

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



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**Financial Management Group**

**NOV 17 2015**

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

RE: Michigan State Plan Amendment (SPA) 15-0001

Dear Mr. Priest:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 15-0001. Effective for services on or after January 1, 2015, this amendment revises the inpatient hospital capital cost reimbursement methodology. Specifically, this amendment changes capital costs from an interim payment to a prospective rate.

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 15-0001 is approved effective January 1, 2015. 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,



Kristin Fan  
Director

Enclosure

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

TO: REGIONAL ADMINISTRATOR  
HEALTH FINANCING ADMINISTRATION  
DEPARTMENT OF HUMAN SERVICES

1. TRANSMITTAL NUMBER:  
15 - 0001

2. STATE:  
Michigan

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

4. PROPOSED EFFECTIVE DATE  
January 1, 2015

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 2015 \$0  
b. FFY 2016 \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19-A, Page 25

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  
Attachment 4.19-A, Page 25

10. SUBJECT OF AMENDMENT:  
Inpatient Hospital Capital Reimbursement Methodology

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:  


13. TYPED NAME:  
Stephen Fitton

14. TITLE:  
Director, Medical Services Administration

15. DATE SUBMITTED:  
March 30, 2015

16. RETURN TO:  
Medical Services Administration  
Actuarial Division - Federal Liaison  
Capitol Commons Center - 7<sup>th</sup> Floor  
400 South Pine  
Lansing, Michigan 48933  
  
Attn: Erin Black

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:      NOV 17 2015

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
JAN 01 2015

20. SIGNATURE OF REGIONAL OFFICIAL:  


21. TYPE NAME:      Kristan Fan

22. TITLE:      Deputy Director, FMC

23. REMARKS:

## **Table of Contents**

**State/Territory Name: Michigan**

**State Plan Amendment (SPA) #: MI 15-0001**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

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

State of MICHIGAN

***Methods of Payment of Reasonable Costs - Inpatient Hospital Services*****I. Capital**

CAPITAL COSTS ARE REIMBURSED USING A HOSPITAL-SPECIFIC PROSPECTIVE RATE. A PROSPECTIVE PER-DISCHARGE AMOUNT WILL BE CALCULATED FOR MEDICAL/SURGICAL HOSPITALS, INCLUDING CRITICAL ACCESS HOSPITALS AND CHILDREN'S HOSPITALS. STATE-OWNED PSYCHIATRIC HOSPITALS, FREESTANDING REHABILITATION HOSPITALS AND DISTINCT PART REHABILITATION UNITS WILL BE REIMBURSED A PROSPECTIVE PER DIEM CAPITAL RATE.

WHEN CALCULATING THE PROSPECTIVE CAPITAL RATES, DATA FROM THE SECOND PREVIOUS STATE FISCAL YEAR WILL BE USED. FOR EXAMPLE, CAPITAL COSTS FROM A HOSPITAL'S SEPTEMBER 30, 2013 COST REPORT WILL BE USED TO CALCULATE THAT HOSPITAL'S 2015 PROSPECTIVE CAPITAL RATE.

EFFECTIVE JANUARY 1, 2015, THE CAPITAL AMOUNT FOR THE MEDICAL/SURGICAL COMPONENT OF THE HOSPITAL IS ESTABLISHED USING THE FOLLOWING LINES (OR COMPARABLE LINES FROM SUCCEEDING COST REPORTS) FROM THE HOSPITAL'S COST REPORT. THE DATA FOR ROUTINE CAPITAL COSTS IS OBTAINED FROM THE CMS 2552-10, WORKSHEET D, PART I, TITLE XIX COLUMN 7, LINES 30-35 AND 43. THE ANCILLARY CAPITAL COSTS ARE OBTAINED FROM THE CMS 2552-10 WORKSHEET D, PART II, TITLE XIX, COLUMN 5, LINES 50-77 AND 90-92. THE SUM OF ROUTINE AND ANCILLARY COST FOR FFS IS THEN DIVIDED BY THE MEDICAL/SURGICAL FFS DISCHARGES FOR THE SAME PERIOD TO CALCULATE THE HOSPITAL-SPECIFIC PROSPECTIVE PER DISCHARGE RATE. EFFECTIVE OCTOBER 1, 2015, THE FFS DATA DESCRIBED ABOVE WILL BE COMBINED WITH THE EQUIVALENT MANAGED CARE DATA TO CALCULATE EACH HOSPITAL'S CAPITAL RATE.

