

1 MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES

2  
3 CERTIFICATE OF NEED (CON) REVIEW STANDARDS FOR HOSPITAL BEDS

4  
5 (By authority conferred on the CON Commission by sections 22215 and 22217 of Act No. 368 of the  
6 Public Acts of 1978, as amended, and sections 7 and 8 of Act No. 306 of the Public Acts of 1969, as  
7 amended, being sections 333.22215, 333.22217, 24.207, and 24.208 of the Michigan Compiled Laws.)  
8

9 **Section 1. Applicability**

10  
11 Sec. 1. (1) These standards are requirements for approval under Part 222 of the Code that involve  
12 (a) beginning operation of a new hospital or (b) replacing beds in a hospital or physically relocating  
13 hospital beds from one licensed site to another geographic location or (c) increasing licensed beds in a  
14 hospital licensed under Part 215 or (d) acquiring a hospital. Pursuant to Part 222 of the Code, a hospital  
15 licensed under Part 215 is a covered health facility. The Department shall use these standards in  
16 applying Section 22225(1) of the Code, being Section 333.22225(1) of the Michigan Compiled Laws and  
17 Section 22225(2)(c) of the Code, being Section 333.22225(2)(c) of the Michigan Compiled Laws.  
18

19 (2) An increase in licensed hospital beds is a change in bed capacity for purposes of Part 222 of the  
20 Code.  
21

22 (3) The physical relocation of hospital beds from a licensed site to another geographic location is a  
23 change in bed capacity for purposes of Part 222 of the Code.  
24

25 (4) An increase in hospital beds certified for long-term care is a change in bed capacity for purposes  
26 of Part 222 of the Code and shall be subject to and reviewed under the CON Review Standards for Long-  
27 Term-Care Services.  
28

29 **Section 2. Definitions**

30  
31 Sec. 2. (1) As used in these standards:

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

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

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

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

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

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

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

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

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

52 (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  
56 a 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 OR COMPARATIVE REVIEW GROUP" means the applications, OTHER THAN  
64 APPLICATIONS APPLYING UNDER SECTION 6(5), that have been grouped for the same type of project  
65 in the same hospital group and are being reviewed comparatively in accordance with the CON rules.  
66 FOR APPLICATIONS APPLYING UNDER SECTION 6(5), COMPARE GROUP OR COMPARATIVE  
67 REVIEW GROUP MEANS APPLICATIONS THAT HAVE BEEN GROUPED FOR THE SAME TYPE OF  
68 PROJECT AND ARE PROPOSING SITES WITHIN A 60-MINUTE TRAVEL TIME AND ARE BEING  
69 REVIEWED COMPARATIVELY IN ACCORDANCE WITH THE CON RULES.

70 (j) "Department" means the Michigan Department of Health and Human Services (MDHHS).

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

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

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

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

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

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

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

85 (v) Hospitals with 25 or fewer licensed beds

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

92 (o) "GEOGRAPHICALLY Underserved area" means those geographic areas THAT ARE not within  
93 MORE THAN A 30-minuteS drive time efFROM an existing licensed acute care hospital with 24 hour/7  
94 days a week emergency room services utilizingUSING the most direct route using the lowest speed limits  
95 posted as defined by the Michigan Department of Transportation (MDOT). ESRI'S ONLINE NETWORK  
96 ANALYST SERVICES (OR A COMPARABLE SOURCE).

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

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

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

103 (rs) "Hospital" means a hospital as defined in Section 20106(5) of the Code being Section  
104 333.20106(5) of the Michigan Compiled Laws and licensed under Part 215 of the Code. The term does  
105 not include a hospital or hospital unit licensed or operated by the Department of Mental Health.

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

109 (tu) "Hospital long-term-care unit" or "HLTCU" means a nursing care unit, owned or operated by and  
110 as part of a hospital, licensed by the Department, and providing organized nursing care and medical  
111 treatment to 7 or more unrelated individuals suffering or recovering from illness, injury, or infirmity.  
112 (uv) "Host hospital" means a licensed and operating hospital, which delicenss hospital beds, and  
113 which leases patient care space and other space within the physical plant of the host hospital, to allow an  
114 LTAC hospital, IRF hospital, or alcohol and substance abuse hospital, to begin operation.  
115 (vw) "Inpatient Rehabilitation Facility bed" or "IRF bed" means a licensed hospital bed within an IRF  
116 hospital or unit that has been approved to participate in the Title XVIII (Medicare) program as a  
117 prospective payment system (PPS) exempt Inpatient Rehabilitation Hospital in accordance with 42 CFR  
118 Part 412 Subpart P.  
119 (wx) "Inpatient Rehabilitation Facility hospital" or "IRF hospital" means a hospital that has been  
120 approved to participate in the Title XVIII (Medicare) program as a prospective payment system (PPS)  
121 exempt Inpatient Rehabilitation Hospital in accordance with 42 CFR Part 412 Subpart P.  
122 (xy) "Licensed site" means the location of the facility authorized by license and listed on that  
123 licensee's certificate of licensure.  
124 (yz) "Limited access area" means ~~those underserved areas with a patient day demand that meets or~~  
125 ~~exceeds the state-wide average of patient days used per 50,000 residents in the base year A~~  
126 POTENTIAL HOSPITAL LOCATION BOTH WITH A BED NEED OF 10 BEDS OR MORE AND AN  
127 UNDERSERVED POPULATION PERCENT OF 50% OR MORE, and as identified on the state of  
128 Michigan CON web site. Limited access areas shall be redetermined IN THE FOLLOWING  
129 CIRCUMSTANCES:  
130 (i) EACH TIME THE BED NEED METHODOLOGY IS REDETERMINED,  
131 (ii) when a new hospital has been approved, or  
132 (iii) WHEN an existing hospital closes.  
133 (zaa) "Long-term (acute) care hospital" or "LTAC hospital" means a hospital has been approved to  
134 participate in the Title XVIII (Medicare) program as a prospective payment system (PPS) exempt hospital  
135 in accordance with 42 CFR Part 412 Subpart O.  
136 (aabb) "Medicaid" means title XIX of the social security act, chapter 531, 49 Stat. 620, 1396 to 1396g  
137 and 1396i to 1396u.  
138 (bbcc) "Medicaid volume" means the number of Medicaid recipients served at the hospital as stated on  
139 the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration  
140 within the Department.  
141 (cedd) "Michigan Inpatient Data Base" or "MIDB" means the data base compiled by the Michigan Health  
142 and Hospital Association or successor organization. The data base consists of inpatient discharge  
143 records from all Michigan hospitals and Michigan residents discharged from hospitals in border states for  
144 a specific calendar year.  
145 (ddee) "New beds in a hospital" means hospital beds that meet at least one of the following: (i) are not  
146 currently licensed as hospital beds, (ii) are currently licensed hospital beds at a licensed site in one  
147 hospital group which are proposed for relocation in a different hospital group as determined by the  
148 Department pursuant to Section 3 of these standards, (iii) are currently licensed hospital beds at a  
149 licensed site in one hospital group which are proposed for relocation to another geographic site which is  
150 in the same hospital group as determined by the Department, but which are not in the replacement zone,  
151 or (iv) are currently licensed hospital beds that are proposed to be licensed as part of a new hospital in  
152 accordance with Section 6(2) of these standards.  
153 (eeff) "New hospital" means one of the following: (i) the establishment of a new facility that shall be  
154 issued a new hospital license, (ii) for currently licensed beds, the establishment of a new licensed site that  
155 is not in the same hospital group as the currently licensed beds, (iii) currently licensed hospital beds at a  
156 licensed site in one hospital group which are proposed for relocation to another geographic site which is  
157 in the same hospital group as determined by the Department, but which are not in the replacement zone,  
158 or (iv) currently licensed hospital beds that are proposed to be licensed as part of a new hospital in  
159 accordance with section 6(2) of these standards.  
160 (ffgg) "Obstetrics patient days of care" means inpatient days of care for patients in the applicant's  
161 Michigan Inpatient Data Base data ages 15 through 44 with DRGs 370 through 375 (obstetrical  
162 discharges).

