

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-13-15  
Baltimore, Maryland 21244-1850



**Center for Medicaid and State Operations**

*Dancy Bishop*  
12/20/06  
*la*

Mr. Paul Reinhart, Director  
Medical Services Administration  
Department of Community Health  
400 South Pine  
Lansing, MI 48933

DEC 19 2006

RE: Michigan State Plan Amendment (SPA) 06-21

Dear Mr. Reinhart:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 06-21. Effective January 1, 2007, this amendment removes managed care days from the calculation of Graduate Medical Education payments.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 06-21 is approved effective January 1, 2007. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Rory Howe at (410) 786-4878.

Sincerely,

A handwritten signature in cursive script that reads "Dennis G. Smith".

Dennis G. Smith  
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

06 - 21

2. STATE:

Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH FINANCING ADMINISTRATION  
DEPARTMENT OF HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
January 1, 2007

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN

AMENDMENT TO BE CONSIDERED AS NEW PLAN

AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:  
42 CFR 447

7. FEDERAL BUDGET IMPACT:

a. FFY 07 \_\_\_\_\_ \$ (42,285,000) \_\_\_\_\_

b. FFY 08 \_\_\_\_\_ \$ (58,100,000) \_\_\_\_\_

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A pages 27 thru *28a*

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19-A pages 27 thru 28.1

10. SUBJECT OF AMENDMENT:

GME Pools

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

Paul Reinhart, Director

Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*Paul Reinhart*

13. TYPED NAME:

Paul Reinhart

14. TITLE:

Director, Medical Services Administration

15. DATE SUBMITTED:

*November 8, 2006*

16. RETURN TO:

Medical Services Administration  
Program/Eligibility Policy Division - Federal Liaison Unit  
Capitol Commons Center - 7<sup>th</sup> Floor  
400 South Pine  
Lansing, Michigan 48933

Attn: Nancy Bishop

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:

*Dec. 19, 2006*

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

*JAN - 1 2007*

20. SIGNATURE OF REGIONAL OFFICIAL:

*Dennis G Smith*

21. TYPED NAME:

*DENNIS G Smith*

22. TITLE:

*DIRECTOR, CMSO*

23. REMARKS:

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

**Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care**

The add-on amount is an estimate of the statewide average paid to hospitals located in Michigan. Capital payments to out-of-state hospitals are not cost settled.

J. Graduate Medical Education

Dental and Podiatry Residence Programs

To obtain an average FTE payment for dental and podiatry residents, the GME liability for those hospitals operating only dental and podiatry residency programs will be summed. Each hospital's GME liability will be taken from calendar year 1995 estimates of GME liability used to make GME payments to hospitals between July 1, 1997 and December 31, 2001. The summed total of these liabilities will be divided by the total number of dental and podiatry FTEs (for the same hospitals that the liability data is drawn). The FTEs will be drawn from hospital cost reports from the first state fiscal year for which complete data is available. The product will be an average dental and podiatry FTE dollar payment to all hospitals reporting these FTEs.

Annually each hospital reporting dental and podiatry FTEs will be reimbursed the average dental and podiatry FTE payment as calculated above for each of its dental and podiatry FTEs. Hospital FTEs will be drawn from hospital cost reports for the most recent state fiscal year for which complete data is available (this will be the same FTE count used to distribute the GME Funds and Primary Care Pools).

The dental and podiatry FTE payments made to all hospitals will be summed and the total will be deducted from the GME Funds Pool before any other distributions are made from this pool. Once the dental and podiatry FTE payments have been deducted, the remaining funds in the GME Funds Pool will be distributed as described below in the sections labeled GME Funds Pool and Primary Care Pool.

Each hospital's dental and podiatry FTE count and the total dollar amount allocated to pay hospitals for dental and podiatry FTEs will be updated annually. The average dental and podiatry FTE dollar payment will not. The average dental and podiatry FTE dollar payment will only be adjusted when the GME Funds and the Primary Care Pools are adjusted. Any adjustment to the average dental and podiatry FTE dollar payment will be proportional to the changes in these two pools.

Distribution of GME Funds

Distribution of graduate medical education funds will be calculated annually to coincide with the state fiscal year (October 1 to September 30) for two formula pools – the GME Funds and the Primary Care Pools. In order to receive funds for graduate medical education, a hospital must have operated a nationally accredited medical education program(s) in the fiscal year that data is drawn from the hospital cost reports used to calculate the GME payments. Payments will be fixed, prospective payments made in full and are not subject to future cost settlement or appeal. Payments will be made only to hospitals that provide requested information by the dates required. Separate gross adjustments will be made for each pool payment.

