

Bulletin Number: HASA 22-17

Distribution: Hospitals

Issued: June 1, 2022

Subject: Disproportionate Share Hospital (DSH) Process Consolidation

Effective: As Indicated

Programs Affected: Medicaid, Healthy Michigan Plan

NOTE: Implementation of this policy is contingent upon State Plan Amendment approval from the Centers for Medicare & Medicaid Services (CMS).

The DSH process is designed to mitigate DSH audit-related recoveries. It is a multiple-step process that allows hospitals to provide input into the DSH calculations, decline DSH funds, and reduce their DSH ceiling. The purpose of this policy is to consolidate the DSH process into two steps. Upon State Plan approval, the Michigan Department of Health and Human Services (MDHHS) will remove the interim settlement step of the existing DSH process to complete the final DSH calculation with improved stability. The methodology of the Step 1 DSH initial calculation will remain unchanged. The final DSH settlement will now occur at the Step 2 Final DSH Audit Settlement stage. Contingent upon CMS approval, the new DSH process will begin for any DSH year that has not yet undergone Step 2 completion.

Step 2 Final DSH Audit Settlement

DSH limits, DSH payments and Medicaid utilization rates are recalculated during the final DSH settlement step. DSH funds will be reallocated in the following manner:

1. Institutions for Mental Diseases Pool
2. \$45 Million Pool
3. Outpatient Uncompensated Care DSH Pool
4. University with Both a College of Allopathic Medicine and a College of Osteopathic Medicine Pool (University Pool)
5. Government Provider DSH Pool (GP DSH Pool)
6. Unspent funds not applicable to Step 1

MDHHS will recalculate hospital-specific DSH limits, DSH payment allocations and Medicaid utilization rates upon completion of the DSH audit for the applicable DSH year. Inpatient and outpatient cost and payment data utilized from Step 1 will be refreshed to account for any cost report changes that occurred between steps during the cost report acceptance process. DSH limits and Medicaid utilization rates will be calculated using the final DSH audit.

Upon completion of the calculations for the first five pools outlined in the order above, any remaining unspent federal DSH allotment will be distributed through a new pool. The remaining allotment will be distributed to all remaining eligible hospitals proportionately based on their share of remaining audited hospital-specific DSH limit capacity adjusted to exclude the DSH payment amounts hospitals received from the university and GP DSH pools. No hospital will receive an allocation in excess of its remaining audited hospital-specific DSH limit capacity or other federal limits. The formulas to distribute these funds are as follows:

- a.
$$\frac{\text{(Eligible Hospital's Remaining Audited DSH Limit Capacity + University DSH Payment Amount + GP DSH Payment Amount)}}{\text{(\sum of All Eligible Hospitals' Audited Remaining DSH Limit Capacity + University DSH Payment Amount + GP DSH Payment Amount)}} = \text{(Hospital Pool Factor)}$$
- b.
$$\text{(Hospital Pool Factor)} \times \text{(Pool Amount)} = \text{Pool Payment}$$

Manual Maintenance

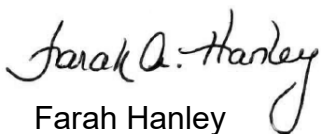
Retain this bulletin until the information is incorporated into the MDHHS Medicaid Provider Manual.

Questions

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Health and Human Services, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mailed to ProviderSupport@michigan.gov. When you submit an e-mail, be sure to include your name, affiliation, NPI number, and phone number so you may be contacted if necessary. Typical Providers may phone toll-free 1-800-292-2550. Atypical Providers may phone toll-free 1-800-979-4662.

An electronic copy of this document is available at www.michigan.gov/medicaidproviders >> Policy, Letters & Forms.

Approved



Farah Hanley
Chief Deputy for Health