

**MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES (MDHHS)
HOSPITAL BEDS
STANDARD ADVISORY COMMITTEE (HBSAC) MEETING**

Thursday, December 14, 2017

South Grand Building
333 S. Grand Ave,
1st Floor, Grand Conference Room
Lansing, MI 48933



APPROVED MINUTES

I. Call to Order

Chairperson Turner-Bailey called the meeting to order at 9:45 a.m.

A. Members Present:

Renee Turner-Bailey, Chairperson
Robert R. Camp, M.D. (arrived at 9:45am)
T. Anthony Denton (arrived at 9:58am)
Jeffrey Garber
Jennifer Groseclose
Margaret Klobucar (participated via phone)
Richard C. Lindsey, Jr. A (left at 11:17am)
Thomas Mee
Patrick O'Donovan
Jane Schelberg (participated via phone)
Shannon D. Striebich (participated via phone)

B. Members Absent:

Stephen L. Anderson
Joel S. Clark

C. Michigan Department of Health and Human Services Staff present:

Tulika Bhattacharya
Joette Laseur
Beth Nagel
Tania Rodriguez
Brenda Rogers

II. Review of Agenda

Motion by Ms. Garber and seconded by Mr. Mee to accept the agenda as modified moving Charge #2 to Item VII. Motion carried.

III. Declaration of Conflicts of Interests

No conflicts were declared.

IV. Review and Approval of November 30, 2017 Minutes

Motion by Mr. O'Donovan and seconded by Mr. Mee to accept the minutes as presented. Motion carried.

V. Charge 5 “Consider any necessary technical or other changes e.g., updates or modifications consistent with other CON review standards and the Public Health Code”

Ms. Rogers provided an overview of the draft language. (See Attachment A - yellow highlights)

Public Comment

1. Melissa Cupp, RWC Advocacy

Discussion followed.

Motion by Mr. Denton, seconded by Mr. Garber to accept the Department/Technical edits language as modified.

Motion carried in a vote of 8- Yes, 0- No, and 0- Abstained.

VI. Charge 4 “Review the concept of replacing and relocating inpatient rehabilitation beds and update the standard, if necessary”

Mr. Denton provided a walkthrough of the draft language with discussion. (See Attachment A -green highlights)

Motion by Mr. Garber, seconded by Mr. Denton to accept the replacement of inpatient rehabilitation facility beds language as modified.

Motion carried in a vote of 8- Yes, 0- No, and 0- Abstained.

Recessed at 11:19 a.m. & reconvened at 11:29 a.m.

VII. Charge #2 Review and update, if necessary, the language throughout section 12, titled “Additional requirements for applications included in comparative reviews”

Ms. Striebach provided a walkthrough of the draft language with discussion. (See Attachments B and A - gray highlights)

Motion by Mr. Denton, seconded by Mr. O’Donovan to accept the comparative review language as modified.

Motion carried in a vote of 8- Yes, 0- No, and 0- Abstained.

VIII. Next Steps

Chairperson Turner-Bailey reviewed what was done with each charge.

Motion by Mr. Denton, seconded by Mr. Garber to move the recommendations forward to the Commission.

Motion carried in a vote of 8- Yes, 0- No, and 0- Abstained.

IX. Future Meeting Date – January 11, 2018

The January 11, 2018 meeting is cancelled.

X. Public Comment

None.

XI. Adjournment

Motion by Ms. Denton and seconded by Mr. O’Donovan to adjourn at 12:02 p.m. Motion Carried.

MICHIGAN DEPARTMENT OF COMMUNITY HEALTH AND HUMAN SERVICES

CERTIFICATE OF NEED (CON) REVIEW STANDARDS FOR HOSPITAL BEDS

(By authority conferred on the CON Commission by sections 22215 and 22217 of Act No. 368 of the Public Acts of 1978, as amended, and sections 7 and 8 of Act No. 306 of the Public Acts of 1969, as amended, being sections 333.22215, 333.22217, 24.207, and 24.208 of the Michigan Compiled Laws.)

Section 1. Applicability

Sec. 1. (1) These standards are requirements for approval under Part 222 of the Code that involve (a) beginning operation of a new hospital or (b) replacing beds in a hospital or physically relocating hospital beds from one licensed site to another geographic location or (c) increasing licensed beds in a hospital licensed under Part 215 or (d) acquiring a hospital . Pursuant to Part 222 of the Code, a hospital licensed under Part 215 is a covered health facility. The Department shall use these standards in applying Section 22225(1) of the Code, being Section 333.22225(1) of the Michigan Compiled Laws and Section 22225(2)(c) of the Code, being Section 333.22225(2)(c) of the Michigan Compiled Laws.

(2) An increase in licensed hospital beds is a change in bed capacity for purposes of Part 222 of the Code.

(3) The physical relocation of hospital beds from a licensed site to another geographic location is a change in bed capacity for purposes of Part 222 of the Code.

(4) An increase in hospital beds certified for long-term care is a change in bed capacity for purposes of Part 222 of the Code and shall be subject to and reviewed under the CON Review Standards for Long-Term-Care Services.

Section 2. Definitions

Sec. 2. (1) As used in these standards:

(a) "Acquiring a hospital" means the issuance of a new hospital license as the result of the acquisition (including purchase, lease, donation, or other comparable arrangements) of a licensed and operating hospital and which does not involve a change in bed capacity.

(b) "Adjusted patient days" means the number of patient days when calculated as follows:

(i) Combine all pediatric patient days of care and obstetrics patient days of care provided during the period of time under consideration and multiply that number by 1.1.

(ii) Add the number of non-pediatric and non-obstetric patient days of care, excluding psychiatric patient days, provided during the same period of time to the product obtained in (i) above. This is the number of adjusted patient days for the applicable period.

(c) "Alcohol and substance abuse hospital" means a licensed hospital within a long-term (acute) care (LTAC) hospital that exclusively provides inpatient medical detoxification and medical stabilization and related outpatient services for persons who have a primary diagnosis of substance dependence covered by DRGs 433 - 437.

(d) "Average adjusted occupancy rate" shall be calculated as follows:

(i) Calculate the number of adjusted patient days during the most recent, consecutive 36-month period, as of the date of the application, for which verifiable data are available to the Department.

(ii) Calculate the total licensed bed days for the same 36-month period as in (i) above by multiplying the total licensed beds by the number of days they were licensed.

(iii) Divide the number of adjusted patient days calculated in (i) above by the total licensed bed days calculated in (ii) above, then multiply the result by 100.

(d) "Base year" means the most recent year that final MIDB data is available to the Department.

53 (e) "Certificate of Need Commission" or "Commission" means the Commission created pursuant to
54 Section 22211 of the code, being Section 333.22211 of the Michigan Compiled Laws.

55 (f) "Close a hospital" means an applicant will demonstrate to the satisfaction of the Department that a
56 hospital licensed under Part 215, and whose licensed capacity for the most recent 24 months prior to
57 submission of the application was at least 80 percent for acute care beds, will close and surrender its
58 acute care hospital license upon completion of the proposed project.

59 (g) "Code" means Act No. 368 of the Public Acts of 1978, as amended, being Section 333.1101 et
60 seq. of the Michigan Compiled Laws.

61 (h) "Common ownership or control" means a hospital that is owned by, is under common control of,
62 or has a common parent as the applicant hospital.

63 (i) "Compare group" means the applications that have been grouped for the same type of project in
64 the same hospital group and are being reviewed comparatively in accordance with the CON rules.

65 (j) "Department" means the Michigan Department of **Community Health AND HUMAN SERVICES**
66 **(MDCHHS)**.

67 (k) "Department inventory of beds" means the current list maintained for each hospital group on a
68 continuing basis by the Department of (i) licensed hospital beds and (ii) hospital beds approved by a valid
69 CON issued under either Part 221 or Part 222 of the Code that are not yet licensed. The term does not
70 include hospital beds certified for long-term-care in hospital long-term care units.

71 (l) "Disproportionate share hospital payments" means the most recent payments to hospitals in the
72 special pool for non-state government-owned or operated hospitals to assure funding for costs incurred by
73 public facilities providing inpatient hospital services which serve a disproportionate number of low-income
74 patients with special needs as calculated by the Medical Services Administration within the Department.

75 (m) "Excluded hospitals" means hospitals in the following categories:

76 (i) Critical access hospitals designated by CMS pursuant to 42 CFR 485.606

77 (ii) Hospitals located in rural or micropolitan statistical area counties

78 (iii) LTAC and Inpatient Rehabilitation Facility (IRF) hospitals

79 (iv) Sole community hospitals designated by CMS pursuant to 42 CFR 412.92

80 (v) Hospitals with 25 or fewer licensed beds

81 (n) "Existing hospital beds" means, for a specific hospital group, the total of all of the following: (i)
82 **hospital beds licensed by the Department of Licensing and Regulatory Affairs (LARA) or its successor;** (ii)
83 hospital beds with valid CON approval but not yet licensed; (iii) proposed hospital beds under appeal from
84 a final decision of the Department; and (iv) proposed hospital beds that are part of a completed application
85 under Part 222 (other than the application under review) for which a proposed decision has been issued
86 and which is pending final Department decision.

87 (o) "Gross hospital revenues" means the hospital's revenues as stated on the most recent Medicare
88 and Michigan Medicaid forms filed with the Medical Services Administration within the Department.

89 (p) "Health service area" or "HSA" means the groups of counties listed in Appendix A.

90 (q) "Hospital bed" means a bed within the licensed bed complement at a licensed site of a hospital
91 licensed under Part 215 of the Code, excluding (i) hospital beds certified for long-term care as defined in
92 Section 20106(6) of the Code and (ii) unlicensed newborn bassinets.

93 (r) "Hospital" means a hospital as defined in Section 20106(5) of the Code being Section
94 333.20106(5) of the Michigan Compiled Laws and licensed under Part 215 of the Code. The term does
95 not include a hospital or hospital unit licensed or operated by the Department of Mental Health.

96 (s) "Hospital group" means a cluster or grouping of hospitals based on geographic proximity and
97 hospital utilization patterns. The list of hospital groups and the hospitals assigned to each hospital group
98 will be posted on the State of Michigan CON web site and will be updated pursuant to Section 3.

99 (t) "Hospital long-term-care unit" or "HLTCU" means a nursing care unit, owned or operated by and
100 as part of a hospital, licensed by the Department, and providing organized nursing care and medical
101 treatment to 7 or more unrelated individuals suffering or recovering from illness, injury, or infirmity.

102 (u) "Host hospital" means a licensed and operating hospital, which delicenss hospital beds, and
103 which leases patient care space and other space within the physical plant of the host hospital, to allow an
104 LTAC hospital, IRF hospital, or alcohol and substance abuse hospital, to begin operation.

(v) "INPATIENT REHABILITATION FACILITY BED" OR "IRF BED" MEANS A LICENSED HOSPITAL BED WITHIN AN IRF HOSPITAL OR UNIT THAT HAS BEEN APPROVED TO PARTICIPATE IN THE TITLE XVIII (MEDICARE) PROGRAM AS A PROSPECTIVE PAYMENT SYSTEM (PPS) EXEMPT INPATIENT REHABILITATION HOSPITAL IN ACCORDANCE WITH 42 CFR PART 412 SUBPART P.