163 (gghh) "Overbedded hospital group" means a hospital group in which the total number of existing  
164 hospital beds in that hospital group exceeds the hospital group needed hospital bed supply.  
165 (hhi) "Pediatric patient days of care" means inpatient days of care for patients in the applicant's  
166 Michigan Inpatient Data Base data ages 0 through 14 excluding normal newborns.  
167 (hjj) "Planning year" means five years beyond the base year for which hospital bed need is developed.  
168 (jkk) "POTENTIAL HOSPITAL LOCATION" MEANS A 1KM HEXAGON REGION. THE CENTER  
169 POINT OF WHICH IS LOCATED BOTH IN A GEOGRAPHICALLY UNDERSERVED AREA AND ON  
170 LAND (NOT WATER).  
171 (ll) "Qualifying project" means each application in a comparative group which has been reviewed  
172 individually and has been determined by the Department to have satisfied all of the requirements of  
173 Section 22225 of the code, being section 333.22225 of the Michigan Compiled Laws and all other  
174 applicable requirements for approval in the Code or these Standards.  
175 (kmm) "Relocate existing licensed hospital beds" for purposes of sections 6(3) and 8 of these standards,  
176 means a change in the location of existing hospital beds from the existing licensed hospital site to a  
177 different existing licensed hospital site within the same hospital group or HSA. This definition does not  
178 apply to projects involving replacement beds in a hospital governed by Section 7 of these standards.  
179 (lnn) "Remaining patient days of care" means total inpatient days of care in the applicant's Michigan  
180 Inpatient Data Base data minus obstetrics patient days of care and pediatric patient days of care.  
181 (moo) "Renewal of lease" means execution of a lease between the licensee and a real property owner in  
182 which the total lease costs exceed the capital expenditure threshold.  
183 (npp) "Replace beds" means a change in the location of the licensed hospital, the replacement of a  
184 portion of the licensed beds at the same licensed site, or the one-time replacement of less than 50% of  
185 the licensed beds to a new site within 250 yards of the building on the licensed site containing more than  
186 50% of the licensed beds, which may include a new site across a highway(s) or street(s) as defined in  
187 MCL 257.20 and excludes a new site across a limited access highway as defined in MCL 257.26. The  
188 hospital beds will be in new physical plant space being developed in new construction or in newly  
189 acquired space (purchase, lease, donation, etc.) within the replacement zone.  
190 (oeg) "Replace IRF beds" means a change in the location of all IRF beds from an existing site to a new  
191 site within the replacement zone for IRF beds.  
192 (ppr) "Replacement zone" means a proposed licensed site that ~~is~~ (i) is in the same hospital group as  
193 the existing licensed site as determined by the Department in accord with Section 3 of these standards  
194 and (ii) is on the same site, on a contiguous site, or on a site within 2 miles (5 miles for IRF beds) of the  
195 existing licensed site if the existing licensed site is located in a county with a population of 200,000 or  
196 more, or on a site within 5 miles (10 miles for IRF beds) of the existing licensed site if the existing licensed  
197 site is located in a county with a population of less than 200,000 OR (iii) QUALIFIES AS AN ENHANCED  
198 REPLACEMENT ZONE.  
199 (qss) "Uncompensated care volume" means the hospital's uncompensated care volume as stated on  
200 the most recent Medicare and Michigan Medicaid forms filed with the Medical Services Administration  
201 within the Department.  
202 ~~(rr) "Underserved area" means those geographic areas not within 30 minute drive time of an existing~~  
203 ~~licensed acute care hospital with 24 hour/7 days a week emergency room services utilizing the most~~  
204 ~~direct route using the lowest speed limits posted as defined by the Michigan Department of~~  
205 ~~Transportation (MDOT).~~  
206 (sst) "Use rate" means the number of days of inpatient care per 1,000 population during a one-year  
207 period.  
208 (uu) "VERIFIABLE DATA" MEANS DATA (PATIENT DAYS) FROM THE MOST RECENT ANNUAL  
209 SURVEY OR MORE RECENT DATA THAT CAN BE VALIDATED BY THE DEPARTMENT.

210  
211 (2) The definitions in Part 222 shall apply to these standards.  
212

### 213 Section 3. Hospital groups

214  
215 Sec. 3. Each existing hospital is assigned to a hospital group pursuant to subsection (1).  
216

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

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

229 (b) For each hospital, calculate the road distance to all other hospitals. Arrange observations in an  
230 origin-destination table such that each hospital is an origin (row) and each hospital is also a destination  
231 (column).

232 (c) Rescale the road distance origin-destination table by dividing every entry in the road distance  
233 origin-destination table by the maximum distance between any two hospitals.

234 (d) Append the road distance origin-destination table to the %C origin-destination table (by hospital)  
235 to create the input data matrix for the clustering algorithm.

236 (e) Group hospitals into clusters using the k-means clustering algorithm with initial cluster centers  
237 provided by a wards hierarchical clustering method. Iterate over all cluster solutions from 2 to the number  
238 of hospitals ( $n$ ) minus 1.

239 (i) For each cluster solution, record the group membership of each hospital, the cluster center  
240 location for each of the clusters, the  $r^2$  value for the overall cluster solution, the number of single hospital  
241 clusters, and the maximum number of hospitals in any cluster.

242 (ii) "k-means clustering algorithm" means a method for partitioning observations into a user-specified  
243 number of groups. It is a standard algorithm with a long history of use in academic and applied  
244 research. The approach identifies groups of observations such that the sum of squares from points to the  
245 assigned cluster centers is minimized, i.e., observations in a cluster are more similar to one another than  
246 they are to other clusters. Several k-means implementations have been proposed; the bed need  
247 methodology uses the widely-adopted Hartigan-Wong algorithm. Any clustering or data mining text will  
248 discuss k-means; one example is B.S. Everitt, S. Landau, M. Leese, & D. Stahl (2011) Cluster Analysis,  
249 5th Edition. Wiley, 346 p.

250 (iii) "Wards hierarchical clustering method" means a method for clustering observations into groups.  
251 This method uses a binary tree structure to sequentially group data observations into clusters, seeking to  
252 minimize overall within-group variance. In the bed need methodology, this method is used to identify the  
253 starting cluster locations for k-means. Any clustering text will discuss hierarchical cluster analysis,  
254 including Ward's method; one example is: G. Gan, C. Ma, & J. Wu (2007) Data Clustering: Theory,  
255 Algorithms, and Applications (Asa-Siam Series on Statistics and Applied Probability). Society for Industrial  
256 and Applied Mathematics (Siam), 466 p.

257 (f) Calculate the incremental F score ( $F_{inc}$ ) for each cluster solution (i) between 3 and  $n-1$  letting:

258  $r_i^2 = r^2$  of solution i

259  $r_{i-1}^2 = r^2$  of solution i-1

260  $k_i =$  number of clusters in solution i

261  $k_{i-1} =$  number of clusters in solution i-1

262  $n =$  total number of hospitals

263 where: 
$$F_{inc,i} = \frac{\left( \frac{r_i^2 - r_{i-1}^2}{k_i - k_{i-1}} \right)}{\left( \frac{1 - r_i^2}{n - (k_i - 1)} \right)}$$

264 (g) Select candidate solutions by finding those with peak values in  $f_{inc}$  scores such that  $f_{inc,i}$  is greater  
265 than both  $f_{inc,i-1}$  and  $f_{inc,i+1}$ .

