

**Center for Medicaid and State Operations (CMSO)**

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

AUG 28 2008

RE: Michigan State Plan Amendment (SPA) 07-15

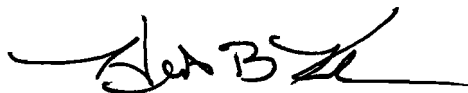
Dear Mr. Reinhart:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 07-15. Effective for services on or after September 29, 2007, this amendment proposes to modify disproportionate share hospital (DSH) payments. Specifically, it proposes to revise the pool amounts for the Government Provider DSH pool and adds an uncompensated care DSH pool based on outpatient costs.

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 07-15 is approved effective September 29, 2007. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Todd McMillion at (608) 441-5344.

Sincerely,



Herb B. Kuhn  
Deputy Administrator  
Acting Director, CMSO

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 07 - 15  
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  
September 29, 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 447.252

7. FEDERAL BUDGET IMPACT:  
a. FFY 07 \$ 926,3800 0  
b. FFY 08 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19-A pgs. 23, 24b, and 24c, and 24d

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  
Attachment 4.19-A pgs. 23, 24b and 24c

10. SUBJECT OF AMENDMENT:  
Inpatient hospital DSH Pools

11. GOVERNOR'S REVIEW (Check One):  
 GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Paul Reinhart, Director  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:  
*Paul Reinhart*

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

13. TYPED NAME:  
Paul Reinhart

14. TITLE:  
Director, Medical Services Administration

15. DATE SUBMITTED:

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED: AUG 28 2008

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
SEP 29 2007

20. SIGNATURE OF REGIONAL OFFICIAL:  
*Herb B Kuhn*

21. TYPE NAME:  
Herb B Kuhn

22. TITLE:  
Acting Director, CM SO

23. REMARKS:  
PEN AND INK CHANGES - BOXES 7 AND 8 - PER AUGUST 27, 2008  
EMAIL REQUEST FROM THE STATE.

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

State of MICHIGAN

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

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payments will not exceed a statewide limit equal to 33 percent of the federal share of 1995 payments to institutions for mental diseases based on reporting data specified by the State on HCFA form 64, plus the state share.

f. Government Provider DSH Pool

A special pool for non-state government-owned or operated hospitals will be established and renewed annually. The purpose of the pool is to assure funding for costs incurred by public facilities providing inpatient hospital services which serve a disproportionate number of low-income patients with special needs. The size of the pool will be the lesser of \$88,168,000 for fiscal year 2006, \$62,064,198 for fiscal year 2007, \$49,172,890 for fiscal year 2008, \$67,718,119 for fiscal year 2009 and each subsequent fiscal year or the calculated Medicaid and uninsured inpatient hospital and outpatient hospital uncompensated care amounts eligible for Federal financial participation. Allocations for individual hospitals will be determined based upon non-reimbursed costs certified as public expenditures in accordance with 42 CFR 433.51.

To be eligible for the Government Provider DSH Pool, the following must apply:

1. Hospitals must meet minimum federal requirements for Medicaid DSH payments; and
2. Hospitals must be non-state government-owned or operated.

Medicare 2552 cost reports, supplemented by Michigan Medicaid Forms (MMFs) will be used to determine each hospital's allowable DSH costs eligible for federal financial participation.

An interim payment and reconciliation process will be employed when making allocations from this pool. Allowable DSH costs will be determined based on information obtained from the cost report periods ending during the second previous state fiscal year. Costs will be obtained from the most recently filed Medicare 2552 cost report and Michigan Medicaid Forms for that period. These costs will be trended to the current state fiscal year using an inflation factor taken from *Health-Care Cost Review* published quarterly by Global Insight. Interim payments will then be made.

Interim payments will be reconciled twice. First, an interim reconciliation of the original payments will be conducted based on updated allowable DSH costs. Information needed to reconcile initial payments will be obtained from hospital Medicare 2552 cost reports filed with the fiscal intermediary and Michigan Medicaid Forms for the applicable reporting period. Second, payments will be adjusted for a final time based on Medicare 2552 cost reports finalized with the fiscal intermediary and Michigan Medicaid Forms for the applicable reporting period.