(v) "Inpatient Rehabilitation Facility hospital" or "IRF hospital" means a hospital that has been approved to participate in the Title XVIII (Medicare) program as a prospective payment system (PPS) exempt Inpatient Rehabilitation Hospital in accordance with 42 CFR Part 412 Subpart P.

(w) "Licensed site" means the location of the facility authorized by license and listed on that licensee's certificate of licensure.

(x) "Limited access area" means those underserved areas with a patient day demand that meets or exceeds the state-wide average of patient days used per 50,000 residents in the base year and as identified in Appendix D. Limited access areas shall be redetermined when a new hospital has been approved or an existing hospital closes.

(y) "Long-term (acute) care hospital" or "LTAC hospital" means a hospital has been approved to participate in the Title XVIII (Medicare) program as a prospective payment system (PPS) exempt hospital in accordance with 42 CFR Part 412 Subpart O.

(z) "Medicaid" means title XIX of the social security act, chapter 531, 49 Stat. 620, 1396 to 1396g and 1396i to 1396u.

(aa) "Medicaid volume" means the number of Medicaid recipients served at the hospital as stated on the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration within the Department.

(bb) "Michigan Inpatient Data Base" or "MIDB" means the data base compiled by the Michigan Health and Hospital Association or successor organization. The data base consists of inpatient discharge records from all Michigan hospitals and Michigan residents discharged from hospitals in border states for a specific calendar year.

(cc) "New beds in a hospital" means hospital beds that meet at least one of the following: (i) are not currently licensed as hospital beds, (ii) are currently licensed hospital beds at a licensed site in one hospital group which are proposed for relocation in a different hospital group as determined by the Department pursuant to Section 3 of these standards, (iii) are currently licensed hospital beds at a licensed site in one hospital group which are proposed for relocation to another geographic site which is in the same hospital group as determined by the Department, but which are not in the replacement zone, or (iv) are currently licensed hospital beds that are proposed to be licensed as part of a new hospital in accordance with Section 6(2) of these standards.

(dd) "New hospital" means one of the following: (i) the establishment of a new facility that shall be issued a new hospital license, (ii) for currently licensed beds, the establishment of a new licensed site that is not in the same hospital group as the currently licensed beds, (iii) currently licensed hospital beds at a licensed site in one hospital group which are proposed for relocation to another geographic site which is in the same hospital group as determined by the Department, but which are not in the replacement zone, or (iv) currently licensed hospital beds that are proposed to be licensed as part of a new hospital in accordance with section 6(2) of these standards.

(ee) "Obstetrics patient days of care" means inpatient days of care for patients in the applicant's Michigan Inpatient Data Base data ages 15 through 44 with DRGs 370 through 375 (obstetrical discharges).

(ff) "Overbedded hospital group" means a hospital group in which the total number of existing hospital beds in that hospital group exceeds the hospital group needed hospital bed supply.

(gg) "Pediatric patient days of care" means inpatient days of care for patients in the applicant's Michigan Inpatient Data Base data ages 0 through 14 excluding normal newborns.

(hh) "Planning year" means five years beyond the base year for which hospital bed need is developed.

(i) "Qualifying project" means each application in a comparative group which has been reviewed individually and has been determined by the Department to have satisfied all of the requirements of Section 22225 of the code, being section 333.22225 of the Michigan Compiled Laws and all other applicable requirements for approval in the Code or these Standards.

157 (jj) "Relocate existing licensed hospital beds" for purposes of sections 6(3) and 8 of these standards,
 158 means a change in the location of existing hospital beds from the existing licensed hospital site to a
 159 different existing licensed hospital site within the same hospital group or HSA. This definition does not
 160 apply to projects involving replacement beds in a hospital governed by Section 7 of these standards.

161 (kk) "Remaining patient days of care" means total inpatient days of care in the applicant's Michigan
 162 Inpatient Data Base data minus obstetrics patient days of care and pediatric patient days of care.

163 (ll) "RENEWAL OF LEASE" MEANS EXECUTION OF A LEASE BETWEEN THE LICENSEE AND A
 164 REAL PROPERTY OWNER IN WHICH THE TOTAL LEASE COSTS EXCEED THE CAPITAL
 165 EXPENDITURE THRESHOLD.

166 (mm) "Replace beds" means a change in the location of the licensed hospital, the replacement of a
 167 portion of the licensed beds at the same licensed site, or the one-time replacement of less than 50% of
 168 the licensed beds to a new site within 250 yards of the building on the licensed site containing more than
 169 50% of the licensed beds, which may include a new site across a highway(s) or street(s) as defined in
 170 MCL 257.20 and excludes a new site across a limited access highway as defined in MCL 257.26. The
 171 hospital beds will be in new physical plant space being developed in new construction or in newly acquired
 172 space (purchase, lease, donation, etc.) within the replacement zone.

173 (nn) "REPLACE IRF BEDS" MEANS A CHANGE IN THE LOCATION OF ALL IRF BEDS FROM AN
 174 EXISTING SITE TO A NEW SITE WITHIN THE REPLACEMENT ZONE FOR IRF BEDS.

175 (ooo) "Replacement zone" means a proposed licensed site that is (i) in the same hospital group as the
 176 existing licensed site as determined by the Department in accord with Section 3 of these standards and (ii)
 177 on the same site, on a contiguous site, or on a site within 2 miles (5 MILES FOR IRF BEDS) of the
 178 existing licensed site if the existing licensed site is located in a county with a population of 200,000 or
 179 more, or on a site within 5 miles (10 MILES FOR IRF BEDS) of the existing licensed site if the existing
 180 licensed site is located in a county with a population of less than 200,000.

181 (ppp) "Uncompensated care volume" means the hospital's uncompensated care volume as stated on
 182 the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration
 183 within the Department.

184 (qqq) "Underserved area" means those geographic areas not within 30 minute drive time of an existing
 185 licensed acute care hospital with 24 hour/7 days a week emergency room services utilizing the most direct
 186 route using the lowest speed limits posted as defined by the Michigan Department of Transportation
 187 (MDOT).

188 (rrr) "Use rate" means the number of days of inpatient care per 1,000 population during a one-year
 189 period.

191 (2) The definitions in Part 222 shall apply to these standards.

193 Section 3. Hospital groups

195 Sec. 3. Each existing hospital is assigned to a hospital group pursuant to subsection (1).

197 (1) These hospital groups and the assignments of hospitals to hospital groups shall be updated by
 198 the Department every five years or at the direction of the Commission. The methodology described in
 199 "New Methodology for Defining Hospital Groups" by Paul I. Delamater, Ashton M. Shortridge, and Joseph
 200 P. Messina, 2011 shall be used as follows:

201 (a) For each hospital, calculate the patient day commitment index (%C – a mathematical computation
 202 where the numerator is the number of inpatient hospital days from a specific geographic area provided by
 203 a specified hospital and the denominator is the total number of patient days provided by the specified
 204 hospital using MIDB data) for all Michigan zip codes using the summed patient days from the most recent
 205 three years of MIDB data. Include only those zip codes found in each year of the most recent three years
 206 of MIDB data. Arrange observations in an origin-destination table such that each hospital is an origin
 207 (row) and each zip code is a destination (column) and include only hospitals with inpatient records in the
 208 MIDB.

- 209 (b) For each hospital, calculate the road distance to all other hospitals. Arrange observations in an
 210 origin-destination table such that each hospital is an origin (row) and each hospital is also a destination
 211 (column).
- 212 (c) Rescale the road distance origin-destination table by dividing every entry in the road distance
 213 origin-destination table by the maximum distance between any two hospitals.
- 214 (d) Append the road distance origin-destination table to the %C origin-destination table (by hospital)
 215 to create the input data matrix for the clustering algorithm.
- 216 (e) Group hospitals into clusters using the k-means clustering algorithm with initial cluster centers
 217 provided by a wards hierarchical clustering method. Iterate over all cluster solutions from 2 to the number
 218 of hospitals (n) minus 1.
- 219 (i) For each cluster solution, record the group membership of each hospital, the cluster center
 220 location for each of the clusters, the r^2 value for the overall cluster solution, the number of single hospital
 221 clusters, and the maximum number of hospitals in any cluster.
- 222 (ii) "k-means clustering algorithm" means a method for partitioning observations into a user-specified
 223 number of groups. It is a standard algorithm with a long history of use in academic and applied research.
 224 The approach identifies groups of observations such that the sum of squares from points to the assigned
 225 cluster centers is minimized, i.e., observations in a cluster are more similar to one another than they are
 226 to other clusters. Several k-means implementations have been proposed; the bed need methodology
 227 uses the widely-adopted Hartigan-Wong algorithm. Any clustering or data mining text will discuss k-
 228 means; one example is B.S. Everitt, S. Landau, M. Leese, & D. Stahl (2011) Cluster Analysis, 5th Edition.
 229 Wiley, 346 p.
- 230 (iii) "Wards hierarchical clustering method" means a method for clustering observations into groups.
 231 This method uses a binary tree structure to sequentially group data observations into clusters, seeking to
 232 minimize overall within-group variance. In the bed need methodology, this method is used to identify the
 233 starting cluster locations for k-means. Any clustering text will discuss hierarchical cluster analysis,
 234 including Ward's method; one example is: G. Gan, C. Ma, & J. Wu (2007) Data Clustering: Theory,
 235 Algorithms, and Applications (Asa-Siam Series on Statistics and Applied Probability). Society for Industrial
 236 and Applied Mathematics (Siam), 466 p.
- 237 (f) Calculate the incremental F score (F_{inc}) for each cluster solution (i) between 3 and $n-1$ letting:
 238 $r_i^2 = r^2$ of solution i
 239 $r_{i-1}^2 = r^2$ of solution i-1
 240 $k_i =$ number of clusters in solution i
 241 $k_{i-1} =$ number of clusters in solution i-1
 242 $n =$ total number of hospitals
- 243 where:
$$F_{inci} = \frac{\left(\frac{r_i^2 - r_{i-1}^2}{k_i - k_{i-1}} \right)}{\left(\frac{1 - r_i^2}{n - (k_i - 1)} \right)}$$
- 244 (g) Select candidate solutions by finding those with peak values in f_{inc} scores such that $f_{inc, i}$ is greater
 245 than both $f_{inc, i-1}$ and $f_{inc, i+1}$.
- 246 (h) Remove all candidate solutions in which the largest single cluster contains more than 20
 247 hospitals.
- 248 (i) Identify the minimum number of single hospital clusters from the remaining candidate solutions.
 249 Remove all candidate solutions containing a greater number of single hospital clusters than the identified
 250 minimum.
- 251 (j) From the remaining candidate solutions, choose the solution with the largest number of clusters
 252 (k). This solution (k clusters) is the resulting number and configuration of the hospital groups.
- 253 (k) Rename hospital groups as follows:
- 254 (i) For each hospital group, identify the HSA in which the maximum number of hospitals are located.
 255 In case of a tie, use the HSA number that is lower.

- 256 (ii) For each hospital group, sum the number of current licensed hospital beds for all hospitals.
 257 (iii) Order the groups from 1 to k by first sorting by HSA number, then sorting within each HSA by the
 258 sum of beds in each hospital group. The hospital group name is then created by appending number in
 259 which it is ordered to "hg" (e.g., hg1, hg2, ... hg k).
 260 (iv) Hospitals that do not have patient records in the MIDB - identified in subsection (1)(a) - are
 261 designated as "ng" for non-groupable hospitals.