266 (h) Remove all candidate solutions in which the largest single cluster contains more than 20  
267 hospitals.  
268 (i) Identify the minimum number of single hospital clusters from the remaining candidate solutions.  
269 Remove all candidate solutions containing a greater number of single hospital clusters than the identified  
270 minimum.  
271 (j) From the remaining candidate solutions, choose the solution with the largest number of clusters  
272 (k). This solution ( $k$  clusters) is the resulting number and configuration of the hospital groups.  
273 (k) Rename hospital groups as follows:  
274 (i) For each hospital group, identify the HSA in which the maximum number of hospitals are located.  
275 In case of a tie, use the HSA number that is lower.  
276 (ii) For each hospital group, sum the number of current licensed hospital beds for all hospitals.  
277 (iii) Order the groups from 1 to  $k$  by first sorting by HSA number, then sorting within each HSA by the  
278 sum of beds in each hospital group. The hospital group name is then created by appending number in  
279 which it is ordered to "hg" (e.g., hg1, hg2, ... hgk).  
280 (iv) Hospitals that do not have patient records in the MIDB - identified in subsection (1)(a) - are  
281 designated as "ng" for non-groupable hospitals.  
282

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

287 (a) Calculate the road distance from proposed new site ( $s$ ) to all existing hospitals, resulting in a list  
288 of  $n$  observations ( $s_n$ ).  
289 (b) Rescale  $s_n$  by dividing each observation by the maximum road distance between any two  
290 hospitals identified in subsection (1)(c).  
291 (c) For each hospital group, subset the cluster center location identified in subsection (1)(e)(i) to only  
292 the entries corresponding to the road distance between hospitals. For each hospital group, the result is a  
293 list of  $n$  observations that define each hospital group's central location in relative road distance.  
294 (d) Calculate the distance ( $d_{k,s}$ ) between the proposed new site and each existing hospital group  
295 where:  $d_{k,s} = \sqrt{(HG_{k,1} - s_1)^2 + (HG_{k,2} - s_2)^2 + (HG_{k,3} - s_3)^2 + \dots + (HG_{k,n} - s_n)^2}$   
296 (e) Assign the proposed new site to the closest hospital group (HG $k$ ) by selecting the minimum value  
297 of  $d_{k,s}$ .  
298 (f) If there is only a single applicant, then the assignment procedure is complete. If there are  
299 additional applicants, then steps (a) – (e) must be repeated until all applicants have been assigned to an  
300 existing hospital group.  
301

302 (3) The Department shall amend the hospital groups to reflect: (a) approved new licensed site(s)  
303 assigned to a specific hospital group; (b) hospital closures; and (c) licensure action(s) as appropriate.  
304

305 (4) As directed by the Commission, new hospital group assignments established according to  
306 subsection (1) shall supersede the previous subarea/hospital group assignments and shall be posted on  
307 the State of Michigan CON web site effective on the date determined by the Commission.  
308

#### 309 **Section 4. Determination of the needed hospital bed supply-NEED AND LIMITED ACCESS AREAS**

310  
311 **Sec. 4. (1) The determination of the needed hospital bed supply-NEED for a hospital group for a**  
312 **planning year shall be made using the MIDB and the methodology detailed in "New Methodology for**  
313 **Determining Needed Hospital Bed Supply" by Paul L. Delamater, Ashton M. Shortridge, and Joseph P.**  
314 **Messina, 2011 as follows:**

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

318 (b) For each county, compile the monthly patient days used by county residents for the previous five  
319 years (base year plus previous four years). Compile the monthly patient days used by non-Michigan

320 residents in Michigan hospitals for the previous five years as an "out-of-state" unit. The out-of-state  
321 patient days unit is considered an additional county thereafter. Patient days are to be assigned to the  
322 month in which the patient was discharged. For patient records with an unknown county of residence,  
323 assign patient days to the county of the hospital where the patient received service.

324 (c) For each county, calculate the monthly patient days for all months in the planning year. For each  
325 county, construct an ordinary least squares linear regression model using monthly patient days as the  
326 dependent variable and months (1-60) as the independent variable. If the linear regression model is  
327 significant at a 90% confidence level (F-score, two tailed  $p$  value  $\leq 0.1$ ), predict patient days for months  
328 109-120 using the model coefficients. If the linear regression model is not significant at a 90% confidence  
329 level (F-score, two tailed  $p$  value  $> 0.1$ ), calculate the predicted monthly patient day demand in the  
330 planning year by finding the monthly average of the three previous years (months 25-60).

331 (d) For each county, calculate the predicted yearly patient day demand in the planning year. For  
332 counties with a significant regression model, sum the monthly predicted patient days for the planning  
333 year. For counties with a non-significant regression model, multiply the three year monthly average by  
334 12.

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

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

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

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

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

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

348 (2) ~~The determination of the needed hospital bed supply for a limited access area~~ **S AND THEIR**  
349 **HOSPITAL BED NEED shall be made using the MIDB and the methodology detailed in "A Methodology**  
350 **for Determining Needed Hospital Bed Supply LIMITED ACCESS AREAS" by Paul L. Delamater, Ashton**  
351 **M. Shortridge, And Joseph P. Messina, 2011-2021, WHICH METHODOLOGY IS SUMMARIZED as**  
352 **follows:**

353 (a) **CALCULATE THE AVERAGE YEARLY PATIENT DAY USE RATE OF MICHIGAN RESIDENTS**  
354 **IN THE BASE YEAR AS FOLLOWS:**

355 (i) **SUM ALL PATIENT DAYS FROM ALL HOSPITAL DISCHARGES FOR MICHIGAN RESIDENTS**  
356 **IN THE BASE YEAR, EXCLUDING All all hospital discharges for normal newborns (DRG 391 prior to**  
357 **2008, DRG 795 thereafter) and psychiatric patients (ICD-9-CM codes 290 through 319, see Appendix D**  
358 **for ICD-10-CM Codes, as a principal diagnosis)-will be excluded.**

359 (ii) **ACQUIRE THE ESTIMATED MICHIGAN POPULATION IN THE BASE YEAR FROM THE US**  
360 **CENSUS BUREAU.**

361 (iii) **DIVIDE THE SUMMED PATIENT DAYS CALCULATED IN (i) BY THE ESTIMATED MICHIGAN**  
362 **POPULATION ACQUIRED IN (ii) TO CALCULATE THE AVERAGE YEARLY PATIENT DAY USE RATE.**

363 (b) ~~Calculate the average patient day use rate of Michigan residents. Sum total patient days of~~  
364 ~~Michigan residents in the base year and divide by estimated base year population for the state~~  
365 ~~(population data available from US Census Bureau).~~ **IDENTIFY GEOGRAPHICALLY UNDERSERVED**  
366 **AREAS AS FOLLOWS:**

367 (i) **USING ESRI'S ONLINE NETWORK ANALYST SERVICES (OR A COMPARABLE SOURCE),**  
368 **CREATE 30-MINUTE DRIVE TIME SERVICE AREAS AROUND EACH EXISTING LICENSED ACUTE**  
369 **CARE HOSPITAL WITH 24 HOUR/7 DAYS A WEEK EMERGENCY ROOM SERVICES.**

370 (ii) **IDENTIFY REGIONS GREATER THAN A 30-MINUTE DRIVE FROM THE NEAREST EXISTING**  
371 **HOSPITAL BY CLIPPINGREMOVING THE 30-MINUTE SERVICE AREAS FROM THE STATE**  
372 **GEOGRAPHIC FOOTPRINT. THE REMAINING REGIONS ARE THE GEOGRAPHICALLY**  
373 **UNDERSERVED AREAS.**

