

**Report on Disproportionate Share Hospital Verifications  
(With Independent Accountant's Report Thereon)**

**State of Michigan  
Department of Health and Human Services  
Lansing, Michigan**

**DSH Year Ended September 30, 2015**

**Prepared by:**



**MYERS AND  
STAUFFER<sup>LC</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Accountant's Report  
and  
Report on DSH Verifications**



Michigan Department of Health and Human Services  
Lansing, Michigan

Independent Accountant's Report

We have examined the state of Michigan's compliance with Disproportionate Share Hospitals (DSH) payment requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ended September 30, 2015. The state of Michigan is responsible for compliance with federal Medicaid DSH program requirements. Our responsibility is to express an opinion on the state of Michigan's compliance with federal Medicaid DSH program requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and General DSH Audit and Reporting Protocol as required by 42 CFR §455.301 and §455.304(d). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the state of Michigan complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the state of Michigan complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was conducted for the purpose of forming an opinion on the state of Michigan's compliance with federal Medicaid DSH program requirements included in the Report on DSH Verifications. The Schedule of Annual Reporting Requirements provided in accordance with 42 CFR §447.299 is presented for purposes of additional analysis and is not a required part of the Report on DSH Verifications. Such information has not been subjected to the procedures applied in the examination of the Report on DSH Verifications, and, accordingly, we express no opinion on it.

Our examination does not provide a legal determination of the state of Michigan's compliance with federal Medicaid DSH requirements.

In our opinion, except for the effect of the items addressed in the Schedule of Data Caveats Relating to the DSH Verifications, the Report on DSH Verifications presents fairly, in all material respects, the state of Michigan's compliance with federal Medicaid DSH program requirements addressed by the DSH verifications for the year ending September 30, 2015.

This report is intended solely for the information and use of the Michigan Department of Health and Human Services, the State Legislature, hospitals participating in the State DSH program, and the Centers for Medicare and Medicaid Services (CMS) as required under 42 CFR §455.304 and is not intended to be, and should not be, used by anyone other than these specified parties and for the specified purpose contained in 42 CFR §455.304.

*Myers and Stauffer LC*

Myers and Stauffer LC

December 20, 2018

State of Michigan Disproportionate Share Hospital (DSH)  
Report on DSH Verifications  
For the Year Ended September 30, 2015

As required by 42 CFR §455.304(d) the state of Michigan must provide an annual independent certified examination report verifying the following items with respect to its disproportionate share hospital (DSH) program.

Verification 1: Each hospital that qualifies for a DSH payment in the State was allowed to retain that payment so that the payment is available to offset its uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the Medicaid State plan rate year to Medicaid eligible individuals and individuals with no source of third party coverage for the services in order to reflect the total amount of claimed DSH expenditures.

Findings: The results of testing performed related to this verification are summarized in the Report on DSH Verifications (table) included with this report.

Verification 2: DSH payments made to each qualifying hospital comply with the hospital-specific DSH payment limit. The DSH payments made in the Medicaid State plan rate year must be measured against the actual uncompensated care cost in that same Medicaid State plan rate year. The actual uncompensated care costs for the Medicaid State plan rate year have been calculated and compared to the DSH payments made. Uncompensated care costs for the Medicaid State plan rate year were calculated in accordance with Federal Register/Vol. 73, No. 245, December 19, 2008, Federal Register/Vol. 79, No. 232, December 3, 2014, and Federal Register/Vol. 82, No. 62, April 3, 2017.

Findings: The results of testing performed related to this verification are summarized in the Report on DSH Verifications (table) included with this report.

Verification 3: Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services they received as described in Section 1923(g)(1)(A) of the Act are eligible for inclusion in the calculation of the hospital-specific disproportionate share limit payment limit, as described in Section 1923 (g)(1)(A) of the Act.

Findings: The total uncompensated care costs reflected in the Report on DSH Verifications (table) reflects the uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services received.