262
 263 (2) For an application involving a proposed new licensed site for a hospital (whether new or
 264 replacement), the proposed new licensed site shall be assigned to an existing hospital group utilizing the
 265 methodology described in "A Methodology for Defining Hospital Groups" by Paul L. Delamater, Ashton M.
 266 Shortridge, and Joseph P. Messina, 2011 as follows:

267 (a) Calculate the road distance from proposed new site (s) to all existing hospitals, resulting in a list of
 268 n observations (s_n).

269 (b) Rescale s_n by dividing each observation by the maximum road distance between any two
 270 hospitals identified in subsection (1)(c).

271 (c) For each hospital group, subset the cluster center location identified in subsection (1)(e)(i) to only
 272 the entries corresponding to the road distance between hospitals. For each hospital group, the result is a
 273 list of n observations that define each hospital group's central location in relative road distance.

274 (d) Calculate the distance ($d_{k,s}$) between the proposed new site and each existing hospital group

275 where:
$$d_{k,s} = \sqrt{(HG_{k,1} - s_1)^2 + (HG_{k,2} - s_2)^2 + (HG_{k,3} - s_3)^2 + \dots + (HG_{k,n} - s_n)^2}$$

276 (e) Assign the proposed new site to the closest hospital group (HG k) by selecting the minimum value
 277 of $d_{k,s}$.

278 (f) If there is only a single applicant, then the assignment procedure is complete. If there are
 279 additional applicants, then steps (a) – (e) must be repeated until all applicants have been assigned to an
 280 existing hospital group.

281
 282 (3) The Department shall amend the hospital groups to reflect: (a) approved new licensed site(s)
 283 assigned to a specific hospital group; (b) hospital closures; and (c) licensure action(s) as appropriate.

284
 285 (4) As directed by the Commission, new hospital group assignments established according to
 286 subsection (1) shall supersede the previous subarea/hospital group assignments and shall be posted on
 287 the State of Michigan CON web site effective on the date determined by the Commission.

288 289 **Section 4. Determination of the needed hospital bed supply**

290
 291 Sec. 4. (1) The determination of the needed hospital bed supply for a hospital group for a planning
 292 year shall be made using the MIDB and the methodology detailed in "New Methodology for Determining
 293 Needed Hospital Bed Supply" by Paul L. Delamater, Ashton M. Shortridge, and Joseph P. Messina, 2011
 294 as follows:

295 (a) All hospital discharges for normal newborns (DRG 391 prior to 2008, DRG 795 thereafter) and
 296 psychiatric patients (ICD-9-CM codes 290 through 319, see Appendix E for ICD-10-CM Codes, as a
 297 principal diagnosis) will be excluded.

298 (b) For each county, compile the monthly patient days used by county residents for the previous five
 299 years (base year plus previous four years). Compile the monthly patient days used by non-Michigan
 300 residents in Michigan hospitals for the previous five years as an "out-of-state" unit. The out-of-state
 301 patient days unit is considered an additional county thereafter. Patient days are to be assigned to the
 302 month in which the patient was discharged. For patient records with an unknown county of residence,
 303 assign patient days to the county of the hospital where the patient received service.

304 (c) For each county, calculate the monthly patient days for all months in the planning year. For each
 305 county, construct an ordinary least squares linear regression model using monthly patient days as the
 306 dependent variable and months (1-60) as the independent variable. If the linear regression model is

307 significant at a 90% confidence level (F-score, two tailed p value ≤ 0.1), predict patient days for months
 308 109-120 using the model coefficients. If the linear regression model is not significant at a 90% confidence
 309 level (F-score, two tailed p value > 0.1), calculate the predicted monthly patient day demand in the
 310 planning year by finding the monthly average of the three previous years (months 25-60).

311 (d) For each county, calculate the predicted yearly patient day demand in the planning year. For
 312 counties with a significant regression model, sum the monthly predicted patient days for the planning year.
 313 For counties with a non-significant regression model, multiply the three year monthly average by 12.

314 (e) For each county, calculate the base year patient day commitment index (%c) to each hospital
 315 group. Specifically, divide the base year patient days from each county to each hospital group by the total
 316 number of base year patient days from each county.

317 (f) For each county, allocate the planning year patient days to the hospital groups by multiplying the
 318 planning year patient days by the %c to each hospital group from subsection (e).

319 (g) For each hospital group, sum the planning year patient days allocated from each county.

320 (h) For each hospital group, calculate the average daily census (ADC) for the planning year by
 321 dividing the planning year patient days by 365. Round each ADC value up to the nearest whole number.

322 (i) For each hospital group, select the appropriate occupancy rate from the occupancy table in
 323 Appendix C.

324 (j) For each hospital group, calculate the planning year bed need by dividing the planning year ADC
 325 by the appropriate occupancy rate. Round each bed need value up to the nearest whole number.

326

327 (2) The determination of the needed hospital bed supply for a limited access area shall be made
 328 using the MIDB and the methodology detailed in "A Methodology for Determining Needed Hospital Bed
 329 Supply" by Paul L. Delamater, Ashton M. Shortridge, And Joesph P. Messina, 2011 as follows:

330 (a) All hospital discharges for normal newborns (DRG 391 prior to 2008, DRG 795 thereafter) and
 331 psychiatric patients (ICD-9-CM codes 290 through 319, see Appendix E for ICD-10-CM Codes, as a
 332 principal diagnosis) will be excluded.

333 (b) Calculate the average patient day use rate of Michigan residents. Sum total patient days of
 334 Michigan residents in the base year and divide by estimated base year population for the state (population
 335 data available from US Census Bureau).

336 (c) Calculate the minimum number of patient days for designation of a limited access area by
 337 multiplying the average patient day use rate by 50,000. Round up to the nearest whole number.

338 (d) Follow steps outlined in Section 4(1)(b) – (d) to predict planning year patient days for each
 339 underserved area. Round up to the nearest whole number. The patient days for each underserved area
 340 are defined as the sum of the zip codes corresponding to each underserved area.

341 (e) For each underserved area, compare the planning year patient days to the minimum number of
 342 patient days for designation of a limited access area calculated in (c). Any underserved area with a
 343 planning year patient day demand greater than or equal to the minimum is designated as a limited access
 344 area.

345 (f) For each limited access area, calculate the planning year bed need using the steps outlined in
 346 Section 4(1)(h) – (j). For these steps, use the planning year patient days for each limited access area.

347

348 Section 5. Bed Need

349

350 Sec. 5. (1) The bed-need numbers shall apply to projects subject to review under these standards,
 351 except where a specific CON review standard states otherwise.

352

353 (2) The Department shall re-calculate the acute care bed need methodology in Section 4 every two
 354 years, or as directed by the Commission.

355

356 (3) The effective date of the bed-need numbers shall be established by the Commission.

357

358 (4) New bed-need numbers established by subsections (2) and (3) shall supersede PREVIOUS bed-
 359 need numbers and shall be posted on the State Of Michigan CON web site as part of the hospital bed
 360 inventory.

361
 362 (5) Modifications made by the Commission pursuant to this section shall not require standard
 363 advisory committee action, a public hearing, or submittal of the standard to the legislature and the
 364 governor in order to become effective.

365 **Section 6. Requirements for approval -- new beds in a hospital**

366
 367
 368 Sec. 6. (1) An applicant proposing new beds in a hospital, except an applicant meeting the
 369 requirements of subsection 2, 3, 4, or 5 shall demonstrate that it meets all of the following:

370 (a) The new beds in a hospital shall result in a hospital of at least 200 beds in a metropolitan
 371 statistical area county or 25 beds in a rural or micropolitan statistical area county. This subsection may be
 372 waived by the Department if the Department determines, in its sole discretion, that a smaller hospital is
 373 necessary or appropriate to assure access to health-care services.

374 (b) The total number of existing hospital beds in the hospital group to which the new beds will be
 375 assigned does not currently exceed the needed hospital bed supply. The Department shall determine the
 376 hospital group to which the beds will be assigned in accord with Section 3 of these standards.

377 (c) Approval of the proposed new beds in a hospital shall not result in the total number of existing
 378 hospital beds, in the hospital group to which the new beds will be assigned, exceeding the needed hospital
 379 bed supply. The Department shall determine the hospital group to which the beds will be assigned in
 380 accord with Section 3 of these standards.

381
 382 (2) An applicant proposing to begin operation as a new LTAC hospital, IRF hospital or alcohol and
 383 substance abuse hospital within an existing licensed, host hospital shall demonstrate that it meets all of
 384 the requirements of this subsection:

385 (a) If the LTAC or IRF hospital applicant described in this subsection does not meet the Title XVIII
 386 requirements of the Social Security Act for exemption from PPS as an LTAC or IRF hospital within 12
 387 months after beginning operation, then it may apply for a six-month extension in accordance with
 388 R325.9403 of the CON rules. If the applicant fails to meet the Title XVIII requirements for PPS exemption
 389 as an LTAC or IRF hospital within the 12 or 18-month period, then the CON granted pursuant to this
 390 section shall expire automatically.

391 (b) The patient care space and other space to establish the new hospital is being obtained through a
 392 lease arrangement and renewal of a lease between the applicant and the host hospital. The initial,
 393 renewed, or any subsequent lease shall specify at least all of the following:

394 (i) That the host hospital shall delicense the same number of hospital beds proposed by the
 395 applicant for licensure in the new hospital or any subsequent application to add additional beds.

396 (ii) That the proposed new beds shall be for use in space currently licensed as part of the host
 397 hospital.

398 (iii) That upon non-renewal and/or termination of the lease, upon termination of the license issued
 399 under Part 215 of the act to the applicant for the new hospital, or upon noncompliance with the project
 400 delivery requirements or any other applicable requirements of these standards, the beds licensed as part
 401 of the new hospital must be disposed of by one of the following means:

402 (A) Relicensure of the beds to the host hospital. The host hospital must obtain a CON to acquire the
 403 LTAC or IRF hospital. In the event that the host hospital applies for a CON to acquire the LTAC or IRF
 404 hospital [including the beds leased by the host hospital to the LTAC or IRF hospital] within six months
 405 following the termination of the lease with the LTAC or IRF hospital, it shall not be required to be in
 406 compliance with the hospital bed supply if the host hospital proposes to add the beds of the LTAC or IRF
 407 hospital to the host hospital's medical/surgical licensed capacity and the application meets all other
 408 applicable project delivery requirements. The beds must be used for general medical/surgical purposes.
 409 Such an application shall not be subject to comparative review and shall be processed under the

