

Bulletin: MSA 05-13

Distribution: Hospital
Medicaid Health Plans

Issued: March 15, 2005

Subject: Update to Medicaid Access to Care Initiative (MACI)

Effective: As Indicated

Programs Affected: Medicaid, Children's Special Health Care Services (CSHCS)

Expansion and Extension of Hospital MACI Payments

To ensure continued access by Medicaid beneficiaries to high quality hospital care, the Michigan Department of Community Health (MDCH) is establishing four special funding pools. To keep payments within the federal Medicare upper payment limit (UPL), separate pools will be established for privately-owned or -operated hospitals and non-state government-owned or -operated hospitals for both inpatient and outpatient hospital services. Only hospitals located within Michigan, enrolled in the Medicaid program, open, admitting, and treating Medicaid fee for service (FFS) and managed care beneficiaries ten (10) days prior to a scheduled payment will be eligible to receive distributions from these pools.

The following policy describes pool sizes and methodology that conform to the State fiscal year. For FY 2004, the expansion of the MACI pools will supplement the existing MACI pools. The policy for the supplemental MACI pools is effective April 1, 2004 and applies to the second half of the year only. During this period, pool sizes will be increased by the supplemental amounts indicated in the table below.

Distributions

The distributions from these pools will supplement hospitals' regular DRG and per diem payments (for rehabilitation units and hospitals) and is not considered part of a hospital's fee for service (FFS) reimbursement. Medicaid payers that normally match MDCH's FFS payments to medical providers are not required to match the distribution payments from these pools as part of their FFS payments.

For FY 2005 and beyond, pool dollar amounts will be renewed annually. The dollar amounts of the new pools will equal the previous year's total, plus an added inflation factor for the current year. The inflation factor will be taken from the Health Care Cost Review published quarterly by Global Insight. The report published for the calendar third-quarter prior to the beginning of the fiscal year being calculated will be used. The factor will be taken from the new CMS Hospital Prospective Reimbursement Market Basket (federal fiscal year) table. The moving average change for the final quarter of the fiscal year being calculated will be used. The current year inflation factor will be added to the following year's base for each pool.

Payment Share

The inpatient and outpatient hospital files used to distribute MACI payments will include FFS payments made on behalf of both Medicaid and CSHCS eligible beneficiaries.

Inpatient Paid Claims File

For the FY 2004 supplemental pools and for FY 2005 and beyond, to determine each hospital's share of a pool, MDCH will use paid claims for the fiscal year ending two years prior to the current fiscal year. Claims will be restricted to those paid by June 30th of the following year (e.g., paid claims from FY 2002 paid by June 30, 2003 will be used to calculate the FY 2004 supplemental MACI payments; paid claims from FY 2003 paid by June 30, 2004 will be used to calculate the FY 2005 MACI payments). The paid claims file will include all FFS payments made through the Medicaid Invoice Processing System including DRG and per diem payments, DRG outlier payments, and claims paid based on a percent of charge. Paid claims will include those with other insurance and patient-pay amounts. Inpatient services will include both acute and rehabilitation services provided through distinct part rehabilitation units and freestanding rehabilitation hospitals. Services paid to LTC providers will not be included. Revenue from licensed hospital beds utilized at less than an acute or rehabilitation level of care will be excluded from the paid claims file. Payments made outside the Invoice Processing System, such as capital, graduate medical education (GME), and disproportionate share hospital (DSH), will not be included in the paid claims file used to distribute the MACI hospital pools.

Outpatient Distribution Data

For the FY 2004 supplemental pools and for FY 2005 and beyond, MDCH will allocate payments from the outpatient hospital pools based on Medicaid FFS outpatient payments reported on the hospitals' Michigan Medicaid Forms (MMFs) for fiscal years ending two years prior to the current fiscal year. The MMFs must be submitted by June 30th of the following year the data is drawn from (e.g., data taken from the Michigan Medicaid Forms for FY 2002 submitted by June 30, 2003 will be used to calculate FY 2004 supplemental payments; data taken from the Michigan Medicaid Forms for FY 2003 submitted by June 30, 2004 will be used to calculate FY 2005 payments). Outpatient services will include both acute and rehabilitation services for Medicaid eligible beneficiaries. Payments will include other insurance and patient-pay amounts. Payments made outside the Invoice Processing System, such as for capital, graduate medical education (GME), or disproportionate share hospital (DSH), will not be included in the payments used to distribute the MACI pools.

Pool Sizes

POOL DESCRIPTIONS	POOL SIZES (In millions of dollars)		
	FY'04 MACI Pools	FY'04 Supplemental	FY'05 MACI Pools*
Privately-Owned or -Operated Hospitals			
Inpatient	\$120.0	\$57.0	\$241.5
Outpatient	35.0	14.0	65.0
Non-State Government-Owned or -Operated Hospitals			
Inpatient	19.0	8.0	36.1
Outpatient	3.5	3.0	9.8
TOTAL	\$177.5	\$82.0	\$352.4

* For FY'05 and after, MACI pools are equal to the FY'04 MACI pools, plus twice the FY'04 supplemental amounts (annualized), and an added inflation factor (estimated to be 3.2%).

Allocation of Pools

MACI distributions are made prospectively based on historical data. Eligible hospitals will share proportionately from each pool based upon a hospital's total paid claims (inpatient)/MMF payments (outpatient), divided by the total Medicaid paid claims/MMF payments for all eligible hospitals, times the dollar amount of the individual pool. If a hospital closes or is determined ineligible to receive distributions from a pool, its MACI distribution will be redistributed to the remaining eligible hospitals based on the original distribution formula. In the event that MACI distributions would result in aggregate Medicaid payments exceeding the UPL, the size of the pool(s) will be reduced to bring the aggregate Medicaid payments within the UPL.

Total Medicaid payments are limited by federal regulation to a hospital's charges for inpatient services and by state policy to costs for outpatient services. These limits apply by hospital fiscal year for FFS reimbursed services. To avoid MACI payments causing a hospital to exceed charge/cost limits, a hospital may elect to receive less (but not more) than its calculated quarterly MACI payment. The amount by which a hospital elects to reduce its payment will be redistributed to the remaining eligible hospitals based on the original distribution formula until the respective MACI pools are empty. All MACI payments are final. If charge/cost limits are exceeded, the amounts in excess of the limits will be recovered from hospitals at the time of final settlement. Any funds recovered from hospitals at final settlement will not be redistributed.

Prior to the supplemental MACI payment for state fiscal year 2004, each hospital will be notified of the amount of its calculated MACI payment. Also, prior to the first quarterly MACI payment for fiscal year 2005 and for each subsequent state fiscal year, each hospital will be notified of the amount of its calculated quarterly MACI payments. A hospital electing to reduce a portion of any MACI payment to avoid exceeding charge/cost limits must inform the state of the amount to be reduced by no later than two weeks prior to the scheduled payment date.

Payment Schedule

The initial payment will be made within 45 days. Subsequent payments will be made within 45 days of the beginning of each quarter. Quarterly payments will be made in four equal installments based on the annual amount each hospital is eligible to receive. However, if a hospital elects to reduce a portion of any MACI payment to avoid exceeding charge/cost limits, then that payment will be reduced to the amount specified by that hospital.

Manual Maintenance

Retain this bulletin until the information has been incorporated into the Michigan Medicaid Provider Manual.

Questions

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

Approved



Paul Reinhart, Director
Medical Services Administration