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TN NO.: 07-15 Approval Date: AUG 28 2008 Effective Date: 09/29/2007

Supersedes  
TN No.: 05-16

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

State of MICHIGAN

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

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Aggregate DSH expenditures will be made in accordance with Section 1923(g)(1)(A) of the Social Security Act. Prior to computing the amount of payment each individual hospital is eligible to receive from this pool, all other DSH and Medicaid payments that the hospital is scheduled to receive will be counted against the hospital's DSH limit.

g. Outpatient Uncompensated Care DSH Pool

A special pool will be created annually for the purpose of reimbursing hospitals for a portion of their uncompensated care. The pool amount will be \$38,300,000 in fiscal year 2007, \$63,200,000 in fiscal year 2008, and \$60,000,000 each subsequent fiscal year. Payments from the pool will be made annually.

In order to qualify for a payment from the Outpatient Uncompensated Care DSH Pool, hospitals must meet the minimum requirements for Medicaid DSH payments as specified in Section H. Funds will be distributed from the Outpatient Uncompensated Care DSH Pool to qualifying Privately-Owned or Operated and Non-State Government-Owned or Operated DSH eligible hospitals in Michigan.

The Outpatient Uncompensated Care DSH Pool will be split into Small and Rural and Large-Urban components as follows:

Component	Fiscal Year 2007	Fiscal Year 2008	Subsequent Fiscal Years
Small and Rural components	\$18,900,000	\$31,100,000	\$30,000,000
Large-Urban components	\$19,400,000	\$32,100,000	\$30,000,000
TOTALS	\$38,300,000	\$63,200,000	\$60,000,000

For purposes of distributions from this pool, any qualifying DSH hospital located in Michigan with less than 100 acute care beds OR any qualifying DSH hospital located in a Michigan rural or Micropolitan County will be eligible to receive a proportional share of the Small and Rural components of the pool.

Also for purposes of distributions from this pool, any qualifying DSH hospital with 100 or more acute care beds AND located in an urban Michigan county will be eligible to receive a proportional share of the Large-Urban components of the pool.

The distribution of funding from the Outpatient Uncompensated Care DSH Pool will be based on each hospital's proportion of outpatient uncompensated care relative to other hospitals in the pool. The formula below will be used to calculate the distribution of payments from the Outpatient Uncompensated Care DSH Pool.

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TN NO.: 07-15      Approval Date: AUG 28 2008      Effective Date: 09/29/2007

Supersedes  
TN No.: 06-20

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

State of MICHIGAN

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

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Each hospital's data for the formula will be taken from hospital cost reports for cost periods ending during the second previous state fiscal year.

1.  $(\text{Hospital Title XIX Outpatient FFS Payments}) \div (\text{Hospital Title XIX Outpatient FFS Charges}) = (\text{Hospital Title XIX Outpatient Payment to Charge Ratio})$
2.  $(\text{Hospital Uncompensated Outpatient Charges}) - (\text{Hospital Uncompensated Outpatient Payments}) = (\text{Net Hospital Uncompensated Outpatient Charges})$
3.  $(\text{Hospital Title XIX Outpatient Payment to Charge Ratio}) * (\text{Net Hospital Uncompensated Outpatient Charges}) = (\text{Net Hospital Outpatient Uncompensated Title XIX Equivalent Payments})$
4.  $(\text{Net Hospital Outpatient Uncompensated Title XIX Equivalent Payments}) \div (\sum \text{of all Net Hospital Outpatient Uncompensated Title XIX Equivalent Payments}) = (\text{Outpatient Uncompensated DSH Hospital Pool Factor})$
5.  $(\text{Outpatient Uncompensated DSH Hospital Pool Factor}) * (\text{Outpatient Uncompensated DSH Pool Component Amount}) = (\text{Outpatient Uncompensated DSH Hospital Pool Component Payment})$

Payments to individual hospitals will be limited to the room available under each hospital's specific DSH ceiling. If payments calculated for individual hospitals exceed that hospital's DSH ceiling, the amounts in excess of the ceiling will be placed back into the pool. These amounts will then be reallocated to the remaining hospitals in the pool which have not exceeded the room available under their individual hospital DSH ceiling based on the formula above. This process will be repeated as many times as necessary to expend all funds in the pool.

#### 3. Public Hospitals DSH Sunset Provision

Medicaid DSH payments to public hospitals are made up to the public hospital DSH ceiling as permitted by current federal regulations.

These payments are authorized to continue through September 30, 2005. The state may submit state plan amendments effective after September 30, 2005 that re-implement the current payment structure or different payment methodologies.

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TN NO.: 07-15

Approval Date: AUG 28 2008

Effective Date: 09/29/2007

Supersedes

TN No.: N/A new page