374 (c) Calculate the minimum number of patient days for designation of a limited access area by  
375 multiplying the average patient day use rate by 50,000. Round up to the nearest whole number.  
376 ~~CREATE IDENTIFY POTENTIAL HOSPITAL LOCATIONS AS FOLLOWS:~~  
377 (i) ~~CREATE A HEXAGON TESSELATION OVER THE ENTIRE STATE WITH 1KM DISTANCE~~  
378 ~~BETWEEN THE CENTER POINT OF EVERY HEXAGON.~~  
379 (ii) ~~SUBSET THE HEXAGONS TO INCLUDE ONLY THOSE HEXAGONS WITH A CENTER POINT~~  
380 ~~THAT IS LOCATED WITHIN A GEOGRAPHICALLY UNDERSERVED AREA AND ON LAND. FOR~~  
381 ~~PURPOSED OF THIS SUBSECTION, ON LAND MEANS THOSE US CENSUS BLOCK GROUPS THAT~~  
382 ~~ARE NOT 100% COVERED BY WATER. THE SET OF REMAINING HEXAGONS ARE THE~~  
383 ~~POTENTIAL HOSPITAL LOCATIONS.~~  
384 (d) ~~Follow steps outlined in Section 4(1)(b) — (d) to predict planning year patient days for each~~  
385 ~~underserved area. Round up to the nearest whole number. The patient days for each underserved area~~  
386 ~~are defined as the sum of the zip codes corresponding to each underserved area. FOR EACH~~  
387 ~~POTENTIAL HOSPITAL LOCATION, CALCULATE THE BED NEED AND THE UNDERSERVED~~  
388 ~~POPULATION PERCENT AS FOLLOWS:~~  
389 (i) ~~USING ESRI'S ONLINE NETWORK ANALYST SERVICES (OR A COMPARABLE SOURCE),~~  
390 ~~CREATE A 30-MINUTE DRIVE TIME SERVICE AREA AROUND THE HEXAGON CENTER POINT.~~  
391 (ii) ~~IDENTIFY THE NUMBER OF PEOPLE RESIDING WITHIN THE 30-MINUTE SERVICE AREA~~  
392 ~~USING US CENSUS BLOCK CENTROIDS WITH UPDATED POPULATION INFORMATION.~~  
393 (iii) ~~ASSIGN EACH POPULATION AS CURRENTLY UNDERSERVED OR CURRENTLY SERVED~~  
394 ~~BY GEOGRAPHICALLY OVERLAYING THE US CENSUS BLOCK CENTROIDS (WITH UPDATED~~  
395 ~~POPULATION INFORMATION) USED IN (ii) WITH THE GEOGRAPHICALLY UNDERSERVED AREAS~~  
396 ~~IDENTIFIED IN (b). SUM THE NUMBER OF PEOPLE IN BOTH GROUPS TO DETERMINE THE TOTAL~~  
397 ~~POPULATION.~~  
398 (iv) ~~MULTIPLY THE UNDERSERVED POPULATION TOTAL BY THE AVERAGE YEARLY PATIENT~~  
399 ~~DAY USE RATE OF MICHIGAN RESIDENTS IN THE BASE YEAR AS CALCULATED IN SECTION~~  
400 ~~4(2)(a) TO CALCULATE THE EXPECTED NUMBER OF YEARLY PATIENT DAYS. FOLLOW THE~~  
401 ~~STEPS IN SECTION 4(1)(h) — (i) TO CALCULATE THE BED NEED FOR THE HOSPITAL LOCATION.~~  
402 (v) ~~DIVIDE THE UNDERSERVED POPULATION TOTAL BY THE TOTAL POPULATION AS~~  
403 ~~DETERMINED IN (iii), AND MULTIPLY BY 100 TO CALCULATE THE UNDERSERVED POPULATION~~  
404 ~~PERCENT.~~  
405 (e) ~~For each underserved area, compare the planning year patient days to the minimum number of~~  
406 ~~patient days for designation of a limited access area calculated in (c). Any underserved area with a~~  
407 ~~planning year patient day demand greater than or equal to the minimum is designated as a limited access~~  
408 ~~area. REMOVE ALL POTENTIAL HOSPITAL LOCATIONS WITH A BED NEED OF LESS THAN 10~~  
409 ~~BEDS OR WITH AN UNDERSERVED POPULATION PERCENT OF LESS THAN 50%. THE~~  
410 ~~REMAINING POTENTIAL HOSPITAL LOCATIONS ARE THE LIMITED ACCESS AREAS.~~  
411 (f) ~~For each limited access area, calculate the planning year bed need using the steps outlined in~~  
412 ~~Section 4(1)(h) — (j). For these steps, use the planning year patient days for each limited access area.~~  
413

## 414 **Section 5. Bed Need**

415  
416 Sec. 5. (1) The bed-need numbers shall apply to projects subject to review under these standards,  
417 except where a specific CON review standard states otherwise.

418  
419 (2) The Department shall re-calculate the acute care bed need methodology in Section 4 every two  
420 years, or as directed by the Commission.

421  
422 (3) The effective date of the bed-need numbers shall be established by the Commission.

423  
424 (4) New bed-need numbers established by subsections (2) and (3) shall supersede previous bed-  
425 need numbers and shall be posted on the State of Michigan CON web site as part of the hospital bed  
426 inventory.

427

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

431

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

433

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

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

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

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

447

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

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

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

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

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

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

468 (A) Relicensure of the beds to the host hospital. The host hospital must obtain a CON to acquire the  
469 LTAC or IRF hospital. In the event that the host hospital applies for a CON to acquire the LTAC or IRF  
470 hospital [including the beds leased by the host hospital to the LTAC or IRF hospital] within six months  
471 following the termination of the lease with the LTAC or IRF hospital, it shall not be required to be in  
472 compliance with the hospital bed supply if the host hospital proposes to add the beds of the LTAC or IRF  
473 hospital to the host hospital's medical/surgical licensed capacity and the application meets all other  
474 applicable project delivery requirements. The beds must be used for general medical/surgical purposes.  
475 Such an application shall not be subject to comparative review and shall be processed under the  
476 procedures for non-substantive review (as this will not be considered an increase in the number of beds  
477 originally licensed to the applicant at the host hospital);

478 (B) Delicensure of the hospital beds; or

479 (C) Acquisition by another entity that obtains a CON to acquire the new hospital in its entirety and  
480 that entity must meet and shall stipulate to the requirements specified in Section 6(2).

481 (c) The applicant or the current licensee of the new hospital shall not apply, initially or subsequently,  
482 for CON approval to initiate any other CON covered clinical services; provided, however, that this section

483 is not intended, and shall not be construed in a manner which would prevent the licensee from contracting  
484 and/or billing for medically necessary covered clinical services required by its patients under  
485 arrangements with its host hospital or any other CON approved provider of covered clinical services.

486 (d) The new licensed hospital shall remain within the host hospital.

487 (e) The new hospital shall be assigned to the same hospital group as the host hospital.

488 (f) The proposed project to begin operation of a new hospital, under this subsection, shall constitute  
489 a change in bed capacity under Section 1(2) of these standards.

490 (g) The lease will not result in an increase in the number of licensed hospital beds in the hospital  
491 group.

492 (h) Applications proposing a new hospital under this subsection shall not be subject to comparative  
493 review.

494

495 (3) An applicant proposing to add new hospital beds, as the receiving licensed hospital under Section  
496 8, shall demonstrate that it meets all of the requirements of this subsection and shall not be required to be  
497 in compliance with the needed hospital bed supply if the application meets all other applicable CON  
498 review standards and agrees and assures to comply with all applicable project delivery requirements.

499 (a) The approval of the proposed new hospital beds shall not result in an increase in the number of  
500 licensed hospital beds as follows:

501 (i) In the hospital group pursuant to Section 8(2)(a), or

502 (ii) in the HSA pursuant to Section 8(2)(b).

503 (b) Where the source hospital was subject to Section 8(3)(b), the receiving hospital shall have an  
504 average adjusted occupancy rate of 40 percent or above.

505 (c) Where the source hospital was subject to Section 8(3)(b), the addition of the proposed new  
506 hospital beds at the receiving hospital shall not exceed the number determined by the following  
507 calculation:

508 (i) As of the date of the application, calculate the adjusted patient days for the most recent,  
509 consecutive 36-month period where verifiable data is available to the Department, and divide by .40.

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

513 (iii) Subtract the receiving hospital's total number of licensed beds and approved beds from the result  
514 of subsection (ii). This is the maximum number of beds that can be added to the receiving hospital.

515 (d) Where the source hospital was subject to Section 8(3)(b), the receiving hospital's average  
516 adjusted occupancy rate must not be less than 40 percent after the addition of the proposed new hospital  
517 beds.

518 (e) Subsection (3)(b), (c), and (d) shall not apply to excluded hospitals.

519 (f) The proposed project to add new hospital beds, under this subsection, shall constitute a change  
520 in bed capacity under Section 1(2) of these standards.

521 (g) Applicants proposing to add new hospital beds under this subsection shall not be subject to  
522 comparative review.

523

524 (4) An applicant may apply for the addition of new beds if all of the following subsections are met.  
525 Further, an applicant proposing new beds at an existing licensed hospital site shall not be required to be  
526 in compliance with the needed hospital bed supply if the application meets all other applicable CON  
527 review standards and agrees and assures to comply with all applicable project delivery requirements.

528 (a) The beds are being added at the existing licensed hospital site or are being replaced to a new  
529 IRF hospital site being created under Section 7(6) as part of the same CON application.