- 410 procedures for non-substantive review (as this will not be considered an increase in the number of beds
 411 originally licensed to the applicant at the host hospital);
- 412 (B) Delicensure of the hospital beds; or
- 413 (C) Acquisition by another entity that obtains a CON to acquire the new hospital in its entirety and that
 414 entity must meet and shall stipulate to the requirements specified in Section 6(2).
- 415 (c) The applicant or the current licensee of the new hospital shall not apply, initially or subsequently,
 416 for CON approval to initiate any other CON covered clinical services; provided, however, that this section
 417 is not intended, and shall not be construed in a manner which would prevent the licensee from contracting
 418 and/or billing for medically necessary covered clinical services required by its patients under arrangements
 419 with its host hospital or any other CON approved provider of covered clinical services.
- 420 (d) The new licensed hospital shall remain within the host hospital.
- 421 (e) The new hospital shall be assigned to the same hospital group as the host hospital.
- 422 (f) The proposed project to begin operation of a new hospital, under this subsection, shall constitute
 423 a change in bed capacity under Section 1(2) of these standards.
- 424 (g) The lease will not result in an increase in the number of licensed hospital beds in the hospital
 425 group.
- 426 (h) Applications proposing a new hospital under this subsection shall not be subject to comparative
 427 review.
- 428
- 429 (3) An applicant proposing to add new hospital beds, as the receiving licensed hospital under Section
 430 8, shall demonstrate that it meets all of the requirements of this subsection and shall not be required to be
 431 in compliance with the needed hospital bed supply if the application meets all other applicable CON review
 432 standards and agrees and assures to comply with all applicable project delivery requirements.
- 433 (a) The approval of the proposed new hospital beds shall not result in an increase in the number of
 434 licensed hospital beds as follows:
- 435 (i) In the hospital group pursuant to Section 8(2)(a), or
- 436 (ii) in the HSA pursuant to Section 8(2)(b).
- 437 (b) Where the source hospital was subject to Section 8(3)(b), the receiving hospital shall have an
 438 average adjusted occupancy rate of 40 percent or above.
- 439 (c) Where the source hospital was subject to Section 8(3)(b), the addition of the proposed new
 440 hospital beds at the receiving hospital shall not exceed the number determined by the following
 441 calculation:
- 442 (i) As of the date of the application, calculate the adjusted patient days for the most recent,
 443 consecutive 36-month period where verifiable data is available to the Department, and divide by .40.
- 444 (ii) Divide the result of subsection (i) by 1095 (or 1096, if the 36-month period includes a leap year)
 445 and round up to next whole number or 25, whichever is larger. This is the maximum number of beds that
 446 can be licensed at the receiving hospital.
- 447 (iii) Subtract the receiving hospital's total number of licensed beds and approved beds from the result
 448 of subsection (ii). This is the maximum number of beds that can be added to the receiving hospital.
- 449 (d) Where the source hospital was subject to Section 8(3)(b), the receiving hospital's average
 450 adjusted occupancy rate must not be less than 40 percent after the addition of the proposed new hospital
 451 beds.
- 452 (e) Subsection (3)(b), (c), and (d) shall not apply to excluded hospitals.
- 453 (f) The proposed project to add new hospital beds, under this subsection, shall constitute a change in
 454 bed capacity under Section 1(2) of these standards.
- 455 (g) Applicants proposing to add new hospital beds under this subsection shall not be subject to
 456 comparative review.
- 457
- 458 (4) An applicant may apply for the addition of new beds if all of the following subsections are met.
 459 Further, an applicant proposing new beds at an existing licensed hospital site shall not be required to be in
 460 compliance with the needed hospital bed supply if the application meets all other applicable CON review
 461 standards and agrees and assures to comply with all applicable project delivery requirements.

- 462 (a) The beds are being added at the existing licensed hospital site **OR ARE BEING REPLACED TO**
 463 **A NEW IRF HOSPITAL SITE BEING CREATED UNDER SECTION 7(7) AS PART OF THE SAME CON**
 464 **APPLICATION.**
- 465 (b) The hospital at the existing licensed hospital site has operated at an adjusted occupancy rate of
 466 80 percent or above for the previous, consecutive 24 months based on its licensed and approved hospital
 467 bed capacity. The adjusted occupancy rate shall be calculated as follows:
- 468 (i) Calculate the number of adjusted patient days during the most recent, consecutive 24-month
 469 period for which verifiable data are available to the Department.
- 470 (ii) Divide the number calculated in (i) above by the total possible patient days [licensed and approved
 471 hospital beds multiplied by 730 (or 731 if including a leap year)]. This is the adjusted occupancy rate.
- 472 (c) The number of beds that may be approved pursuant to this subsection shall be the number of
 473 beds necessary to reduce the adjusted occupancy rate for the hospital to 75 percent. The number of beds
 474 shall be calculated as follows:
- 475 (i) Divide the number of adjusted patient days calculated in subsection (b)(i) by .75 to determine
 476 licensed bed days at 75 percent occupancy.
- 477 (ii) Divide the result of step (i) by 730 (or 731 if including a leap year) and round the result up to the
 478 next whole number.
- 479 (iii) Subtract the number of licensed and approved hospital beds as documented on the "Department
 480 Inventory of Beds" from the result of step (ii) and round the result up to the next whole number to
 481 determine the maximum number of beds that may be approved pursuant to this subsection.
- 482 (d) A licensed acute care hospital that has relocated its beds, after the effective date of these
 483 standards, shall not be approved for hospital beds under this subsection for five years from the effective
 484 date of the relocation of beds.
- 485 (e) Applicants proposing to add new hospital beds under this subsection shall not be subject to
 486 comparative review.
- 487 ~~—(f) Applicants proposing to add new hospital beds under this subsection shall demonstrate to the~~
 488 ~~Department that they have pursued a good faith effort to relocate acute care beds from other licensed~~
 489 ~~acute care hospitals within the HSA. At the time an application is submitted to the Department, the~~
 490 ~~applicant shall demonstrate that contact was made by one certified mail return receipt for each~~
 491 ~~organization contacted.~~
- 492 (5) An applicant proposing a new hospital in a limited access area shall not be required to be in
 493 compliance with the needed hospital bed supply if the application meets all other applicable CON review
 494 standards, agrees and assures to comply with all applicable project delivery requirements, and all of the
 495 following subsections are met.
- 496 (a) The proposed new hospital, unless a critical access hospital, shall have 24 hour/7 days a week
 497 emergency services, obstetrical services, surgical services, and licensed acute care beds.
- 498 (b) The Department shall assign the proposed new hospital to an existing hospital group based on
 499 the current market use patterns of existing hospital groups.
- 500 (c) Approval of the proposed new beds in a hospital in a limited access area shall not exceed the bed
 501 need for the limited access area as determined by the bed need methodology in Section 4 and as set forth
 502 in Appendix D.
- 503 (d) The new beds in a hospital in a limited access area shall result in a hospital of at least 100 beds in
 504 a metropolitan statistical area county or 50 beds in a rural or micropolitan statistical area county. If the
 505 bed need for a limited access area, as shown in Appendix D, is less, then that will be the minimum
 506 number of beds for a new hospital under this provision. If an applicant for new beds in a hospital under
 507 this provision simultaneously applies for status as a critical access hospital, the minimum hospital size
 508 shall be that number allowed under state/federal critical access hospital designation.
- 509 (e) Applicants proposing to create a new hospital under this subsection shall not be approved, for a
 510 period of five years after beginning operation of the facility, of the following covered clinical services: (i)
 511 open heart surgery, (ii) therapeutic cardiac catheterization, (iii) fixed positron emission tomography (PET)
 512 services, (iv) all transplant services, (v) neonatal intensive care services/beds, and (vi) fixed urinary
 513 extracorporeal shock wave lithotripsy (UESWL) services.

514 (f) Applicants proposing to add new hospital beds under this subsection shall be prohibited from
515 relocating the new hospital beds for a period of 10 years after beginning operation of the facility.

516 (g) An applicant proposing to add a new hospital pursuant to this subsection shall locate the new
517 hospital as follows:

518 (i) In a metropolitan statistical area county, an applicant proposing to add a new hospital pursuant to
519 this subsection shall locate the new hospital within the limited access area and serve a population of
520 50,000 or more inside the limited access area and within 30 minutes drive time from the proposed new
521 hospital.

522 (ii) In a rural or micropolitan statistical area county, an applicant proposing to add a new hospital
523 pursuant to this subsection shall locate the new hospital within the limited access area and serve a
524 population of 50,000 or more inside the limited access area and within 60 minutes drive time from the
525 proposed new hospital.

526 Section 7. Requirements for approval to replace beds

527
528
529 Sec. 7. (1) If the application involves the development of a new licensed site, an applicant proposing to
530 replace beds in a hospital within the replacement zone shall demonstrate that the new beds in a hospital
531 shall result in a hospital of at least 200 beds in a metropolitan statistical area county or 25 beds in a rural
532 or micropolitan statistical area county. This subsection may be waived by the Department if the
533 Department determines, in its sole discretion, that a smaller hospital is necessary or appropriate to assure
534 access to health-care services.

535
536 **(2) IF THE APPLICATION INVOLVES THE DEVELOPMENT OF A NEW LICENSED IRF HOSPITAL**
537 **SITE, AN APPLICANT PROPOSING TO REPLACE IRF BEDS IN A HOSPITAL WITHIN THE IRF**
538 **REPLACEMENT ZONE SHALL DEMONSTRATE THE PROPOSED PROJECT WILL RESULT IN AN IRF**
539 **HOSPITAL OF AT LEAST 40 IRF BEDS IF LOCATED IN A COUNTY WITH A POPULATION OF**
540 **200,000 OR MORE, OR AT LEAST 25 IRF BEDS IF LOCATED IN A COUNTY WITH A POPULATION**
541 **OF LESS THAN 200,000.**

542
543 **(23) The applicant shall specify whether the proposed project is to replace the licensed hospital to a**
544 **new site, TO REPLACE ALL LICENSED IRF BEDS TO A NEW SITE,** to replace a portion of the licensed beds at
545 the existing licensed site, or the one-time replacement of less than 50% of the licensed beds to a new site
546 within 250 yards of the building on the licensed site containing more than 50% of the licensed beds, which
547 may include a new site across a highway(s) or street(s) as defined in MCL 257.20 and excludes a new site
548 across a limited access highway as defined in MCL 257.26.

549
550 **(34) The applicant shall demonstrate that the new licensed site is in the replacement zone.**

551
552 **(45) The applicant shall comply with the following requirements, as applicable:**

553 (a) The applicant's hospital shall have an average adjusted occupancy rate of 40 percent or above.

554 (b) If the applicant hospital does not have an average adjusted occupancy rate of 40 percent or
555 above, then the applicant hospital shall reduce the appropriate number of licensed beds to achieve an
556 average adjusted occupancy rate of 60 percent or above. The applicant hospital shall not exceed the
557 number of beds calculated as follows:

558 (i) As of the date of the application, calculate the number of adjusted patient days during the most
559 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by
560 .60.

561 (ii) Divide the result of subsection (i) above by 1095 (or 1096 if the 36-month period includes a leap
562 year) and round up to the next whole number or 25, whichever is larger. This is the maximum number of
563 beds that can be licensed at the licensed hospital site after the replacement.

564 (c) Subsection (4)(a) and (b) shall not apply to excluded hospitals.

566 (56) An applicant proposing replacement beds in the replacement zone shall not be required to be in
 567 compliance with the needed hospital bed supply if the application meets all other applicable CON review
 568 standards and agrees and assures to comply with all applicable project delivery requirements.

