

Michigan Department of Community Health

Bulletin Number: MSA 12-23

Distribution: Hospitals

Issued: June 1, 2012

Subject: Inpatient Hospital Payment Reduction

Effective: July 1, 2012

Programs Affected: Medicaid, Children's Special Health Care Services (CSHCS)

In order to comply with requirements outlined in its annual legislative appropriation, the Michigan Department of Community Health (MDCH) is implementing the inpatient hospital payment reductions described below.

Pursuant to the Governor's Executive Orders (EO) 2001-09, 2002-22, and 2005-07, and its annual legislative appropriation, inpatient hospital payments will be reduced by \$45,872,360 each fiscal year (FY). The reduction will be made by gross adjustment and applied to medical/surgical hospitals, distinct part rehabilitation units and freestanding rehabilitation hospitals, prior to the end of the FY. The reduction will occur on an annual basis using the same methodology described below.

Reduction Methodology

Each hospital's share of the total reduction has been calculated. A hospital's reduction will be based on its inpatient hospital fee-for-service (FFS) paid claims for hospital admissions from October 1 to September 30th of the second previous FY. The same file used to calculate the hospital Medicaid Access to Care Initiative (MACI) payments for the FY will be used to calculate the EO reductions. Paid claims include Title XIX, Title V, and Title XIX/Title V inpatient hospital claims.

The formula to calculate the reduction of inpatient hospital payments is as follows:

1. Hospital FFS Paid Claims / Total FFS Paid Claims = Hospital Reduction Factor
2. Hospital Reduction Factor X Reduction Amount = Hospital Reduction Amount

Merged hospitals will have their reductions combined. Reductions will be taken from the surviving hospital. Should a facility close prior to the end of the FY, its reduction will become part of the facility's final settlement.

Each hospital's paid claims file was reviewed and appealed at the time the data was submitted with the hospital's cost report. No further appeal of the inpatient hospital paid claims data will be allowed.

Each hospital's share of the reduction will be made by gross adjustment, during the last quarter of the FY to the hospital's inpatient hospital National Provider Identifier (NPI). Hospital specific reduction amounts will be posted to the MDCH Medicaid inpatient hospital webpage annually. Recoveries will be taken from the hospital's payments until the reduction is complete.

Manual Maintenance

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

Questions

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

Approved

A handwritten signature in black ink that reads "Stephen Fitton". The signature is written in a cursive style with a large initial 'S'.

Stephen Fitton, Director
Medical Services Administration