530 (b) The hospital at the existing licensed hospital site has operated at an adjusted occupancy rate of  
531 80 percent or above for the previous, consecutive 24 months based on its licensed and approved hospital  
532 bed capacity. The adjusted occupancy rate shall be calculated as follows:

533 (i) Calculate the number of adjusted patient days during the most recent, consecutive 24-month  
534 period for which verifiable data are available to the Department.

535 (ii) Divide the number calculated in (i) above by the total possible patient days [licensed and  
536 approved hospital beds multiplied by 730 (or 731 if including a leap year)]. This is the adjusted  
537 occupancy rate.

538 (c) The number of beds that may be approved pursuant to this subsection shall be the number of  
539 beds necessary to reduce the adjusted occupancy rate for the hospital to 75 percent. The number of  
540 beds shall be calculated as follows:  
541 (i) Divide the number of adjusted patient days calculated in subsection (b)(i) by .75 to determine  
542 licensed bed days at 75 percent occupancy.  
543 (ii) Divide the result of step (i) by 730 (or 731 if including a leap year) and round the result up to the  
544 next whole number.  
545 (iii) Subtract the number of licensed and approved hospital beds as documented on the "Department  
546 Inventory of Beds" from the result of step (ii) and round the result up to the next whole number to  
547 determine the maximum number of beds that may be approved pursuant to this subsection.  
548 (d) A licensed acute care hospital that has relocated its beds, after the effective date of these  
549 standards, shall not be approved for hospital beds under this subsection for five years from the effective  
550 date of the relocation of beds.  
551 (e) Applicants proposing to add new hospital beds under this subsection shall not be subject to  
552 comparative review.

553  
554 (5) An applicant proposing a new hospital in a limited access area shall not be required to be in  
555 compliance with the needed hospital bed supply if the application meets all other applicable CON review  
556 standards, agrees and assures to comply with all applicable project delivery requirements, and all of the  
557 following subsections are met.

558 (a) The proposed new hospital, unless a critical access hospital, shall have 24 hour/7 days a week  
559 emergency services, obstetrical services, surgical services, and licensed acute care beds.

560 (b) The Department shall assign the proposed new hospital to an existing hospital group based on  
561 the current market use patterns of existing hospital groups USING THE METHODOLOGY IN SECTION  
562 3(2).

563 (c) Approval of the proposed new beds in a hospital in a limited access area shall not exceed the bed  
564 need for the limited access area as determined by the bed need methodology in Section 4(2)(d)(iv) and  
565 as set forth on the State of Michigan CON web site.

566 (d) The new beds in a hospital in a limited access area shall result in a hospital of at least 100 beds  
567 in a metropolitan statistical area county or 50 beds in a rural or micropolitan statistical area county. If the  
568 bed need for a limited access area, as shown on the State of Michigan CON web site, is less, then that  
569 will be the minimum number of beds for a new hospital under this provision. If an applicant for new beds  
570 in a hospital under this provision simultaneously applies for status as a critical access hospital, the  
571 minimum hospital size shall be that number allowed under state/federal critical access hospital  
572 designation.

573 (e) Applicants proposing to create a new hospital under this subsection shall not be approved, for a  
574 period of five years after beginning operation of the facility, of the following covered clinical services: (i)  
575 open heart surgery, (ii) therapeutic cardiac catheterization, (iii) fixed positron emission tomography (PET)  
576 services, (iv) all transplant services, (v) neonatal intensive care services/beds, and (vi) fixed urinary  
577 extracorporeal shock wave lithotripsy (UESWL) services.

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

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

582 (i) In a metropolitan statistical area county, an applicant proposing to add a new hospital pursuant to  
583 this subsection shall locate the new hospital within the limited access area and serve a population of  
584 50,000 or more inside the limited access area and within 30 minutes drive time from the proposed new  
585 hospital.

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

590

## 591 **Section 7. Requirements for approval to replace beds**

592

593 Sec. 7. (1) If the application involves the development of a new licensed site, an applicant proposing to  
594 replace beds in a hospital within the replacement zone shall demonstrate that the new beds in a hospital  
595 shall result in a hospital of at least 200 beds in a metropolitan statistical area county or 25 beds in a rural  
596 or micropolitan statistical area county. This subsection may be waived by the Department if the  
597 Department determines, in its sole discretion, that a smaller hospital is necessary or appropriate to assure  
598 access to health-care services.  
599

600 (2) The applicant shall specify whether the proposed project is to replace the licensed hospital to a  
601 new site, to replace all licensed IRF beds to a new site, to replace a portion of the licensed beds at the  
602 existing licensed site, or the one-time replacement of less than 50% of the licensed beds to a new site  
603 within 250 yards of the building on the licensed site containing more than 50% of the licensed beds, which  
604 may include a new site across a highway(s) or street(s) as defined in MCL 257.20 and excludes a new  
605 site across a limited access highway as defined in MCL 257.26.  
606

607 (3) The applicant shall demonstrate that the new licensed site is in the replacement zone OR IN THE  
608 ENHANCED REPLACEMENT ZONE. TO QUALIFY AS AN ENHANCED REPLACEMENT ZONE, THE  
609 FOLLOWING REQUIREMENTS SHALL BE MET:

610 (a) THE EXISTING LICENSED SITE SHALL:

611 (i) BE LOCATED IN A COUNTY WITH A POPULATION OF 200,000 OR LESS, AND

612 (ii) BE THE ONLY LICENSED HOSPITAL SITE IN THAT COUNTY THAT REPORTED PROVIDING  
613 EMERGENCY SERVICES ON THE MOST RECENT CON ANNUAL SURVEY AS OF THE DATE OF  
614 THE APPLICATION; AND

615 (b) THE PROPOSED LICENSED SITE SHALL:

616 (i) BE IN THE SAME HOSPITAL GROUP AS THE EXISTING LICENSED SITE AS DETERMINED  
617 BY THE DEPARTMENT IN ACCORD WITH SECTION 3 OF THESE STANDARDS.

618 (ii) BE ON A SITE WITHIN 10 MILES OF THE EXISTING LICENSED SITE.

619 (iii) BE ON A SITE WITHIN THE SAME COUNTY AS THE EXISTING LICENSED SITE OR IN AN  
620 ADJACENT COUNTY THAT DOES NOT CURRENTLY HAVE A LICENSED HOSPITAL SITE THAT  
621 OFFERS EMERGENCY SERVICES, AND

622 (iv) BE ON A SITE 10 OR MORE MILES FROM ALL OTHER LICENSED HOSPITALS SITES THAT  
623 OFFER EMERGENCY SERVICES.

624 (4) The applicant shall comply with the following requirements, as applicable:

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

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

630 (i) As of the date of the application, calculate the number of adjusted patient days during the most  
631 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by  
632 .60.

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

636 (c) Subsection (4)(a) and (b) shall not apply to excluded hospitals.  
637

638 (5) An applicant proposing replacement beds in the replacement zone shall not be required to be in  
639 compliance with the needed hospital bed supply if the application meets all other applicable CON review  
640 standards and agrees and assures to comply with all applicable project delivery requirements.  
641

642 (6) If the application involves the development of a new licensed IRF hospital site, an applicant  
643 proposing to replace IRF beds within the replacement zone shall demonstrate that it meets all of the  
644 requirements of this subsection:

645 (a) The new license created by the proposed project shall only be utilized for inpatient rehabilitation  
646 beds.

647 (b) The applicant hospital has demonstrated, at the time of the CON filing, it is operating under high  
648 occupancy as governed by Section 6(4) of these standards.

649 (c) The applicant has demonstrated, at the time of CON filing, that the beds to be replaced are either  
650 IRF beds that meet the Title XVIII requirements of the Social Security Act for exemption from PPS as an  
651 IRF hospital, or high occupancy beds being requested under Section 6(4) as part of the same CON  
652 application.

653 (d) The new IRF hospital will have at least 40 IRF beds if located in a county with a population of  
654 200,000 or more; or at least 25 IRF beds if located in a county with a population of less than 200,000.

655 (e) As part of the phasing of the replacement of IRF beds to the new site, the applicant may retain,  
656 for 36-months from the time of activation of the new site, up to eight IRF beds at the existing hospital site.  
657 Any IRF beds at the existing site that have not been transitioned to the new site within the 36-month time  
658 period shall not be utilized for inpatient rehabilitation and shall revert back to acute medical-surgical  
659 hospital beds.