EFFECTIVE JANUARY 1, 2015, THE CAPITAL AMOUNT FOR FREESTANDING REHABILITATION HOSPITALS OR DISTINCT PART REHABILITATION UNITS IS ESTABLISHED USING THE FOLLOWING LINES (OR COMPARABLE LINES FROM SUCCEEDING COST REPORTS) FROM THE HOSPITAL'S COST REPORT. THE DATA FOR ROUTINE CAPITAL COSTS IS OBTAINED FROM THE CMS 2552-10, WORKSHEET D, PART I, TITLE XIX, LINE 41. THE ANCILLARY CAPITAL COSTS ARE OBTAINED FROM THE CMS 2552-10, WORKSHEET D, PART II, TITLE XIX, COLUMN 5, LINES 50-76.99 AND 90-92. THE SUM OF THE ROUTINE AND ANCILLARY COST FOR FFS IS THEN DIVIDED BY THE FFS REHABILITATION MEDICAID DAYS FOR THE SAME PERIOD TO CALCULATE THE HOSPITAL-SPECIFIC PROSPECTIVE PER DIEM RATE. EFFECTIVE OCTOBER 1, 2015, THE FFS DATA DESCRIBED ABOVE WILL BE COMBINED WITH THE EQUIVALENT MANAGED CARE DATA TO CALCULATE EACH HOSPITAL'S CAPITAL RATE.

~~The initial reimbursement for capital will be paid as a separate Capital Interim Payment (CIP). CIPs will be made using a monthly schedule (12 equal payments per year). The CIP amount will be set using cost data from the most recently filed cost report and an estimated impact of any applicable limits on capital. For example, capital costs from a hospital's October 31, 2011 cost report would be used to calculate the CIP amount for the hospital's fiscal period that ends October 31, 2013. CIP amounts will be set annually at the beginning of the hospital's fiscal year by combining Medicaid routine and ancillary capital costs from the CMS 2552-10.~~

~~The CIP amount for the medical/surgical component of the hospital is established using the following lines (or comparable lines from succeeding cost reports) from the hospital's cost report. The routine capital costs are obtained from the CMS 2552-10, Worksheet D, Part I, Title XIX Column 7, Lines 30-35 and 43. The ancillary capital costs are obtained from the CMS 2552-10 Worksheet D, Part II, Title XIX, Column 5, Lines 50-77 and 90-92.~~

~~The CIP amount for freestanding rehabilitation hospitals or distinct part rehabilitation units is established using the following lines from the hospital's cost report. The routine capital costs are obtained from the CMS 2552-~~

TN NO.: 15-0001Approval Date: NOV 17 2015Effective Date: 01/01/2015

Supersedes

TN No.: 13-07

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

State of MICHIGAN

***Methods of Payment of Reasonable Costs - Inpatient Hospital Services***

~~10, Worksheet D, Part I, Title XIX, Line 41. The ancillary capital costs are obtained from the CMS 2552-10, Worksheet D, Part II, Title XIX, Column 5, Lines 50-76.99 and 90-92.~~

~~CIPs-CAPITAL AMOUNTS may be adjusted due to significant changes in capital costs that are not reflected in the most recent cost report.~~

~~After the end of the facility's fiscal year, the total amount paid under CIP is compared with total capital cost as reported on the filed cost report for that year less any capital limits that apply. Differences are reconciled against the final capital amount for the applicable hospital fiscal period. Final settlements are calculated beginning 27 months after the end of a hospital's fiscal year end. Final capital costs for an applicable hospital fiscal period are calculated by combining Medicaid routine and ancillary capital costs from the CMS 2552-10 for the applicable hospital fiscal period. The same lines used to determine the hospital's CIP amount described above are used to determine the hospital's final capital amount.~~

~~If a hospital has a separate distinct part psychiatric unit, separate CIPs, comparisons to actual costs and determination of appropriate limits will be made for the distinct part unit and the balance of the inpatient hospital.~~

The Medicaid share of allowable capital costs is determined using Medicare Principles of Reimbursement.

~~The limits on capital described in this section apply for fiscal years beginning on and after October 1, 1990. The net licensed beds days calculation for hospitals whose fiscal year begins after September 30, 1990 and before January 1, 1991 and that reduce their licensed bed capacity by delicensing beds or using the rural banked beds option before January 1, 1991 will be made as if the reduction occurred on October 1, 1990.~~

Net licensed beds are used to determine net licensed bed days for capital reimbursement and include all beds temporarily delicensed, except for rural banked beds, with rural as defined under section 2 below. Net licensed bed days are:

**Total Licensed Bed Days - Rural Banked Bed Days**

A hospital may apply for a reduction in net licensed beds days to subtract bed days unavailable due to construction or renovation. Such a reduction is only available for beds which are taken out of service for construction or renovation for a limited period of time and which are returned to active inpatient service at the end of the construction or renovation project. Documentation of the construction or renovation project will be required.

OCCUPANCY LIMITS DESCRIBED BELOW WILL BE OBSERVED WHEN THE HOSPITAL SPECIFIC CAPITAL RATES ARE SET.

Occupancy is:

TN NO.: 15-0001

Approval Date: NOV 17 2015

Effective Date: 01/01/2015

Supersedes

TN No.: 13-07