

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Financial Management Group

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

RE: Michigan State Plan Amendment (SPA) 14-011

Dear Mr. Fitton:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 14-011. Effective for services on or after April 1, 2014 this amendment establishes a new one year Disproportionate Share Hospital (DSH) pool to Harper University Hospital for fiscal year 2014.

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 14-011 is approved with an effective date of April 1, 2014. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Tom Caughey at (517) 487-8598.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Hill". The signature is written in a cursive, somewhat stylized font.

Tim Hill
Director

A handwritten signature in black ink, appearing to read "Tom Caughey". The signature is written in a cursive, somewhat stylized font.

Enclosure

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: 14 - 011	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 April 1, 2014	

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 447.201	7. FEDERAL BUDGET IMPACT: a. FFY 2014 _____ \$ 6,630,000 b. FFY 2015 _____ \$ 0
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Pages 24d and 24f	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, Pages 24d and 24f
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10. SUBJECT OF AMENDMENT:
This SPA establishes a new, one year, Disproportionate Share Hospital (DSH) pool to be distributed to Harper University Hospital for fiscal year 2014.

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT
 OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 Stephen Fitton, Director
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
 Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL: <i>Stephen Fitton</i>	16. RETURN TO: Medical Services Administration Actuarial Division Capitol Commons Center - 7th Floor 400 South Pine Street Lansing, Michigan 48933 Attn: Loni Hackney
13. TYPED NAME: Stephen Fitton	
14. TITLE: Director, Medical Services Administration	
15. DATE SUBMITTED: June 19, 2014	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED:	18. DATE APPROVED: DEC 10 2014

PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: APR 01 2014	20. SIGNATURE OF REGIONAL OFFICIAL: <i>Kristin Fan</i>
21. TYPE NAME: <i>Kristin Fan</i>	22. TITLE: <i>Deputy Director, FMC</i>
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***

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

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.

H. HARPER UNIVERSITY HOSPITAL DSH POOL

EFFECTIVE FOR FY 2014, A ONE YEAR DSH POOL WILL BE ESTABLISHED TOTALING \$9,994,952 TO BE DISTRIBUTED TO HARPER UNIVERSITY HOSPITAL. THIS POOL WILL BE USED TO REDUCE UNCOMPENSATED CARE THE HOSPITAL INCURS DELIVERING NEWBORNS AT THAT LOCATION. HARPER UNIVERSITY HOSPITAL IS THE LARGEST MEDICAID BIRTHING HOSPITAL IN THE STATE, PERFORMING OVER 3,800 MEDICAID NEWBORN DELIVERIES. THIS EQUATES TO 8% OF ALL MEDICAID DELIVERIES IN THE STATE.

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.

TN NO.: 14-011

Approval Date DEC 10 2014

Effective Date: 04/01/2014

Supersedes

TN No.: 07/15

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

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

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.

TN NO.: 14-011

Approval Date: DEC 10 2014

Effective Date: 04/01/2014

Supersedes

TN No.: 07/15

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of Michigan

Methods and Standards for Establishing Payment Rates Inpatient Hospital Care

DSH payments will be applied against a hospital's DSH limit in the following order:

1. Institute for Mental Disease Pool
2. HARPER UNIVERSITY DSH POOL
- 2-3. \$45 Million Pool
- 3-4. Outpatient Uncompensated Care DSH Pool
- 4-5. University with Both a College of Allopathic Medicine and a College of Osteopathic Medicine Pool (University Pool)
- 5-6. Indigent Care Agreements Pool (ICA Pool)
- 6-7. Government Provider DSH Pool (GP Pool)

Step 2: Interim DSH Settlement Step

DSH limits, DSH payments and Medicaid utilization rates are recalculated using new cost report data during the Interim DSH Settlement step. DSH funds will be reallocated in a manner that maintains the pool order outlined in the Initial DSH Calculation step.

The State will recalculate hospital-specific DSH limits, DSH payment allocations and Medicaid utilization rates during the year following the applicable DSH year. Inpatient and outpatient cost and payment data from cost reports with hospital FYs ending during the previous calendar year will be utilized for DSH limit, DSH payment, and Medicaid utilization rate recalculations. For example, during 2012, data from hospital cost reports with FYs ending between January 1, 2011 and December 30, 2011, will be used to complete the FY 2011 Interim DSH Settlement calculations. The State will maintain its current pool-specific payment allocation during this step.

Beginning with State FY 2011, hospitals will be able to decline DSH funds and also request a downward adjustment to their DSH limit during the Interim DSH Settlement. Upon receipt of this feedback from hospitals, each hospital's calculated DSH limit will be reduced to the requested amount.

If a hospital declines DSH funds, the State will recalculate DSH amounts with that hospital's limit at zero. To the extent that payment allocations are affected by a hospital's request to reduce its DSH limit or decline DSH payments altogether, payments from the applicable pool(s) will be allocated to other hospitals eligible for payments from the pool(s). If no hospital is eligible to accept the DSH payment during this step, the unpaid amount will be paid to eligible hospitals during the Step 3: Final DSH Audit-Related DSH Redistribution calculations.

No hospital will receive a DSH payment in excess of its Interim DSH Settlement limit.

TN NO.: 14-011

Approval Date: DEC 10 2014

Effective Date: 04/01/2014

Supersedes

TN No.: 11-11