660 (f) The proposed project to begin operation of a new site, under this subsection, shall constitute a  
661 change in bed capacity under Section 1(2) of these standards.

662 (g) The existing hospital site shall delicense the same number of IRF beds proposed by the applicant  
663 for licensure in the new IRF hospital.

664 (h) Applicants proposing a new IRF hospital under this subsection shall not be subject to  
665 comparative review.

666 (i) The new IRF hospital shall be assigned to the same hospital group as the hospital where the IRF  
667 beds originated.

668 (j) If the IRF hospital approved under this subsection ceases operation as an IRF hospital, the beds  
669 licensed as part of the new IRF hospital must be disposed of by one of the following means:

670 (i) relocate the replaced IRF beds back to the site of origin;

671 (ii) relocate all IRF beds approved under high occupancy to the site of origin in subsection (i) if they  
672 are to be utilized as an IRF bed; or

673 (iii) delicense any IRF beds approved under high occupancy if they are not to be utilized as an IRF  
674 bed.

675  
676 **Section 8. Requirements for approval of an applicant proposing to relocate existing licensed**  
677 **hospital beds**

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

682 (2) Any existing licensed acute care hospital (source hospital) may relocate all or a portion of its beds  
683 to another existing licensed acute care hospital as follows:

684 (a) The licensed acute care hospitals are located within the same hospital group, or

685 (b) the licensed acute care hospitals are located within the same HSA if the receiving hospital meets  
686 the requirements of Section 6(4)(b) of these standards.

688 (3) The applicant shall comply with the following requirements, as applicable:

689 (a) The source hospital shall have an average adjusted occupancy rate of 40 percent or above.

690 (b) If the source hospital does not have an average adjusted occupancy rate of 40 percent or above,  
691 then the source hospital shall reduce the appropriate number of licensed beds to achieve an average  
692 adjusted occupancy rate of 60 percent or above upon completion of the relocation(s). The source  
693 hospital shall not exceed the number of beds calculated as follows:

694 (i) As of the date of the application, calculate the number of adjusted patient days during the most  
695 recent, consecutive 36-month period where verifiable data is available to the Department, and divide by  
696 .60.

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

700 (c) Subsections (3)(a) and (b) shall not apply to excluded hospitals.

701

702 (4) A source hospital shall apply for multiple relocations on the same application date, and the  
703 applications can be combined to meet the criteria of (3)(b) above. A separate application shall be  
704 submitted for each proposed relocation.

705  
706 (5) The hospital from which the beds are being relocated, and the hospital receiving the beds, shall  
707 not require any ownership relationship.

708  
709 (6) The relocated beds shall be licensed to the receiving hospital and will be counted in the inventory  
710 for the applicable hospital group.

711  
712 (7) The relocation of beds under this section shall not be subject to a mileage limitation.

### 713 714 **Section 9. Project delivery requirements terms of approval for all applicants**

715  
716 Sec. 9. An applicant shall agree that, if approved, the project shall be delivered in compliance with the  
717 following terms of CON approval:

718  
719 (1) Compliance with these standards.

720  
721 (2) Compliance with the following quality assurance standards:

722 (a) The applicant shall assure compliance with Section 20201 of the Code, being Section 333.20201  
723 of the Michigan Compiled Laws.

724  
725 (3) Compliance with the following access to care requirements:

726 (a) An applicant shall participate in Medicaid at least 12 consecutive months within the first two years  
727 of operation and continue to participate annually thereafter.

728 (b) The applicant, to assure appropriate utilization by all segments of the Michigan population, shall:

729 (i) Not deny services to any individual based on ability to pay or source of payment.

730 (ii) Maintain information by source of payment to indicate the volume of care from each payor and  
731 non-payor source provided annually.

732 (iii) Provide services to any individual based on clinical indications of need for the services.

733  
734 (4) Compliance with the following monitoring and reporting requirements:

735 (a) An applicant approved pursuant to Section 6(4) must achieve a minimum occupancy of 75  
736 percent over the last 12-month period in the three years after the new beds are put into operation, and for  
737 each subsequent calendar year, or the number of new licensed beds shall be reduced to achieve a  
738 minimum of 75 percent average annual occupancy for the revised licensed bed complement.

739 (b) The applicant must submit documentation acceptable and reasonable to the Department, within  
740 30 days after the completion of the 3-year period, to substantiate the occupancy rate for the last 12-month  
741 period after the new beds are put into operation and for each subsequent calendar year, within 30 days  
742 after the end of the year.

743 (c) The applicant shall participate in a data collection system established and administered by the  
744 Department or its designee. The data may include, but is not limited to, annual budget and cost  
745 information, operating schedules, through-put schedules, and demographic, morbidity, and mortality  
746 information, as well as the volume of care provided to patients from all payor sources. The applicant shall  
747 provide the required data on a separate basis for each licensed site; in a format established by the  
748 Department, and in a mutually agreed upon media. The Department may elect to verify the data through  
749 on-site review of appropriate records.

750 (d) The applicant shall participate and submit data to the Michigan Inpatient Data Base (MIDB). The  
751 data shall be submitted to the Department or its designee.

752 (e) The applicant shall provide the Department with timely notice of the proposed project  
753 implementation consistent with applicable statute and promulgated rules.

754  
755 (5) An applicant approved for the replacement of IRF beds under Section 7(6) to a new non-  
756 contiguous site shall be in compliance with the following:

- 757 (a) The replaced IRF beds shall maintain their PPS exempt inpatient rehabilitation hospital status.  
 758 (b) The new license created by the proposed project will only be utilized for inpatient rehabilitation  
 759 beds.

760  
 761 (6) AN APPLICANT APPROVED PURSUANT TO SECTION 6(5) SHALL NOT EXCEED THE  
 762 NUMBER OF APPROVED BEDS UNLESS IT ALSO RECEIVES APPROVAL UNDER SECTIONS 6(3)  
 763 OR 6(4).

764  
 765 (7) The agreements and assurances required by this section shall be in the form of a certification  
 766 agreed to by the applicant or its authorized agent.

767  
 768 **Section 10. Department inventory of beds**

769  
 770 Sec. 10. The Department shall maintain and provide on request a listing of the Department inventory  
 771 of beds for each hospital group.

772  
 773 **Section 11. Effect on prior planning policies; comparative reviews**

774  
 775 Sec. 11. (1) These CON review standards supersede and replace the CON standards for hospital  
 776 beds approved by the CON Commission on ~~December-JUNE 4-14, 2014-2018~~ and effective ~~March~~  
 777 ~~NOVEMBER 2028, 2015-2018~~.

778  
 779 (2) Projects reviewed under these standards shall be subject to comparative review except those  
 780 projects meeting the requirements of Section 7 involving the replacement of beds in a hospital within the  
 781 replacement zone and projects involving acquisition (including purchase, lease, donation or comparable  
 782 arrangements) of a hospital.

783  
 784 **Section 12. Additional requirements for applications included in comparative reviews**

785  
 786 Sec. 12. (1) Any application for hospital beds, that is subject to comparative review under Section  
 787 22229 of the Code, being Section 333.22229 of the Michigan Compiled Laws, or under these standards  
 788 shall be grouped and reviewed comparatively with other same type of applications (limited access area or  
 789 non-limited access area) in accordance with the CON rules.

790  
 791 (2) Each application in a comparative review group shall be individually reviewed to determine  
 792 whether the application is a qualifying project. If the Department determines that two or more competing  
 793 applications are qualifying projects, it shall conduct a comparative review. The Department shall approve  
 794 those qualifying projects which, when taken together, do not exceed the need, as defined in Section  
 795 22225(1) of the Code, and which have the highest number of points when the results of subsection (3)  
 796 are totaled. If two or more qualifying projects are determined to have an identical number of points, then  
 797 the Department shall approve those qualifying projects that, when taken together, do not exceed the need  
 798 in the order in which the applications were received by the Department based on the date and time stamp  
 799 placed on the applications by the department in accordance with rule 325.9123.