569
 570 **(7) IF THE APPLICATION INVOLVES THE DEVELOPMENT OF A NEW LICENSED IRF HOSPITAL**
 571 **SITE, AN APPLICANT PROPOSING TO REPLACE IRF BEDS WITHIN THE REPLACEMENT ZONE**
 572 **SHALL DEMONSTRATE THAT IT MEETS ALL OF THE REQUIREMENTS OF THIS SUBSECTION:**

573 **(a) THE NEW LICENSE CREATED BY THE PROPOSED PROJECT SHALL ONLY BE UTILIZED**
 574 **FOR THE PURPOSE OF INPATIENT REHABILITATION WITHOUT FIRST OBTAINING CON**
 575 **APPROVAL.**

576 **(b) THE APPLICANT HAS DEMONSTRATED, AT THE TIME OF THE CON FILING, IT IS**
 577 **OPERATING UNDER HIGH OCCUPANCY AS GOVERNED BY SECTION 6(4) OF THESE**
 578 **STANDARDS.**

579 **(bc) THE APPLICANT HAS DEMONSTRATED, AT THE TIME OF CON FILING, THAT THE BEDS TO**
 580 **BE REPLACED ARE EITHER IRF BEDS THAT MEET THE TITLE XVIII REQUIREMENTS OF THE**
 581 **SOCIAL SECURITY ACT FOR EXEMPTION FROM PPS AS AN IRF HOSPITAL, OR HIGH**
 582 **OCCUPANCY BEDS BEING REQUESTED UNDER SECTION 6(4) AS PART OF THE SAME CON**
 583 **APPLICATION.**

584 **(cd) THE NEW IRF HOSPITAL WILL HAVE AT LEAST 40 IRF BEDS IF LOCATED IN A COUNTY**
 585 **WITH A POPULATION OF 200,000 OR MORE; OR AT LEAST 25 IRF BEDS IF LOCATED IN A**
 586 **COUNTY WITH A POPULATION OF LESS THAN 200,000.**

587 **(de) AS PART OF THE PHASING OF THE REPLACEMENT OF IRF BEDS TO THE NEW SITE, THE**
 588 **APPLICANT MAY RETAIN, FOR 36-MONTHS FROM THE TIME OF ACTIVATION OF THE NEW SITE,**
 589 **UP TO EIGHT IRF BEDS AT THE EXISTING HOSPITAL SITE. ANY IRF BEDS AT THE EXISTING**
 590 **SITE THAT HAVE NOT BEEN TRANSITIONED TO THE NEW SITE WITHIN THE 36-MONTH TIME**
 591 **PERIOD SHALL NOT BE UTILIZED FOR INPATIENT REHABILITATION AND SHALL REVERT BACK**
 592 **TO ACUTE MEDICAL-SURGICAL HOSPITAL BEDS.**

593 **(ef) THE PROPOSED PROJECT TO BEGIN OPERATION OF A NEW SITE, UNDER THIS**
 594 **SUBSECTION, SHALL CONSTITUTE A CHANGE IN BED CAPACITY UNDER SECTION 1(2) OF**
 595 **THESE STANDARDS.**

596 **(fg) THE EXISTING HOSPITAL SITE SHALL DELICENSE THE SAME NUMBER OF IRF BEDS**
 597 **PROPOSED BY THE APPLICANT FOR LICENSURE IN THE NEW IRF HOSPITAL.**

598 **(gh) APPLICANTS PROPOSING A NEW IRF HOSPITAL UNDER THIS SUBSECTION SHALL NOT**
 599 **BE SUBJECT TO COMPARATIVE REVIEW.**

600 **(hi) THE NEW IRF HOSPITAL SHALL BE ASSIGNED TO THE SAME HOSPITAL GROUP AS THE**
 601 **HOSPITAL WHERE THE IRF BEDS ORIGINATED.**

602 **(ij) IF THE IRF HOSPITAL APPROVED UNDER THIS SUBSECTION CEASES OPERATION AS AN**
 603 **IRF HOSPITAL, THE BEDS LICENSED AS PART OF THE NEW IRF HOSPITAL MUST BE DISPOSED**
 604 **OF BY ONE OF THE FOLLOWING MEANS:**

605 **(i) RELOCATE THE REPLACED IRF BEDS BACK TO THE SITE OF ORIGIN.**

606 **(ii) RELOCATE ANY IRF BEDS APPROVED UNDER HIGH OCCUPANCY TO THE SITE OF**
 607 **ORIGIN IN SUBSECTION (i) IF THEY ARE TO BE UTILIZED AS AN IRF BED. OR**

608 **(iii) DELICENSE ANY IRF BEDS APPROVED UNDER HIGH OCCUPANCY IF THEY ARE NOT TO**
 609 **BE UTILIZED AS AN IRF BED.**

610 **Section 8. Requirements for approval of an applicant proposing to relocate existing licensed** 611 **hospital beds**

612
 613
 614 Sec 8. (1) The proposed project to relocate beds, under this section, shall constitute a change in bed
 615 capacity under Section 1(3) of these standards.
 616

- 617 (2) Any existing licensed acute care hospital (source hospital) may relocate all or a portion of its beds
 618 to another existing licensed acute care hospital as follows:
 619 (a) The licensed acute care hospitals are located within the same hospital group, or
 620 (b) the licensed acute care hospitals are located within the same HSA if the receiving hospital meets
 621 the requirements of Section 6(4)(b) of these standards.
 622
- 623 (3) The applicant shall comply with the following requirements, as applicable:
 624 (a) The source hospital shall have an average adjusted occupancy rate of 40 percent or above.
 625 (b) If the source hospital does not have an average adjusted occupancy rate of 40 percent or above,
 626 then the source hospital shall reduce the appropriate number of licensed beds to achieve an average
 627 adjusted occupancy rate of 60 percent or above upon completion of the relocation(s). The source hospital
 628 shall not exceed the number of beds calculated as follows:
 629 (i) As of the date of the application, calculate the number of adjusted patient days during the most
 630 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by
 631 .60.
 632 (ii) Divide the result of subsection (i) by 1095 (or 1096 if the 36-month period includes a leap year)
 633 and round up to the next whole number or 25, whichever is larger. This is the maximum number of beds
 634 that can be licensed at the source hospital site after the relocation.
 635 (c) Subsections (3)(a) and (b) shall not apply to excluded hospitals.
 636
- 637 (4) A source hospital shall apply for multiple relocations on the same application date, and the
 638 applications can be combined to meet the criteria of (3)(b) above. A separate application shall be
 639 submitted for each proposed relocation.
 640
- 641 (5) The hospital from which the beds are being relocated, and the hospital receiving the beds, shall
 642 not require any ownership relationship.
 643
- 644 (6) The relocated beds shall be licensed to the receiving hospital and will be counted in the inventory
 645 for the applicable hospital group.
 646
- 647 (7) The relocation of beds under this section shall not be subject to a mileage limitation.
 648

649 **Section 9. Project delivery requirements terms of approval for all applicants**

650
 651 Sec. 9. An applicant shall agree that, if approved, the project shall be delivered in compliance with the
 652 following terms of CON approval:
 653

- 654 (1) Compliance with these standards.
 655
- 656 (2) Compliance with the following quality assurance standards:
 657 (a) The applicant shall assure compliance with Section 20201 of the Code, being Section 333.20201
 658 of the Michigan Compiled Laws.
 659
- 660 (3) Compliance with the following access to care requirements:
 661 (a) An applicant shall participate in Medicaid at least 12 consecutive months within the first two years
 662 of operation and continue to participate annually thereafter.
 663 (b) The applicant, to assure appropriate utilization by all segments of the Michigan population, shall:
 664 (i) Not deny services to any individual based on ability to pay or source of payment.
 665 (ii) Maintain information by source of payment to indicate the volume of care from each payor and
 666 non-payor source provided annually.
 667 (iii) Provide services to any individual based on clinical indications of need for the services.
 668

- 669 (4) Compliance with the following monitoring and reporting requirements:
- 670 (a) An applicant approved pursuant to Section 6(4) must achieve a minimum occupancy of 75
- 671 percent over the last 12-month period in the three years after the new beds are put into operation, and for
- 672 each subsequent calendar year, or the number of new licensed beds shall be reduced to achieve a
- 673 minimum of 75 percent average annual occupancy for the revised licensed bed complement.
- 674 (b) The applicant must submit documentation acceptable and reasonable to the Department, within
- 675 30 days after the completion of the 3-year period, to substantiate the occupancy rate for the last 12-month
- 676 period after the new beds are put into operation and for each subsequent calendar year, within 30 days
- 677 after the end of the year.
- 678 (c) The applicant shall participate in a data collection system established and administered by the
- 679 Department or its designee. The data may include, but is not limited to, annual budget and cost
- 680 information, operating schedules, through-put schedules, and demographic, morbidity, and mortality
- 681 information, as well as the volume of care provided to patients from all payor sources. The applicant shall
- 682 provide the required data on a separate basis for each licensed site; in a format established by the
- 683 Department, and in a mutually agreed upon media. The Department may elect to verify the data through
- 684 on-site review of appropriate records.
- 685 (d) The applicant shall participate and submit data to the Michigan Inpatient Data Base (MIDB). The
- 686 data shall be submitted to the Department or its designee.
- 687 (e) The applicant shall provide the Department with timely notice of the proposed project
- 688 implementation consistent with applicable statute and promulgated rules.

689

690 (5) **AN APPLICANT APPROVED FOR THE REPLACEMENT OF IRF BEDS TO A NEW NON-CONTIGUOUS**

691 **SITE SHALL BE IN COMPLIANCE WITH THE FOLLOWING:**

692 (a) **THE REPLACED IRF BEDS SHALL MAINTAIN THEIR PPS EXEMPT INPATIENT REHABILITATION**

693 **HOSPITAL STATUS.**

694 (b) **THE NEW LICENSE CREATED BY THE PROPOSED PROJECT WILL ONLY BE UTILIZED**

695 **FOR THE PURPOSE OF INPATIENT REHABILITATION WITHOUT FIRST OBTAINING CON**

696 **APPROVAL.**

697

698 (6) **The agreements and assurances required by this section shall be in the form of a certification**

699 **agreed to by the applicant or its authorized agent.**

700

701 **Section 10. Department inventory of beds**

702

703 Sec. 10. The Department shall maintain and provide on request a listing of the Department inventory

704 of beds for each hospital group.

705

706 **Section 11. Effect on prior planning policies; comparative reviews**

707

708 Sec. 11. (1) These CON review standards supersede and replace the CON standards for hospital

709 beds approved by the CON Commission on ~~March 18, 2014~~ **DECEMBER 11, 2014** and effective ~~June 2,~~

710 **2014** **MARCH 20, 2015.**

711

712 (2) Projects reviewed under these standards shall be subject to comparative review except those

713 projects meeting the requirements of Section 7 involving the replacement of beds in a hospital within the

714 replacement zone and projects involving acquisition (including purchase, lease, donation or comparable

715 arrangements) of a hospital.

716

717 **Section 12. Additional requirements for applications included in comparative reviews**

718

719 Sec. 12. (1) Except for those applications for limited access areas, any application for hospital beds,

720 that is subject to comparative review under Section 22229 of the Code, being Section 333.22229 of the

Michigan Compiled Laws, or under these standards shall be grouped and reviewed comparatively with other applications in accordance with the CON rules.

(2) Each application in a comparative review group shall be individually reviewed to determine whether the application is a qualifying project. If the Department determines that two or more competing applications are qualifying projects, it shall conduct a comparative review. The Department shall approve those qualifying projects which, when taken together, do not exceed the need, as defined in Section 22225(1) of the Code, and which have the highest number of points when the results of subsection (3) are totaled. If two or more qualifying projects are determined to have an identical number of points, then the Department shall approve those qualifying projects that, when taken together, do not exceed the need in the order in which the applications were received by the Department based on the date and time stamp placed on the applications by the department in accordance with rule 325.9123.