State of Michigan Disproportionate Share Hospital (DSH)  
Report on DSH Verifications  
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Verification 4: For purposes of this hospital-specific limit calculation, any Medicaid payments (including regular Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, and Medicaid managed care organization payments) made to a disproportionate share hospital for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals, which are in excess of the Medicaid incurred costs of such services, are applied against the uncompensated care costs of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third party coverage for such services.

Findings: In calculating the hospital-specific DSH limit represented in the Report on DSH Verifications (table), if a hospital had total Medicaid payments in excess of the calculated Medicaid cost, the excess was used to reduce the total uncompensated care costs.

Verification 5: Any information and records of all of its inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under this Section; and any payments made on behalf of the uninsured from payment adjustments under this Section have been separately documented and retained by the State.

Findings: The state of Michigan has retained documentation of costs and payments associated with calculating the hospital-specific DSH limits contained in this report. The state retains cost data through the collection of cost reports; Medicaid expenditure data through the MMIS and other documentation; and uninsured data through the DSH payment calculations and DSH examination.

Verification 6: The information specified in verification 5 above includes a description of the methodology for calculating each hospital's payment limit under Section 1923(g)(1) of the Act. Included in the description of the methodology, the audit report must specify how the State defines incurred inpatient hospital and outpatient hospital costs for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage for the inpatient hospital and outpatient services they received.

Findings: The documentation retained related to the calculation of the hospital-specific DSH limits contained in this report includes a description of the methodology used to calculate each hospital's DSH limit under Section 1923(g)(1) of the Act. For DSH payment purposes, the state defines the hospitals' payment limits in accordance with its state plan. For purposes of this examination, the state defines the hospitals' payment limits in accordance with 42 CFR §455.304.



State of Michigan  
Report on DSH Verifications (table)  
For the Medicaid State Plan Rate Year Ended September 30, 2015