800  
 801 (3)(a) A qualifying project will be awarded points based on the applicant's CMS Star Ratings via  
 802 Hospital Compare as of the date of application as follows:

803  
 804 A qualifying project will be awarded points based on the applicant's quality of care as measured by the  
 805 overall Star Ratings available through CMS' Hospital Compare. For purposes of evaluating this criterion,  
 806 an average shall be calculated based on the overall Star Ratings of the applicant and all currently  
 807 licensed Michigan hospitals under common ownership or control with the applicant that are located in the  
 808 same health service area as the proposed hospital beds. Applicants shall be ranked in order according to  
 809 this calculated overall Star Rating average.

STAR RATING	POINTS AWARDED
-------------	----------------

Applicant with highest average star rating	20 points
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

811  
812 For purposes of evaluating this criterion, applicants shall submit the overall CMS Star Rating available at  
813 the time of the submission of the CON application for the applicant and each currently licensed hospital  
814 under common ownership or control located in the same health service area as the proposed hospital  
815 beds. Where an applicant proposes to close a hospital(s) as part of its application, data from the  
816 hospital(s) to be closed shall be excluded from this calculation. Star Ratings shall be rounded to the  
817 nearest 1/10, and points awarded shall be rounded to the nearest whole number, i.e. numbers ending in  
818 .5 or higher, round up, and numbers ending in .4 or lower, round down.

819 (b) A qualifying project will be awarded points based on the ranking of the applicant's uninsured days  
820 as measured as a percentage of total days as set forth in the following table. The applicant's uninsured  
821 percentage will be the cumulative of all uninsured inpatient med/surg and uninsured inpatient rehab days  
822 divided by the cumulative of all inpatient med/surg and inpatient rehab days at all currently licensed  
823 Michigan hospitals under common ownership or control with the applicant that are located in the same  
824 health service area as the proposed hospital beds. For purposes of evaluating this criterion, an applicant  
825 shall submit the most recent reviewed and accepted Medicaid Cost Report for each currently licensed  
826 hospital under common ownership or control within the same health service area. If a hospital under  
827 common ownership or control with the applicant has not filed a MEDICAID Cost Report, then the related  
828 applicant shall receive a score of zero.

UNINSURED DAYS	POINTS AWARDED
Applicant with highest percent of uninsured days	10 points
All other applicants	Applicant's percent of uninsured days divided by the highest applicant's percent of uninsured 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

830  
831 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to  
832 be closed shall be excluded from this calculation. Percentages of days shall be rounded to the nearest  
833 1/10 (e.g. 5.3%), and points awarded shall be rounded to the nearest whole number, i.e. numbers ending  
834 in .5 or higher, round up, and numbers ending in .4 or lower, round down.

835 (c) A qualifying project will be awarded points based on the ranking of the applicant's Medicaid days  
836 as measured as a percentage of total days as set forth in the following table. For purposes of scoring, the  
837 applicant's Medicaid percentage will be the cumulative of all Title XIX and Healthy Michigan inpatient  
838 med/surg and inpatient rehab days divided by the cumulative of all inpatient med/surg and inpatient rehab  
839 days at all currently licensed Michigan hospitals under common ownership or control with the applicant  
840 that are located in the same health service area as the proposed hospital beds. For purposes of  
841 evaluating this criterion, an applicant shall submit the most recent reviewed and accepted Medicaid Cost  
842 Report for each currently licensed hospital under common ownership or control within the same health  
843 service area. If a hospital under common ownership or control with the applicant has not filed a  
844 MEDICAID Cost Report, then the related applicant shall receive a score of zero.

MEDICAID DAYS	POINTS AWARDED
Applicant with highest percent of Medicaid days	20 points
All other applicants	Applicant's percent of Medicaid days divided by the highest applicant's percent of Medicaid days, then multiplied by 15
Example: the highest applicant has 15.3% Medicaid days	20 points
Applicant with 15.0% days	$(15.0 \div 15.3) \times 15 = 14.7$ is 15 points
Applicant with 12.2% days	$(12.2 \div 15.3) \times 15 = 12.0$ is 12 points

846  
847 Where an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to  
848 be closed shall be excluded from this calculation. Percentages of days shall be rounded to the nearest  
849 1/10 (e.g. 5.3%), and points awarded shall be rounded to the nearest whole number, i.e. numbers ending  
850 in .5 or higher, round up, and numbers ending in .4 or lower, round down.

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

<u>Impact on Capacity</u>	<u>Points Awarded</u>
Closure of hospital(s)	15 pts
Closure of hospital(s) which creates a bed need	5 pts

865 (e) A qualifying project will be awarded points based on the applicant's total project costs per hospital  
866 bed. For purposes of this criterion, total project costs shall be defined as the total costs for construction  
867 and renovation, site work, architectural/engineering and consulting fees, contingencies, fixed equipment,  
868 construction management and permits. The proposed project must include space for inpatient care, and,  
869 if not already available at the proposed site, space to provide 24 hour/7 days a week surgical, emergency  
870 and imaging services. Points shall be awarded in accordance with the table below:

COST PER BED	POINTS AWARDED
Applicant with lowest cost per bed	15 points
All other applicants	The lowest cost per bed in the 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 per bed	$(\$698,000 \div 710,000) \times 10 = 9.8$ is 10 points
Applicant with \$975,000 per bed	$(\$698,000 \div 975,000) \times 10 = 7.2$ is 7 points

872  
873 Points shall not be awarded under this section for any project that proposes to add beds at a leased  
874 facility. Costs shall be rounded to the nearest whole dollar, and points awarded shall be rounded to the  
875 nearest whole number, i.e. numbers ending in .5 or higher, round up, and numbers ending in .4 or lower,  
876 round down.

877 (f) A qualifying project will be awarded points based on the percentage of the applicant's historical  
878 market share of inpatient days of the population in an area which will be defined as that area  
879 circumscribed by the proposed hospital locations defined by all of the applicants in the comparative  
880 review process under consideration. This area will include any zip code completely within the area as

881 well as any zip code which touches, or is touched by, the lines that define the area included within the  
 882 figure that is defined by the geometric area resulting from connecting the proposed locations. In the case  
 883 of two locations or one location or if the exercise in geometric definition does not include at least ten zip  
 884 codes, the market area will be defined by the zip codes within the county (or counties) that includes the  
 885 proposed site (or sites). Market share used for the calculation shall be the cumulative of the market  
 886 area's patient days served by the applicant and all currently licensed Michigan hospitals under common  
 887 ownership and control divided by the market area's total patient days for the 12-month period most  
 888 recently available through the Michigan inpatient database.  
 889

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

890  
 891 For purposes of evaluating this criterion, an applicant shall submit patient days by zip code for each  
 892 currently licensed Michigan hospital under common ownership or control using the most recent 12-  
 893 months of data available through the MIDB at the time of the submission of the CON application. Where  
 894 an applicant proposes to close a hospital(s) as part of its application, data from the hospital(s) to be  
 895 closed shall be excluded from this calculation. Market share percentages shall be rounded to the nearest  
 896 1/10 (e.g. 5.3%), and points awarded shall be rounded to the nearest whole number, i.e. numbers ending  
 897 in .5 or higher, round up, and numbers ending in .4 or lower, round down.  
 898

899 (4) If the comparative review group involves a limited access area(S), each qualifying project will be  
 900 awarded points based on the percentage of the limited access area's population within a 30-minute travel  
 901 time of the proposed hospital site if in a metropolitan statistical area county, or within 60 minutes travel  
 902 time if in a rural or micropolitan statistical area county. BED NEED OF EACH APPLICANT'S CHOSEN  
 903 LIMITED ACCESS AREA. THE APPLICANT PROPOSING TO LOCATE A HOSPITAL IN A LIMITED  
 904 ACCESS AREA WITH THE HIGHEST BED NEED SHALL RECEIVE 10 POINTS. ALL OTHER  
 905 APPLICANTS SHALL RECEIVE POINTS as set forth in the following table.  
 906

<u>% OF POPULATION WITHIN 30 (OR 60) MINUTE TRAVEL TIME OF PROPOSED SITE</u> <u>BED NEED</u>	<u>POINTS AWARDED</u>
<u>Applicant with highest percent of population IN LAA WITH HIGHEST BED NEED</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. Bed need of the applicant's project divided by the bed need of the applicant with the highest bed need, then multiplied by 10</u>
<u>Example: The highest applicant has 22.5% percent of population proposes project in LAA allowing 22 beds</u>	<u>10 points</u>

