH Value Adjustment Factor}) / (\sum \text{of all Hospital Outpatient Uncompensated DSH Value Adjustment Factors}) \times (\text{Total Pool Amount}) = (\text{Outpatient Uncompensated DSH Value Payment})$
- \$65 million will be allocated to large urban hospitals using the MDHHS historical Outpatient Uncompensated DSH allocation methodology.
- \$15 million will be allocated to small or rural hospitals using the MDHHS historical Outpatient Uncompensated DSH allocation methodology.

Indigent Care Agreement DSH Pool

The MDHHS Indigent Care Agreement DSH Pool will be eliminated effective October 1, 2015.

Manual Maintenance

Retain this bulletin until the information is incorporated into the Medicaid Provider Manual.

Questions

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

Approved

A handwritten signature in black ink, appearing to read "Kathy Stiffler". The signature is written in a cursive, flowing style.

Kathy Stiffler, Acting Director
Medical Services Administration