(3)(a) **A QUALIFYING PROJECT WILL BE AWARDED POINTS BASED ON THE APPLICANT'S CMS STAR RATINGS VIA HOSPITAL COMPARE AS OF THE DATE OF APPLICATION AS FOLLOWS:**

A QUALIFYING PROJECT WILL BE AWARDED POINTS BASED ON THE APPLICANT'S QUALITY OF CARE AS MEASURED BY THE OVERALL STAR RATINGS AVAILABLE THROUGH CMS' HOSPITAL COMPARE. FOR PURPOSES OF EVALUATING THIS CRITERION, AN AVERAGE SHALL BE CALCULATED BASED ON THE OVERALL STAR RATINGS OF THE APPLICANT AND ALL CURRENTLY LICENSED MICHIGAN HOSPITALS UNDER COMMON OWNERSHIP OR CONTROL WITH THE APPLICANT THAT ARE LOCATED IN THE SAME HEALTH SERVICE AREA AS THE PROPOSED HOSPITAL BEDS. APPLICANTS SHALL BE RANKED IN ORDER ACCORDING TO THIS CALCULATED OVERALL STAR RATING AVERAGE.

STAR RATING	POINTS AWARDED
APPLICANT WITH HIGHEST AVERAGE STAR RATING	20 PTS
ALL OTHER APPLICANTS	APPLICANT'S AVERAGE STAR RATING DIVIDED BY THE HIGHEST APPLICANT'S STAR RATING, THEN MULTIPLIED BY 15
EXAMPLE: THE HIGHEST APPLICANT HAS AN AVERAGE STAR RATING OF 3.4	20 POINTS
APPLICANT WITH STAR RATING OF 3.1	$(3.1 \div 3.4) \times 15 = 13.7$ is 14 POINTS
APPLICANT WITH STAR RATING OF 3.0	$(3.0 \div 3.4) \times 15 = 13.2$ is 13 POINTS

FOR PURPOSES OF EVALUATING THIS CRITERION, APPLICANTS SHALL SUBMIT THE OVERALL CMS STAR RATING AVAILABLE AT THE TIME OF THE SUBMISSION OF THE CON APPLICATION FOR THE APPLICANT AND EACH CURRENTLY LICENSED HOSPITAL UNDER COMMON OWNERSHIP OR CONTROL LOCATED IN THE SAME HEALTH SERVICE AREA AS THE PROPOSED HOSPITAL BEDS. WHERE AN APPLICANT PROPOSES TO CLOSE A HOSPITAL(S) AS PART OF ITS APPLICATION, DATA FROM THE HOSPITAL(S) TO BE CLOSED SHALL BE EXCLUDED FROM THIS CALCULATION. **STAR RATINGS SHALL BE ROUNDED TO THE NEAREST 1/10, AND POINTS AWARDED SHALL BE ROUNDED TO THE NEAREST WHOLE NUMBER.**

(b) A qualifying project will be awarded points based on the ~~percentile~~-ranking of the applicant's ~~uncompensated care volume and as measured by percentage of gross hospital revenues~~ **UNINSURED DAYS AS MEASURED AS A PERCENTAGE OF TOTAL DAYS** as set forth in the following table. The applicant's ~~uncompensated care volume~~ **UNINSURED PERCENTAGE** will be the cumulative of all **UNINSURED INPATIENT MED/SURG AND UNINSURED INPATIENT REHAB DAYS DIVIDED BY THE**

762 **CUMULATIVE OF ALL INPATIENT MED/SURG AND INPATIENT REHAB DAYS AT ALL** currently
 763 licensed Michigan hospitals under common ownership or control with the applicant that are located in the
 764 same health service area as the proposed hospital beds. **FOR PURPOSES OF EVALUATING THIS**
 765 **CRITERION, AN APPLICANT SHALL SUBMIT THE MOST RECENT REVIEWED AND ACCEPTED**
 766 **MEDICAID COST REPORT FOR EACH CURRENTLY LICENSED HOSPITAL UNDER COMMON**
 767 **OWNERSHIP OR CONTROL WITHIN THE SAME HEALTH SERVICE AREA.** If a hospital under
 768 common ownership or control with the applicant has not filed a **MEDICAID** Cost Report, then the related
 769 applicant shall receive a score of zero. ~~The source document for the calculation shall be the most recent~~
 770 ~~Cost Report filed with the Department for purposes of calculating disproportionate share hospital~~
 771 ~~payments.~~

Percentile Ranking	Points Awarded
90.0 – 100	25 pts
80.0 – 89.9	20 pts
70.0 – 79.9	15 pts
60.0 – 69.9	10 pts
50.0 – 59.9	5 pts

UNINSURED DAYS	POINTS AWARDED
APPLICANT WITH HIGHEST PERCENT OF UNINSURED DAYS	10 PTS
ALL OTHER APPLICANTS	APPLICANT'S PERCENT OF UNINSURED DAYS DIVIDED BY THE HIGHEST APPLICANT'S PERCENT OF UNISURED DAYS, THEN MULTIPLIED BY 7
EXAMPLE: THE HIGHEST APPLICANT HAS 5.3% UNINSURED DAYS	10 POINTS
APPLICANT WITH 5.0% DAYS	$(5.0 \div 5.3) \times 7 = 6.6$ is 7 POINTS
APPLICANT WITH 3.0% DAYS	$(3.0 \div 5.3) \times 7 = 4.0$ is 4 POINTS

779
 780 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to
 781 be closed shall be excluded from this calculation. **PERCENTAGES OF DAYS SHALL BE ROUNDED TO**
 782 **THE NEAREST 1/100 (E.G. 5.3%), AND POINTS AWARDED SHALL BE ROUNDED TO THE**
 783 **NEAREST WHOLE NUMBER.**

784 (bc) A qualifying project will be awarded points based on the ~~health service area percentile ranking~~ of
 785 the applicant's Medicaid ~~volume as measured by percentage of gross hospital revenues~~ **DAYS AS**
 786 **MEASURED AS A PERCENTAGE OF TOTAL DAYS** as set forth in the following table. For purposes of
 787 scoring, the applicant's Medicaid ~~volume~~ **PERCENTAGE** will be the cumulative of all **TITLE XIX AND**
 788 **HEALTHY MICHIGAN INPATIENT MED/SURG AND INPATIENT REHAB DAYS DIVIDED BY THE**
 789 **CUMULATIVE OF ALL INPATIENT MED/SURG AND INPATIENT REHAB DAYS AT ALL** currently
 790 licensed Michigan hospitals under common ownership or control with the applicant that are located in the
 791 same health service area as the proposed hospital beds. **FOR PURPOSES OF EVALUATING THIS**
 792 **CRITERION, AN APPLICANT SHALL SUBMIT THE MOST RECENT REVIEWED AND ACCEPTED**
 793 **MEDICAID COST REPORT FOR EACH CURRENTLY LICENSED HOSPITAL UNDER COMMON**
 794 **OWNERSHIP OR CONTROL WITHIN THE SAME HEALTH SERVICE AREA.** If a hospital under
 795 common ownership or control with the applicant has not filed a **MEDICAID** Cost Report, then the related
 796 applicant shall receive a score of zero. ~~The source document for the calculation shall be the most recent~~
 797 ~~Cost Report filed with the department for purposes of calculating disproportionate share hospital~~
 798 ~~payments.~~

800	<u>percentile rank</u>	<u>points awarded</u>
801	87.5 – 100	20 pts
802	75.0 – 87.4	15 pts
803	62.5 – 74.9	10 pts
804	50.0 – 61.9	5 pts
805	less than 50.0	0 pts

806	MEDICAID DAYS	POINTS AWARDED
	<u>APPLICANT WITH HIGHEST PERCENT OF MEDICAID DAYS</u>	20 PTS
	<u>ALL OTHER APPLICANTS</u>	<u>APPLICANT'S PERCENT OF MEDICAID DAYS DIVIDED BY THE HIGHEST APPLICANT'S PERCENT OF MEDICAID DAYS, THEN MULTIPLIED BY 15</u>
	<u>EXAMPLE: THE HIGHEST APPLICANT HAS 15.3% MEDICAID DAYS</u>	20 POINTS
	<u>APPLICANT WITH 15.0% DAYS</u>	<u>(15.0 ÷ 15.3) X 15 = 14.7 is 15 POINTS</u>
	<u>APPLICANT WITH 12.2% DAYS</u>	<u>(12.2 ÷ 15.3) X 15 = 12.0 is 12 POINTS</u>

807
808 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to
809 be closed shall be excluded from this calculation. **PERCENTAGES OF DAYS SHALL BE ROUNDED TO**
810 **THE NEAREST 1/100 (E.G. 5.3%), AND POINTS AWARDED SHALL BE ROUNDED TO THE**
811 **NEAREST WHOLE NUMBER.**

812 (ed) A qualifying project shall be awarded points as set forth in the following table in accordance with
813 its impact on inpatient capacity. If an applicant proposes to close a hospital(s), points shall only be
814 awarded if (i) closure of that hospital(s) does not create a bed need in any hospital group as a result of its
815 closing; (ii) the applicant stipulates that the hospital beds to be closed shall not be transferred to another
816 location or facility; and (iii) the utilization (as defined by the average daily census over the previous 24-
817 month period prior to the date that the application is submitted) of the hospital to be closed is at least
818 equal to 50 percent of the size of the proposed hospital (as defined by the number of proposed new
819 licensed beds).

821	<u>Impact on Capacity</u>	<u>Points Awarded</u>
822	<u>Closure of hospital(s)</u>	<u>25-15 pts</u>
823	<u>Closure of hospital(s)</u>	
824	<u>which creates a bed need</u>	<u>-45 pts</u>

826 (e) A QUALIFYING PROJECT WILL BE AWARDED POINTS BASED ON THE APPLICANT'S
827 TOTAL PROJECT COSTS PER HOSPITAL BED. FOR PURPOSES OF THIS CRITERION, TOTAL
828 PROJECT COSTS SHALL BE DEFINED AS THE TOTAL COSTS FOR CONSTRUCTION AND
829 RENOVATION, SITE WORK, ARCHITECTURAL/ ENGINEERING AND CONSULTING FEES,
830 CONTINGENCIES, FIXED EQUIPMENT, CONSTRUCTION MANAGEMENT AND PERMITS. THE
831 PROPOSED PROJECT MUST INCLUDE SPACE FOR INPATIENT CARE, AND, IF NOT ALREADY
832 AVAILABLE AT THE PROPOSED SITE, SPACE TO PROVIDE 24 HOUR/7 DAYS A WEEK SURGICAL,
833 EMERGENCY AND IMAGING SERVICES. POINTS SHALL BE AWARDED IN ACCORDANCE WITH
834 THE TABLE BELOW:

835	<u>COST PER BED</u>	<u>POINTS AWARDED</u>
	<u>APPLICANT WITH LOWEST COST PER BED</u>	15 PTS
	<u>ALL OTHER APPLICANTS</u>	<u>THE LOWEST COST PER BED IN THE</u>

	COMPARE GROUP DIVIDED BY THE APPLICANT'S COST PER BED, THEN MULTIPLIED BY 10
EXAMPLE: THE LOWEST COST APPLICANT HAS \$698,000 PER BED	15 POINTS
APPLICANT WITH \$710,000	$(\\$698,000 \div 710,000) \times 10 = 9.8$ is 10 POINTS
APPLICANT WITH \$975,000 PER BED	$(\\$698,000 \div 975,000) \times 10 = 7.2$ is 7 POINTS

POINTS SHALL NOT BE AWARDED UNDER THIS SECTION FOR ANY PROJECT THAT PROPOSES TO ADD BEDS AT A LEASED FACILITY. COSTS SHALL BE ROUNDED TO THE NEAREST WHOLE DOLLAR, AND POINTS AWARDED SHALL BE ROUNDED TO THE NEAREST WHOLE NUMBER.