Applicant with 20.0% percent of population proposes project in LAA allowing 15 beds	$(20.0 \div 22.5) \times 7 = 6.2$ is 6 points $(15 \div 22) \times 10 = 6.8$ is 7 points
Applicant with 15.6% percent of population proposes project in LAA allowing 10 beds	$(15.6 \div 22.5) \times 7 = 4.9$ is 5 points $(10 \div 22) \times 10 = 4.5$ is 5 points

907  
908 Percentages of population POINTS shall be rounded to the nearest 1/10 (e.g. 21.2%) and points awarded  
909 shall be rounded to the nearest whole number, i.e. numbers ending in .5 or higher, round up, and  
910 numbers ending in .4 or lower, round down.  
911

912 **Section 13. Requirements for approval -- acquisition of an existing hospital or renew the lease of**  
913 **an existing hospital**

914  
915 Sec. 13. An applicant proposing to acquire an existing hospital or renew the lease of an existing  
916 hospital must meet the following as applicable:  
917

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

- 921 (a) the acquisition will not result in a change in bed capacity,
- 922 (b) the licensed site does not change as a result of the acquisition,
- 923 (c) the project is limited solely to the acquisition of a hospital with a valid license, and
- 924 (d) if the application is to acquire a hospital, which was proposed in a prior application to be  
925 established as an LTAC or IRF hospital and which received CON approval, the applicant also must meet  
926 the requirements of Section 6(2). Those hospitals that received such prior approval are so identified on  
927 the Department inventory of beds.

928  
929 (2) The applicant shall comply with the following requirements, as applicable:

- 930 (a) The existing licensed hospital shall have an average adjusted occupancy rate of 40 percent or  
931 above.
- 932 (b) If the existing licensed hospital does not have an average adjusted occupancy rate of 40 percent  
933 or above, the applicant shall agree to all of the following:
  - 934 (i) The hospital to be acquired will achieve an annual adjusted occupancy of at least 40% during any  
935 consecutive 12-month period by the end of the third year of operation after completion of the acquisition.  
936 Annual adjusted occupancy shall be calculated as follows:
    - 937 (a) Calculate the number of adjusted patient days during the most recent, consecutive 12-month  
938 period for which verifiable data is available to the Department.
    - 939 (b) Divide the number of adjusted patient days calculated in (a) above by 365 (or 366 if a leap year).
    - 940 (c) If the hospital to be acquired does not achieve an annual adjusted occupancy of at least 40  
941 percent, as calculated in (b) above, during any consecutive 12-month period by the end of the third year  
942 of operation after completion of the acquisition, the applicant shall relinquish sufficient beds at the existing  
943 hospital to raise its adjusted occupancy to 60 percent. The revised number of licensed beds at the  
944 hospital shall be calculated as follows:
      - 945 (i) Calculate the number of adjusted patient days during the most recent, consecutive 12-month  
946 period where verifiable data is available to the Department, and divide by .60.
      - 947 (ii) Divide the result of subsection (i) above by 365 (or 366 if the 12-month period includes a leap  
948 year) and round up to the next whole number or 25, whichever is larger. This is the maximum number of  
949 beds that can be licensed at the existing licensed hospital site after acquisition.
    - 950 (d) Subsection (2) shall not apply to excluded hospitals or to those applicants applying under Section  
951 13(3).

952  
953 (3) An applicant proposing to renew the lease for an existing hospital shall not be required to be in  
954 compliance with the needed hospital bed supply for the hospital group in which the hospital is located, if  
955 all of the following requirements are met:

- 956 (a) The lease renewal will not result in a change in bed capacity.  
957 (b) The licensed site does not change as a result of the lease renewal.

958  
959 (4) Section 13(3) does not apply to renewal of lease for LTAC hospital, IRF hospital or alcohol and  
960 substance abuse hospital within an existing licensed, host hospital under Section 6(2).

961  
962 **Section 14. Requirements for approval – all applicants**

963  
964 Sec. 14. (1) An applicant shall provide verification of Medicaid participation. An applicant that is a  
965 new provider not currently enrolled in Medicaid shall certify that proof of Medicaid participation will be  
966 provided to the Department within six (6) months from the offering of services if a CON is approved.

967  
968 (2) The applicant certifies all outstanding debt obligations owed to the State of Michigan for Quality  
969 Assurance Assessment Program (QAAP) or Civil Monetary Penalties (CMP) have been paid in full.

970  
971 (3) The applicant certifies that the health facility for the proposed project has not been cited for a  
972 state or federal code deficiency within the 12 months prior to the submission of the application. If a state  
973 code deficiency has been issued, the applicant shall certify that a plan of correction for cited state  
974 deficiencies at the health facility has been submitted and approved by the Bureau of Community and  
975 Health Systems within LARA. If a federal code deficiency has been issued, the applicant shall certify that  
976 a plan of correction for cited federal deficiencies at the health facility has been submitted and approved by  
977 the Centers for Medicare and Medicaid Services. If code deficiencies include any unresolved deficiencies  
978 still outstanding with LARA or the Centers for Medicare and Medicaid Services that are the basis for the  
979 denial, suspension, or revocation of an applicant's health facility license, poses an immediate jeopardy to  
980 the health and safety of patients, or meets a federal conditional deficiency level, the proposed project  
981 cannot be approved without approval from the Bureau of Community and Health Systems or, if  
982 applicable, the Centers for Medicare and Medicaid Services.

983  
984 (4) The applicant certifies that the requirements for hospitals found in the Minimum Design Standards  
985 for Health Care Facilities of Michigan, referenced in Section 20145 (6) of the Public Health Code, Act 368  
986 of 1978, as amended, or any future versions, and are published by LARA, will be met when the  
987 architectural blueprints are submitted for review and approval by LARA.

Counties assigned to each health service area are as follows:

	<b>HSA</b>	<b>COUNTIES</b>		
988				
989				
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991				
992				
993				
994	1 - Southeast	Livingston	Monroe	St. Clair
995		Macomb	Oakland	Washtenaw
996		Wayne		
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998	2 - Mid-Southern	Clinton	Hillsdale	Jackson
999		Eaton	Ingham	Lenawee
1000				
1001	3 - Southwest	Barry	Calhoun	St. Joseph
1002		Berrien	Cass	Van Buren
1003		Branch	Kalamazoo	
1004				
1005	4 - West	Allegan	Mason	Newaygo
1006		Ionia	Mecosta	Oceana
1007		Kent	Montcalm	Osceola
1008		Lake	Muskegon	Ottawa
1009				
1010	5 - GLS	Genesee	Lapeer	Shiawassee
1011				
1012	6 - East	Arenac	Huron	Roscommon
1013		Bay	Iosco	Saginaw
1014		Clare	Isabella	Sanilac
1015		Gladwin	Midland	Tuscola
1016		Gratiot	Ogemaw	
1017				
1018	7 - Northern Lower	Alcona	Crawford	Missaukee
1019		Alpena	Emmet	Montmorency
1020		Antrim	Gd Traverse	Oscoda
1021		Benzie	Kalkaska	Otsego
1022		Charlevoix	Leelanau	Presque Isle
1023		Cheboygan	Manistee	Wexford
1024				
1025	8 - Upper Peninsula	Alger	Gogebic	Mackinac
1026		Baraga	Houghton	Marquette
1027		Chippewa	Iron	Menominee
1028		Delta	Keweenaw	Ontonagon
1029		Dickinson	Luce	Schoolcraft
1030				

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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	
Gratiot	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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**OCCUPANCY RATE TABLE**

<b>HOSPITAL GROUP PROJECTED BED ADC</b>		<b>OCCUPANCY RATE</b>	<b>ADJUSTED BED RANGE</b>	
<b>ADC_LOW</b>	<b>ADC_HIGH</b>		<b>BEDS_LOW</b>	<b>BED S_HIGH</b>
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

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

<b>ICD-9 CODE</b>	<b>Description</b>	<b>ICD-10 Code</b>	<b>Description</b>
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.