

Center for Medicaid, CHIP, and Survey & Certification (CMCS)

Mr. Stephen Fitton, Medicaid Director
Medical Services Administration
Department of Community Health
400 South Pine
Lansing, MI 48933

DEC 14 2010

RE: Michigan State Plan Amendment (SPA) 10-14

Dear Mr. Fitton:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-14. Effective for services on or after September 29, 2010, this amendment revises the methodology for making disproportionate share hospital (DSH) payments from the Small Hospitals and Outpatient Uncompensated Care DSH pools.

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 hereby inform you that Medicaid State plan amendment 10-014 is approved effective September 29, 2010. 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,


Cindy Mann,
Director (CMCS)

Enclosure

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

1. TRANSMITTAL NUMBER:

2. STATE:

10 - 14

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, 2010

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 Subpart D

7. FEDERAL BUDGET IMPACT:

a. FFY 10 _____ \$ 18,641,050.00 _____

b. FFY 11 _____ \$ 1,644,750.00 _____

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A pages 24a and 24c

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

Attachment 4.19-A pages 24a and 24c

10. SUBJECT OF AMENDMENT:

Hospital DSH pools - Small hospital and Outpatient Uncompnsated Care

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:

Stephen Fitton, Director

Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Stephen Fitton

13. TYPED NAME:

Stephen Fitton

14. TITLE:

Director, Medical Services Administration

15. DATE SUBMITTED:

September 28, 2010

16. RETURN TO:

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

Attn: Nancy Bishop

17. DATE RECEIVED:

FOR REGIONAL OFFICE USE ONLY

18 DATE APPROVED:

12-14-10

19. EFFECTIVE DATE OF APPROVED MATERIAL:

SEP 29 2010

PLAN APPROVED - ONE COPY ATTACHED

20. SIGNATURE OF REGIONAL OFFICIAL:

Bill Lasowski R Ch

21. TYPE NAME:

William Lasowski

22. TITLE:

Deputy Director, CMCS

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***

d. Small Hospital Pool

A special pool of \$7.5 million will be established and renewed annually at the same level. The purpose of the pool is to assure DSH funding for hospitals and hospital systems that received less than \$900,000 in state fiscal year 2008 under Section H.1. For the purposes of this section, a hospital system is defined as two or more affiliated hospitals. Affiliations will be determined based upon Michigan Medical Services Administration hospital records, and according to policy promulgated pertinent to this DSH pool. No payment less than \$1,000 will be made from the \$7.5 million small hospital pool.

In order to receive a payment from the Small Hospital DSH Pool, all three of the following must apply:

- 1) Hospitals must meet minimum federal requirements for Medicaid DSH payments,
- 2) Hospitals must have Medicaid utilization of not less than 1% based on the formula in Section H, and,
- 3) Hospitals and hospital systems must have received less than \$900,000 in DSH payments in state fiscal year 2008 under Section H.1.

Small Hospital DSH payments will be based on Title XIX charges and Medicaid utilization. Title XIX charges used for computing DSH payments from this pool will be the sum of Title XIX charges and Title XIX MCO charges. The Medicaid utilization rate will be based on the proportion of Medicaid inpatient days to total hospital days as specified in Section H. Each hospital's Title XIX charges and Medicaid utilization will be taken from hospital cost reports for cost periods ending during the second previous state fiscal year.

The formula to calculate the distribution of payments from the Small Hospital DSH Pool will be as follows:

- 1) Hospital Title XIX Charges x Hospital Medicaid Utilization = Hospital Pool Factor
- 2) $\frac{\text{Hospital Pool Factor}}{\sum \text{of all Hospital Pool Factors}} \times \text{Small Hospital Pool Allocation}$

TN NO.: 10-14

Approval Date: DEC 14 2010

Effective Date: 09/29/2010

Supersedes
TN No.: 09-04

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

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

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, \$60,000,000 in fiscal year 2009, \$87,000,000 in fiscal year 2010 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	Fiscal Year 2009	Fiscal Year 2010	Subsequent Fiscal Years
Small and Rural components	\$18,900,000	\$31,100,000	\$30,000,000	\$43,500,000	\$30,000,000
Large-Urban components	\$19,400,000	\$32,100,000	\$30,000,000	\$43,500,000	\$30,000,000
TOTALS	\$38,300,000	\$63,200,000	\$60,000,000	\$87,000,000	\$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.

TN NO.: 10-14

Approval Date: DEC 14 2010

Effective Date: 09/29/2010

Supersedes
TN No.: 07-15