Hospital	Verification #1	Verification #2 (Reducing UCC by Medicare and Private Insurance Payments)				Verification #2 (Not Reducing UCC by Medicare and Private Insurance Payments)				Verification #3	Verification #4	Verification #5	Verification #6
	Was Hospital Allowed to Retain DSH Payment?	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	DSH Payment Complies with the Hospital-Specific DSH Limit <sup>1</sup>	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	DSH Payment Complies with the Hospital-Specific DSH Limit <sup>1</sup>	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
Munson Medical Center	Yes	2,859,342	617,483	(2,241,859)	No	2,859,342	48,956,087	46,096,745	Yes	Yes	Yes	Yes	
North Ottawa Community Hospital	Yes	545,755	497,944	(47,811)	No	545,755	2,865,176	2,319,421	Yes	Yes	Yes	Yes	
Oaklawn Hospital	Yes	1,024,245	(9,432)	(1,024,245)	No	1,024,245	2,488,650	3,512,895	Yes	Yes	Yes	Yes	
Otsego County Memorial Hospital	Yes	191,525	(398,710)	(191,525)	No	191,525	5,020,866	4,829,341	Yes	Yes	Yes	Yes	
ProMedica Bixby Hospital	Yes	1,010,654	1,488,107	477,453	Yes	1,010,654	9,369,201	8,358,547	Yes	Yes	Yes	Yes	
ProMedica Herrick Hospital	Yes	671,561	988,387	316,826	Yes	671,561	3,207,801	2,536,240	Yes	Yes	Yes	Yes	
ProMedica Monroe Regional Hospital	Yes	1,754,624	2,093,764	339,140	Yes	1,754,624	15,839,483	14,084,859	Yes	Yes	Yes	Yes	
Providence-Providence Park Hospital	Yes	3,452,340	9,018,955	5,566,615	Yes	3,452,340	77,564,418	74,112,078	Yes	Yes	Yes	Yes	
Rehabilitation Institute	Yes	732,773	5,742,004	5,009,231	Yes	732,773	14,971,137	14,238,364	Yes	Yes	Yes	Yes	
Saint Mary's Standish Community Hospital	Yes	328,112	484,032	155,920	Yes	328,112	2,236,229	1,908,117	Yes	Yes	Yes	Yes	
Scheurer Hospital	Yes	520,286	937,783	417,497	Yes	520,286	2,044,837	1,524,551	Yes	Yes	Yes	Yes	
Sheridan Community Hospital	Yes	559,057	893,347	324,290	Yes	559,057	1,898,814	1,339,757	Yes	Yes	Yes	Yes	
Sinai Grace Hospital	N/A	0	(5,991,748)	0	N/A	0	67,806,925	67,806,925	N/A	Yes	Yes	Yes	
Sparrow Ionia Hospital	Yes	595,858	1,809,765	1,213,907	Yes	595,858	4,416,927	3,821,069	Yes	Yes	Yes	Yes	
Spectrum Health Big Rapids	Yes	1,365,814	1,706,042	340,228	Yes	1,365,814	7,090,398	5,724,584	Yes	Yes	Yes	Yes	
Spectrum Health Gerber Memorial	Yes	1,701,123	3,233,139	1,532,016	Yes	1,701,123	8,329,229	6,628,106	Yes	Yes	Yes	Yes	
Spectrum Health Grand Rapids	N/A	0	(11,244,964)	0	N/A	0	88,848,663	88,848,663	N/A	Yes	Yes	Yes	
Spectrum Health Ludington Hospital	Yes	1,219,567	1,350,785	131,218	Yes	1,219,567	7,243,799	6,024,232	Yes	Yes	Yes	Yes	
Spectrum Health Pennox	Yes	1,197,489	(189,543)	(1,197,489)	No	1,197,489	3,388,969	2,191,480	Yes	Yes	Yes	Yes	
Spectrum Health Reed City Campus	Yes	1,118,122	1,841,417	723,295	Yes	1,118,122	6,985,619	5,867,497	Yes	Yes	Yes	Yes	
Spectrum Health United Memorial - Kelsey Campus	Yes	470,878	807,658	336,780	Yes	470,878	2,104,641	1,633,763	Yes	Yes	Yes	Yes	
Spectrum Health United Memorial - United Campus	Yes	1,373,797	(75,889)	(1,373,797)	No	1,373,797	6,598,146	5,224,349	Yes	Yes	Yes	Yes	
Spectrum Health Zeeeland Community Hospital	Yes	791,205	2,368,289	1,577,084	Yes	791,205	5,289,490	4,498,285	Yes	Yes	Yes	Yes	
St. Francis Hospital & Medical Group	Yes	1,016,076	1,266,838	250,762	Yes	1,016,076	5,310,211	4,294,135	Yes	Yes	Yes	Yes	
St. John Hospital and Medical Center	Yes	8,546,847	18,295,511	9,748,664	Yes	8,546,847	99,932,489	91,385,642	Yes	Yes	Yes	Yes	
St. John Macomb-Oakland Hospital-Macomb Center	Yes	3,067,393	8,621,986	5,554,593	Yes	3,067,393	46,564,916	43,497,523	Yes	Yes	Yes	Yes	
St. John River District Hospital	Yes	463,216	2,314,061	1,850,845	Yes	463,216	5,737,668	5,274,452	Yes	Yes	Yes	Yes	
St. Joseph Mercy Chelsea	Yes	699,142	(122,865)	(699,142)	No	699,142	2,826,240	2,127,098	Yes	Yes	Yes	Yes	
St. Joseph Mercy Hospital - Ann Arbor	Yes	4,234,085	3,772,825	(461,260)	No	4,234,085	50,376,939	46,142,854	Yes	Yes	Yes	Yes	
St. Joseph Mercy Livingston Hospital	Yes	2,444,766	(118,570)	(2,444,766)	No	2,444,766	5,402,826	2,958,060	Yes	Yes	Yes	Yes	
St. Joseph Mercy Oakland	Yes	1,647,184	(1,741,027)	(1,647,184)	No	1,647,184	30,816,232	29,169,048	Yes	Yes	Yes	Yes	
St. Mary Mercy Hospital	Yes	934,030	4,025,975	3,091,945	Yes	934,030	30,582,854	29,648,824	Yes	Yes	Yes	Yes	
St. Mary's Health Care (Grand Rapids)	Yes	4,135,876	12,072,565	7,936,689	Yes	4,135,876	56,939,755	52,803,879	Yes	Yes	Yes	Yes	
St. Mary's of Michigan Medical Center	Yes	2,074,561	5,390,462	3,315,901	Yes	2,074,561	31,771,764	29,697,203	Yes	Yes	Yes	Yes	
Sturgis Memorial Hospital	Yes	894,089	(449,992)	(894,089)	No	894,089	3,034,979	2,140,890	Yes	Yes	Yes	Yes	
Three Rivers Health	Yes	860,724	1,084,843	224,119	Yes	860,724	4,704,442	3,843,718	Yes	Yes	Yes	Yes	
University of Michigan Health System	Yes	34,776,144	44,292,713	9,516,569	Yes	34,776,144	182,735,753	147,959,609	Yes	Yes	Yes	Yes	
UP Health System - Portage	Yes	183,169	2,626,188	2,443,019	Yes	183,169	6,305,300	6,122,131	Yes	Yes	Yes	Yes	
Walter P. Reuther Psychiatric Hospital	Yes	30,227,002	34,751,322	4,524,320	Yes	30,227,002	34,809,591	4,582,589	Yes	Yes	Yes	Yes	
West Shore Medical Center	Yes	364,621	2,133,569	1,768,948	Yes	364,621	7,258,992	6,894,371	Yes	Yes	Yes	Yes	