TN NO.: 06-21

Approval Date: DEC 19 2006

Effective Date: 01/01/2007

Supersedes  
TN No.: 04-20

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

**Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care**

Only intern and resident FTEs in approved programs as specified in 42 CFR 413.75 will be eligible for inclusion in the data used to calculate the distribution of the GME Funds and Primary Care Pools.

To distribute funds from the GME Funds and the Primary Care Pools, data will be drawn from accepted hospital cost reports for the most recent fiscal year that data is available. For the GME Funds Pool, the un-weighted full-time-equivalent (FTE) count will be used (line 3.05 from E-3, Part IV). For the Primary Care Pool, the weighted FTE count for primary care physicians will be used (line 3.07 from E-3, Part IV). If the cost report is changed, equivalent data will be used.

Both the hospital and its residency programs must be operating during the funding period in order to receive GME funds. Hospitals must notify the department in writing at least 30 days prior to the termination date of any of its residency programs. Funds distributed to ineligible hospitals are subject to recovery.

GME payments to hospitals that merge during an academic year will be combined, provided that the surviving hospital continues to operate all residency programs that the pre-merger hospitals operated. The surviving hospital must notify the department within 30 calendar days after the merger is completed, of any reductions or terminations to its residency programs. The GME payments to the surviving hospital will be reduced proportionately to the reduction in its GME programs. Over payments to surviving hospitals based on reductions in GME programs are subject to recovery.

**GME Pool**

The dollar amount of this pool is appropriated annually by the legislature. To calculate each eligible hospital's share of the GME FUNDS Pool the following formulas will be used:

$$FTEs \times Casemix \times (Hospital's Title V \& Title XIX Days / Hospital's Total Days) = Adjusted FTEs$$

$$GME Funds Pool Size \times (Adjusted FTEs / \sum Adjusted FTEs) = Hospital's Distribution$$

In FY 2007, the GME Funds Pool size will be \$83,669,700. For FY 08 and each subsequent year, the GME Funds Pool size will be \$61,406,400.

**Primary Care Pool**

The dollar amount of this pool is appropriated annually by the legislature. To calculate each hospital's share of the Primary Care Pool, the following formula will be used:

$$FTEs \times (Hospital's Title V \& Title XIX Outpatient Charges / Hospital's Total Charges) = Adjusted FTEs$$

$$Primary Care Pool Size \times (Adjusted FTEs / \sum Adjusted FTEs) = Hospital's Distribution$$

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TN No.: 04-20

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

**Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care**

In FY, 2007 the Primary Care Pool size will be \$10,285,100. For FY 2008 and each subsequent year, the Primary Care Pool size will be \$7,548,400.

Definitions/Notes

Title V & Title XIX Days – includes fee-for-service days. Days will include those from distinct-part psychiatric and distinct-part rehabilitation units.

Title V & Title XIX Outpatient Charges – includes fee-for-service outpatient charges.

Charges will include those from distinct-part psychiatric units.

Hospital's Case Mix – the sum of the relative weights for all Medicaid admissions divided by the number of Medicaid admissions during the period covered.

# of Hospital Eligible Resident FTEs – for the GME Funds and Primary Care Pools FTE data will be drawn from hospital cost reports as indicated above.

GME Payment Schedule

Payments from the GME FUNDS and Primary Care Pools will be made quarterly, in four equal payments, by gross adjustment. Payments from the Dental & Podiatry Pool will be made once annually.

GME Innovations Pool

The GME Innovations Pool is established to support innovative GME programs that emphasize the importance of coordinated care, health promotions and psychiatric care in integrated systems. The purpose of this training is to develop the skills and experience necessary to provide psychiatric services utilized by Michigan Medicaid patient groups. This pool will be \$10,477,337 in fiscal year 2006 and \$10,947,878 for each subsequent fiscal year.

The single state agency will approve two (2) agreements statewide each fiscal year. One agreement will be with Detroit Receiving Hospital for \$8,929,800. The second agreement will be with St. Mary's Mercy Medical Center for \$1,547,537 in fiscal year 2006, and \$2,018,078 for each subsequent fiscal year. To be eligible for the pool, a hospital must meet the following criteria:

- The hospital must be a Medicaid enrolled provider.
- The hospital must have in place an approved agreement between itself, a university psychiatric residency training program and one or more community mental health services programs to provide accredited psychiatric residency training.
- The hospital must provide assurances that all training will take place in Michigan and prepare health care professionals to provide care to populations with the special characteristics of Michigan Medicaid patient groups.

Upper Payment Limit

In the event that GME distributions would result in aggregate Medicaid payments exceeding the upper payment limit (UPL), the size of the pool(s) and/or additional payments will be reduced to bring aggregate Medicaid payments within the UPL.

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TN NO.: 06-21

Approval Date: DEC 19 2006

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Supersedes

TN No.: N/A new page