(df) A qualifying project will be awarded points based on the percentage of the applicant's historical market share of inpatient **discharges-DAYS** of the population in an area which will be defined as that area circumscribed by the proposed hospital locations defined by all of the applicants in the comparative review process under consideration. This area will include any zip code completely within the area as well as any zip code which touches, or is touched by, the lines that define the area included within the figure that is defined by the geometric area resulting from connecting the proposed locations. In the case of two locations or one location or if the exercise in geometric definition does not include at least ten zip codes, the market area will be defined by the zip codes within the county (or counties) that includes the proposed site (or sites). Market share used for the calculation shall be the cumulative ~~market share of the population residing in the set of above-defined zip codes of all currently licensed Michigan hospitals under common ownership or control with the applicant, which are in the same health service area~~ OF THE MARKET AREA'S PATIENT DAYS SERVED BY THE APPLICANT AND ALL CURRENTLY LICENSED MICHIGAN HOSPITALS UNDER COMMON OWNERSHIP AND CONTROL DIVIDED BY THE MARKET AREA'S TOTAL PATIENT DAYS FOR THE 12-MONTH PERIOD MOST RECENTLY AVAILABLE THROUGH THE MICHIGAN INPATIENT DATABASE.

Percent Points Awarded
 % of market share % of market share served x 30
 (total pts. awarded)

MARKET SHARE	POINTS AWARDED
APPLICANT WITH HIGHEST MARKET SHARE	10 PTS
ALL OTHER APPLICANTS	APPLICANT'S MARKET SHARE DIVIDED BY THE HIGHEST APPLICANT'S MARKET SHARE IN THE COMPARE GROUP, THEN MULTIPLIED BY 7
EXAMPLE: THE HIGHEST APPLICANT HAS 22.5% OF POPULATION	10 POINTS
APPLICANT WITH 20.0% MARKET SHARE	$(20.0 \div 22.5) \times 7 = 6.2$ is 6 POINTS
APPLICANT WITH 15.6% MARKET SHARE	$(15.6 \div 22.5) \times 7 = 4.9$ is 5 POINTS

The source for calculations under this criterion is the MIDB. FOR PURPOSES OF EVALUATING THIS CRITERION, AN APPLICANT SHALL SUBMIT PATIENT DAYS BY ZIPCODE FOR EACH CURRENTLY LICENSED MICHIGAN HOSPITAL UNDER COMMON OWNERSHIP OR CONTROL USING THE MOST RECENT 12-MONTHS OF DATA AVAILABLE THROUGH THE MIDB AT THE TIME OF THE SUBMISSION OF THE CON APPLICATION. WHERE AN APPLICANT PROPOSES TO CLOSE A HOSPITAL(S) AS PART OF ITS APPLICATION, DATA FROM THE HOSPITAL(S) TO BE CLOSED SHALL BE EXCLUDED FROM THIS CALCULATION. MARKET SHARE PERCENTAGES SHALL BE

868 **ROUNDED TO THE NEAREST 1/100 (E.G. 5.3%), AND POINTS AWARDED SHALL BE ROUNDED TO**
 869 **THE NEAREST WHOLE NUMBER.**

870
 871 **(4) IF THE COMPARATIVE REVIEW GROUP INVOLVES A LIMITED ACCESS AREA, EACH**
 872 **QUALIFYING PROJECT WILL BE AWARDED POINTS BASED ON THE PERCENTAGE OF THE**
 873 **LIMITED ACCESS AREA'S POPULATION WITHIN A 30 MINUTE TRAVEL TIME OF THE PROPOSED**
 874 **HOSPITAL SITE IF IN A METROPOLITAN STATISTICAL AREA COUNTY, OR WITHIN 60 MINUTES**
 875 **TRAVEL TIME IF IN A RURAL OR MICROPOLITAN STATISTICAL AREA COUNTY AS SET FORTH IN**
 876 **THE FOLLOWING TABLE.**

<u>% OF POPULATION WITHIN 30 (OR 60) MINUTE TRAVEL TIME OF PROPOSED SITE</u>	<u>POINTS AWARDED</u>
<u>APPLICANT WITH HIGHEST PERCENT OF POPULATION</u>	<u>10 PTS</u>
<u>ALL OTHER APPLICANTS</u>	<u>APPLICANT'S PERCENTAGE OF POPULATION DIVIDED BY THE HIGHEST APPLICANT'S PERCENTAGE OF POPULATION, THEN MULTIPLIED BY 7</u>
<u>EXAMPLE: THE HIGHEST APPLICANT HAS 22.5% PERCENT OF POPULATION</u>	<u>10 POINTS</u>
<u>APPLICANT WITH 20.0% PERCENT OF POPULATION</u>	<u>$(20.0 \div 22.5) \times 7 = 6.2$ is 6 POINTS</u>
<u>APPLICANT WITH 15.6% PERCENT OF POPULATION</u>	<u>$(15.6 \div 22.5) \times 7 = 4.9$ is 5 POINTS</u>

878
 879
 880 **PERCENTAGES OF POPULATION SHALL BE ROUNDED TO THE NEAREST 1/100 (E.G. 21.2%)**
 881 **AND POINTS AWARDED SHALL BE ROUNDED TO THE NEAREST WHOLE NUMBER.**

882
 883 **Section 13. Review standards for comparative review of a limited access area**

884
 885 ~~Sec. 13. (1) Any application subject to comparative review, under Section 22229 of the Code, being~~
 886 ~~Section 333.22229 of the Michigan Compiled Laws, or under these standards, shall be grouped and~~
 887 ~~reviewed comparatively with other applications in accordance with the CON rules.~~

888
 889 ~~—(2) Each application in a comparative group shall be individually reviewed to determine whether the~~
 890 ~~application has satisfied all the requirements of Section 22225 of the Code, being Section 333.22225 of~~
 891 ~~the Michigan Compiled Laws and all other applicable requirements for approval in the Code and these~~
 892 ~~standards. If the Department determines that two or more competing applications satisfy all of the~~
 893 ~~requirements for approval, these projects shall be considered qualifying projects. The Department shall~~
 894 ~~approve these qualifying projects which, when taken together, do not exceed the need, as defined in~~
 895 ~~Section 22225(1) of the Code, being Section 333.22225(1) of the Michigan Compiled Laws, and which~~
 896 ~~have the highest number of points when the results of subsection (3) are totaled. If two or more qualifying~~
 897 ~~projects are determined to have an identical number of points, then the Department shall approve these~~
 898 ~~qualifying projects, when taken together, that do not exceed the need, as defined in Section 22225(1) in~~
 899 ~~the order in which the applications were received by the Department based on the date and time stamp~~
 900 ~~placed on the application by the Department when the application is filed.~~

902 ~~(3)(a) A qualifying project will be awarded points based on the percentile ranking of the applicant's~~
 903 ~~uncompensated care volume as measured by percentage of gross hospital revenues as set forth in the~~
 904 ~~following table. For purposes of scoring, the applicant's uncompensated care will be the cumulative of all~~
 905 ~~currently licensed Michigan hospitals under common ownership or control with the applicant. The source~~
 906 ~~document for the calculation shall be the most recent Cost Report submitted to MDCH MDHHS for~~
 907 ~~purposes of calculating disproportionate share hospital payments. If a hospital under common ownership~~
 908 ~~or control with the applicant has not filed a Cost Report, then the related applicant shall receive a score of~~
 909 ~~zero.~~

<u>Percentile Ranking</u>	<u>Points Awarded</u>
90.0 – 100	25 pts
80.0 – 89.9	20 pts
70.0 – 79.9	15 pts
60.0 – 69.9	10 pts
50.0 – 59.9	5 pts

917
 918 ~~Where an applicant proposes to close a hospital as part of its application, data from the closed hospital~~
 919 ~~shall be excluded from this calculation.~~

920 ~~— (b) A qualifying project will be awarded points based on the statewide percentile rank of the~~
 921 ~~applicant's Medicaid volume as measured by percentage of gross hospital revenues as set forth in the~~
 922 ~~following table. For purposes of scoring, the applicant's Medicaid volume will be the cumulative of all~~
 923 ~~currently licensed Michigan hospitals under common ownership or control with the applicant. The source~~
 924 ~~documents for the calculation shall be the Cost Report submitted to MDCH MDHHS for purposes of~~
 925 ~~calculating disproportionate share hospital payments. If a hospital under common ownership or control~~
 926 ~~with the applicant has not filed a Cost Report, then the related applicant shall receive a score of zero.~~

<u>Percentile Rank</u>	<u>Points Awarded</u>
87.5 – 100	20 pts
75.0 – 87.4	15 pts
62.5 – 74.9	10 pts
50.0 – 61.9	5 pts
Less than 50.0	0 pts

934
 935 ~~Where an applicant proposes to close a hospital as part of its application, data from the closed hospital~~
 936 ~~shall be excluded from this calculation.~~

937 ~~— (c) A qualifying project shall be awarded points as set forth in the following table in accordance with~~
 938 ~~its impact on inpatient capacity in the health service area of the proposed hospital site.~~

941 Impact on Capacity Points Awarded

942 Closure of hospital(s) — 15 pts

943 Move beds — 0 pts

944 Adds beds (net) — 15 pts

945 — or

946 Closure of hospital(s)

947 or delicensure of beds

948 which creates a bed need

949 — or

950 Closure of a hospital

951 which creates a new Limited Access Area

952 — (d) A qualifying project will be awarded points based on the percentage of the applicant's market share of inpatient discharges of the population in the limited access area as set forth in the following table.

953 Market share used for the calculation shall be the cumulative market share of Michigan hospitals under common ownership or control with the applicant.

956

957 Percent Points Awarded

958 % of market share — % of market share served x 15

959 ————— (total pts awarded)

960

961 The source for calculations under this criterion is the MIDB.

962 — (e) A qualifying project will be awarded points based on the percentage of the limited access area's population within a 30 minute travel time of the proposed hospital site if in a metropolitan statistical area county, or within 60 minutes travel time if in a rural or micropolitan statistical area county as set forth in the following table.

966

967 Percent Points Awarded

968 % of population within — % of population

969 30 (or 60) minute travel — covered x 15 (total pts

970 time of proposed site — awarded)

971

972 — (f) All applicants will be ranked in order according to their total project costs as stated in the CON application divided by its proposed number of beds in accordance with the following table.