Footnote<sup>1</sup>: Facilities marked "N/A" did not have a DSH payment to retain, but were included in the DSH examination at the request of the state in order to be eligible to receive any potential redistribution of DSH payments.

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State of Michigan Disproportionate Share Hospital (DSH)  
Schedule of Data Caveats Relating to the DSH Verifications  
For the Year Ended September 30, 2015

During the course of the engagement, the following data issues or other caveats were identified and are being reported in accordance with the requirements of 42 CFR §455.301.

(1) **Recent DSH Litigation**

On February 9, 2018, the U.S. District Court for the Western District of Missouri issued an order enjoining CMS from enforcing CMS FAQ 33 and FAQ 34 and the April 3, 2017 DSH Final Rule. On March 2, 2018, in a separate case, the U.S. District Court for the District of Columbia issued an order vacating the April 3, 2017 Final Rule. Government appeals were filed in both cases and are ongoing.

Our DSH examination report reflects both the existing CMS guidance (FAQs 33 and 34 and the DSH Final Rule in Federal Register/Vol. 82, No. 62, April 3, 2017), and separate, alternative calculations made based on the orders in the above-noted trial court rulings. Our report presents total uncompensated care cost using the current CMS DSH examination guidance (reducing uncompensated care cost by Medicare and private insurance payments), and, separately, for the agency's administrative convenience at its request, consistent with the above-noted court rulings (not reducing uncompensated care costs by Medicare and private insurance payments).

(2) **Dual Eligible (patients with both Medicare and Medicaid)**

We were unable to satisfactorily document the dual-eligible (patients with both Medicare and Medicaid) services provided and payments received for Hayes Green Beach Memorial Hospital (231327). These difficulties are related to the time period between the patient service dates (DSH year 2015) and the timing of the DSH examination (calendar year 2018) and not necessarily due to the inaction or lack of cooperation by the hospitals listed.

(3) **Medicaid Cost Report Settlements**

Michigan calculates upper payment limit (UPL) recoveries and final settlements for all hospitals in the state. As of the date of this report, adjustments overlapping the 2015 DSH year had not been fully completed for all hospitals. When completed in future years, additional adjustments may result in additional Medicaid payments or recoupments but the impact of those settlements may be minimized by changes in allowable costs that would also need to be recognized in the uncompensated care cost.

## **Schedule of Annual Reporting Requirements**





## **Independence Declaration**



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

To Whom it May Concern:

Myers and Stauffer LC declares it is independent of the state of Michigan and its DSH hospitals for the Medicaid State plan rate year ending September 30, 2015.

*Myers and Stauffer LC*

Myers and Stauffer LC

December 20, 2018