

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

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

DSH Year Ended September 30, 2019

Prepared by:



Table of Contents

■ I. Independent Accountant's Report	1
■ II. Report on DSH Verifications	3
■ III. Report on DSH Verifications (table)	5
■ IV. Schedule of Data Caveats Relating to the DSH Verifications	8
■ V. Schedule of Annual Reporting Requirements (table)	9
■ VI. Independence Declaration	11

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



Michigan Department of Health and Human Services
Lansing, Michigan

Independent Accountant's Report

We have examined the state of Michigan's compliance with disproportionate share hospitals (DSH) payment requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ended September 30, 2019. The state of Michigan is responsible for compliance with federal Medicaid DSH program requirements. Our responsibility is to express an opinion on the state of Michigan's compliance with federal Medicaid DSH program requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

Federal regulations found at 42 CFR §455.301 require disclosure of identified data issues or other caveats impacting the results of the examination. These are disclosed in the Schedule of Data Caveats Relating to the DSH Verifications.

State of Michigan Disproportionate Share Hospital (DSH)
Report on DSH Verifications
For the Year Ended September 30, 2019

In our opinion, the Report on DSH Verifications presents fairly, in all material respects, the state of Michigan's compliance with federal Medicaid DSH program requirements addressed by the DSH verifications for the year ending September 30, 2019.

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

Myers and Stauffer LC
December 15, 2022

State of Michigan Disproportionate Share Hospital (DSH)
Report on DSH Verifications
For the Year Ended September 30, 2019

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

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

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

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

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

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

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

State of Michigan Disproportionate Share Hospital (DSH)
Report on DSH Verifications
For the Year Ended September 30, 2019

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

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

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

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

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

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

State of Michigan
Report on DSH Verifications (table)
For the Medicaid State Plan Rate Year Ended September 30, 2019

Hospital	Was Hospital Allowed to Retain DSH Payment?	Verification #1		Verification #2			DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	DSH Payment Complies with the Hospital-Specific DSH Limit	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
		DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year									
Spectrum Health United Memorial - Kelsey Campus	Yes	\$ 728,174	\$ 938,156	\$ 209,982	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Spectrum Health Zeeland Community Hospital	Yes	\$ 1,331,482	\$ 1,806,397	\$ 474,915	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Francis Hospital & Medical Group	Yes	\$ 832,878	\$ 4,041,653	\$ 3,208,775	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. John Hospital and Medical Center	Yes	\$ 1,983,660	\$ (3,933,617)	\$ (1,983,660)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. John Macomb-Oakland Hospital-Macomb Center	Yes	\$ 3,609,221	\$ (7,640,133)	\$ (3,609,221)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. John River District Hospital	Yes	\$ 687,580	\$ 2,489,531	\$ 1,801,951	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Joseph Mercy Chelsea	Yes	\$ 927,267	\$ 445,514	\$ (481,753)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Joseph Mercy Hospital - Ann Arbor	Yes	\$ 3,063,699	\$ 4,617,916	\$ 1,554,217	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Joseph Mercy Livingston Hospital	Yes	\$ 2,545,829	\$ 6,007,450	\$ 3,461,621	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Joseph Mercy Oakland	N/A	\$ -	\$ 3,252,934	\$ 3,252,934	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Mary Mercy Hospital	Yes	\$ 1,418,165	\$ 904,069	\$ (514,096)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Mary's Health Care (Grand Rapids)	Yes	\$ 4,852,592	\$ 13,792,406	\$ 8,939,814	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
St. Mary's of Michigan Medical Center	Yes	\$ 1,757,356	\$ 3,335,555	\$ 1,578,199	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sturgis Memorial Hospital	Yes	\$ 1,116,235	\$ 1,434,329	\$ 318,094	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tawas St. Joseph Hospital	N/A	\$ -	\$ (1,543,368)	\$ -	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Three Rivers Health	Yes	\$ 756,482	\$ (70,357)	\$ (756,482)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
University of Michigan Health System	Yes	\$ 76,220,453	\$ 75,539,454	\$ (680,999)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
UP Health System - Portage	Yes	\$ 171,565	\$ 1,360,836	\$ 1,189,271	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Walter P. Reuther Psychiatric Hospital	Yes	\$ 40,703,477	\$ 57,385,136	\$ 16,681,659	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Footnote1: Facilities marked "N/A" did not have a DSH payment to retain, but were included in the DSH examination at the request of the state in order to be eligible to receive any potential redistribution of DSH payments.

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

State of Michigan Disproportionate Share Hospital (DSH)
Schedule of Data Caveats Relating to the DSH Verifications
For the Year Ended September 30, 2019

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

(1) Medicaid Cost Report Settlements

Michigan calculated upper payment limit (UPL) recoveries and final settlements for all hospitals in the state. As of the date of this report, adjustments overlapping the 2019 DSH year had not been fully completed for all hospitals. When completed in future years, additional adjustments may result in additional Medicaid payments or recoupments, but the impact of those settlements may be minimized by changes in allowable costs that would also need to be recognized in the uncompensated care cost.

Schedule of Annual Reporting Requirements

Independence Declaration



To Whom it May Concern:

Myers and Stauffer LC declares it is independent of the state of Michigan and its DSH hospitals for the Medicaid State plan rate year ending September 30, 2019.

Myers and Stauffer LC
December 15, 2022