974

975 Cost Per Bed Points Awarded

976 Lowest cost — 10 pts

977 2nd Lowest cost — 5 pts

978 All other applicants — 0 pts

979

980 **Section 14. Requirements for approval -- acquisition of AN EXISTING hospital OR RENEW THE LEASE OF AN EXISTING HOSPITAL**

981

982 **Sec. 1413. AN APPLICANT PROPOSING TO ACQUIRE AN EXISTING HOSPITAL OR RENEW THE LEASE OF AN EXISTING HOSPITAL MUST MEET THE FOLLOWING AS APPLICABLE:**

985

986 ___(1) An applicant proposing to acquire a hospital shall not be required to be in compliance with the needed hospital bed supply for the hospital group in which the hospital subject to the proposed acquisition is assigned if the applicant demonstrates that all of the following are met:

- 987
- 988
- 989 (a) the acquisition will not result in a change in bed capacity,
- 990 (b) the licensed site does not change as a result of the acquisition,
- 991 (c) the project is limited solely to the acquisition of a hospital with a valid license, and

992 (d) if the application is to acquire a hospital, which was proposed in a prior application to be
 993 established as an LTAC or IRF hospital and which received CON approval, the applicant also must meet
 994 the requirements of Section 6(2). Those hospitals that received such prior approval are so identified on
 995 the Department inventory of beds.

996
 997 (2) The applicant shall comply with the following requirements, as applicable:

998 (a) The existing licensed hospital shall have an average adjusted occupancy rate of 40 percent or
 999 above.

1000 (b) If the existing licensed hospital does not have an average adjusted occupancy rate of 40 percent
 1001 or above, the applicant shall agree to all of the following:

1002 (i) The hospital to be acquired will achieve an annual adjusted occupancy of at least 40% during any
 1003 consecutive 12-month period by the end of the third year of operation after completion of the acquisition.
 1004 Annual adjusted occupancy shall be calculated as follows:

1005 (a) Calculate the number of adjusted patient days during the most recent, consecutive 12-month
 1006 period for which verifiable data is available to the Department.

1007 (b) Divide the number of adjusted patient days calculated in (a) above by 365 (or 366 if a leap year).

1008 (c) If the hospital to be acquired does not achieve an annual adjusted occupancy of at least 40
 1009 percent, as calculated in (b) above, during any consecutive 12-month period by the end of the third year of
 1010 operation after completion of the acquisition, the applicant shall relinquish sufficient beds at the existing
 1011 hospital to raise its adjusted occupancy to 60 percent. The revised number of licensed beds at the
 1012 hospital shall be calculated as follows:

1013 (i) Calculate the number of adjusted patient days during the most recent, consecutive 12-month
 1014 period where verifiable data is available to the Department, and divide by .60.

1015 (ii) Divide the result of subsection (i) above by 365 (or 366 if the 12-month period includes a leap
 1016 year) and round up to the next whole number or 25, whichever is larger. This is the maximum number of
 1017 beds that can be licensed at the existing licensed hospital site after acquisition.

1018 (d) Subsection (2) shall not apply to excluded hospitals OR TO THOSE APPLICANTS APPLYING
 1019 UNDER SECTION 13(3).

1020
 1021 (3) AN APPLICANT PROPOSING TO RENEW THE LEASE FOR AN EXISTING HOSPITAL SHALL
 1022 NOT BE REQUIRED TO BE IN COMPLIANCE WITH THE NEEDED HOSPITAL BED SUPPLY FOR THE
 1023 HOSPITAL GROUP IN WHICH THE HOSPITAL IS LOCATED, IF ALL OF THE FOLLOWING
 1024 REQUIREMENTS ARE MET:

1025 (a) THE LEASE RENEWAL WILL NOT RESULT IN A CHANGE IN BED CAPACITY.

1026 (b) THE LICENSED SITE DOES NOT CHANGE AS A RESULT OF THE LEASE RENEWAL.

1027
 1028 (4) SECTION 143(3) DOES NOT APPLY TO RENEWAL OF LEASE FOR LTAC HOSPITAL, IRF
 1029 HOSPITAL OR ALCOHOL AND SUBSTANCE ABUSE HOSPITAL WITHIN AN EXISTING LICENSED,
 1030 HOST HOSPITAL UNDER SECTION 6(2).

1031 **Section 1514. Requirements for approval – all applicants**

1032
 1033
 1034 **Sec. 1514.** (1) An applicant shall provide verification of Medicaid participation. An applicant that is a
 1035 new provider not currently enrolled in Medicaid shall certify that proof of Medicaid participation will be
 1036 provided to the Department within six (6) months from the offering of services if a CON is approved.

1037
 1038 (2) The applicant certifies all outstanding debt obligations owed to the State of Michigan for Quality
 1039 Assurance Assessment Program (QAAP) or Civil Monetary Penalties (CMP) have been paid in full.

1040
 1041 (3) The applicant certifies that the health facility for the proposed project has not been cited for a state
 1042 or federal code deficiency within the 12 months prior to the submission of the application. If a state code
 1043 deficiency has been issued, the applicant shall certify that a plan of correction for cited state deficiencies

1044 at the health facility has been submitted and approved by the Bureau of **COMMUNITY AND** Health
 1045 Systems within ~~the Department of Licensing and Regulatory Affairs~~LARA. If a federal code deficiency has
 1046 been issued, the applicant shall certify that a plan of correction for cited federal deficiencies at the health
 1047 facility has been submitted and approved by the Centers for Medicare and Medicaid Services. If code
 1048 deficiencies include any unresolved deficiencies still outstanding with ~~the Department of Licensing and~~
 1049 ~~Regulatory Affairs~~LARA or the Centers for Medicare and Medicaid Services that are the basis for the
 1050 denial, suspension, or revocation of an applicant's health facility license, poses an immediate jeopardy to
 1051 the health and safety of patients, or meets a federal conditional deficiency level, the proposed project
 1052 cannot be approved without approval from the Bureau of **COMMUNITY AND** Health Systems or, if
 1053 applicable, the Centers for Medicare and Medicaid Services.

1054
 1055 (4) THE APPLICANT CERTIFIES THAT THE REQUIREMENTS FOR HOSPITALS FOUND IN THE
 1056 MINIMUM DESIGN STANDARDS FOR HEALTH CARE FACILITIES OF MICHIGAN, REFERENCED IN
 1057 SECTION 20145 (6) OF THE PUBLIC HEALTH CODE, ACT 368 OF 1978, AS AMENDED, OR ANY
 1058 FUTURE VERSIONS, AND ARE PUBLISHED BY THE DEPARTMENT, WILL BE MET WHEN THE
 1059 ARCHITECTURAL BLUEPRINTS ARE SUBMITTED FOR REVIEW AND APPROVAL BY THE
 1060 DEPARTMENT.

APPENDIX A

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Counties assigned to each health service area are as follows:

HSA	COUNTIES		
1 - Southeast	Livingston Macomb Wayne	Monroe Oakland	St. Clair Washtenaw
2 - Mid-Southern	Clinton Eaton	Hillsdale Ingham	Jackson Lenawee
3 - Southwest	Barry Berrien Branch	Calhoun Cass Kalamazoo	St. Joseph Van Buren
4 - West	Allegan Ionia Kent Lake	Mason Mecosta Montcalm Muskegon	Newaygo Oceana Osceola Ottawa
5 - GLS	Genesee	Lapeer	Shiawassee
6 - East	Arenac Bay Clare Gladwin Gratiot	Huron Iosco Isabella Midland Ogemaw	Roscommon Saginaw Sanilac Tuscola
7 - Northern Lower	Alcona Alpena Antrim Benzie Charlevoix Cheboygan	Crawford Emmet Gd Traverse Kalkaska Leelanau Manistee	Missaukee Montmorency Oscoda Otsego Presque Isle Wexford
8 - Upper Peninsula	Alger Baraga Chippewa Delta Dickinson	Gogebic Houghton Iron Keweenaw Luce	Mackinac Marquette Menominee Ontonagon Schoolcraft

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Rural Michigan counties are as follows:

Alcona	Gogebic	Ogemaw
Alger	Huron	Ontonagon
Antrim	Iosco	Osceola
Arenac	Iron	Oscoda
Baraga	Lake	Otsego
Charlevoix	Luce	Presque Isle
Cheboygan	Mackinac	Roscommon
Clare	Manistee	Sanilac
Crawford	Montmorency	Schoolcraft
Emmet	Newaygo	Tuscola
Gladwin	Oceana	

Micropolitan statistical area Michigan counties are as follows:

Allegan	Hillsdale	Mason
Alpena	Houghton	Mecosta
Benzie	Ionia	Menominee
Branch	Isabella	Missaukee
Chippewa	Kalkaska	St. Joseph
Delta	Keweenaw	Shiawassee
Dickinson	Leelanau	Wexford
Grand Traverse	Lenawee	
Graiot	Marquette	

Metropolitan statistical area Michigan counties are as follows:

Barry	Jackson	Muskegon
Bay	Kalamazoo	Oakland
Berrien	Kent	Ottawa
Calhoun	Lapeer	Saginaw
Cass	Livingston	St. Clair
Clinton	Macomb	Van Buren
Eaton	Midland	Washtenaw
Genesee	Monroe	Wayne
Ingham	Montcalm	

Source:

75 F.R., p. 37245 (June 28, 2010)
Statistical Policy Office
Office of Information and Regulatory Affairs
United States Office of Management and Budget

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1153
1154
1155

OCCUPANCY RATE TABLE

HOSPITAL GROUP PROJECTED BED ADC		OCCUPANCY RATE	ADJUSTED BED RANGE	
ADC_LOW	ADC_HIGH		BEDS_LOW	BED S_HIGH
30	31	60%	50	52
32	35	61%	53	58
36	39	62%	59	53
40	45	63%	64	72
46	50	64%	72	79
51	58	65%	79	90
59	67	66%	90	102
68	77	67%	102	115
78	88	68%	115	130
89	101	69%	129	147
102	117	70%	146	168
118	134	71%	167	189
135	154	72%	188	214
155	176	73%	213	242
177	204	74%	240	276
205	258	75%	274	344
259	327	76%	341	431
328	424	77%	426	551
425	561	78%	545	720
562	760	79%	712	963
761	895	80%	952	1119

LIMITED ACCESS AREAS

Limited access areas and the hospital bed need, effective November 1, 2014, for each of those areas are identified below. The hospital bed need for limited access areas shall be changed by the Department in accordance with section 2(1)(x) of these standards, and this appendix shall be updated accordingly.

LIMITED ACCESS AREA	BED NEED	PREDICTED PATIENT DAYS
1 Upper Peninsula	196	51,102
2 West Northern Lower Peninsula	310	84,639
3 East/Central Northern Lower Peninsula	127	31,383

Sources:

- 1) Michigan State University
Department of Geography
Acute Care Hospital Bed Need and Limited Access Areas – 2014 Update
August 6, 2014
- 2) Section 4 of these standards

ICD-9-CM TO ICD-10-CM Code Translation

ICD-9 CODE	Description	ICD-10 Code	Description
290 through 319	Psychiatric Patients	F01.50-F99	Mental, Behavioral, and Neurodevelopmental Disorders

"ICD-9-CM Code" means the disease codes and nomenclature found in the International Classification of Diseases - 9th Revision - Clinical Modification, prepared by the Commission on Professional and Hospital Activities for the U.S. National Center for Health Statistics.

"ICD-10-CM Code" means the disease codes and nomenclature found in the International Classification of Diseases - 10th Revision - Clinical Modification, National Center for Health Statistics.