

**OCT 20 2011**

Stephen Fitton, Medicaid Director  
Medical Services Administration  
Federal Liaison Unit  
Michigan Department of Community Health  
400 South Pine  
Lansing, Michigan 48933

ATTN: Loni Hackney

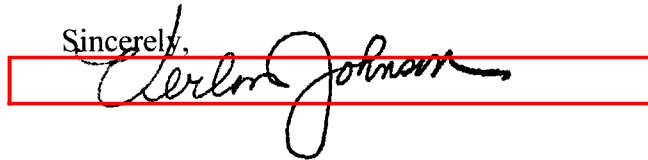
Dear Mr. Fitton:

Enclosed for your records is an approved copy of the following State Plan Amendment:

- Transmittal #11-002 Revise PACE Rates
- Effective October 1, 2011.

If you have any questions, please contact Leslie Campbell at (312) 353-1557 or [Leslie.Campbell@cms.hhs.gov](mailto:Leslie.Campbell@cms.hhs.gov).

Sincerely,



Verlon Johnson  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosure

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:  
11 - 02

2. STATE:  
Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH FINANCING ADMINISTRATION  
DEPARTMENT OF HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
October 1, 2011

5. TYPE OF PLAN MATERIAL (Check One):  
 NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:  
42 CFR Part 460


7. FEDERAL BUDGET IMPACT:  
a. FFY 2012 \_\_\_\_\_ \$ 0  
b. FFY 2013 \_\_\_\_\_ \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Supplement 2, Attachment 3.1-A, Page 7 - 7a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  
Supplement 2, Attachment 3.1-A, Page 7

10. SUBJECT OF AMENDMENT:  
Simplifies PACE rate calculations into a single statewide regional calculation.

11. GOVERNOR'S REVIEW (Check One):  
 GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Stephen Fitton, Director  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:  


13. TYPED NAME:  
Stephen Fitton

14. TITLE:  
Director, Medical Services Administration

15. DATE SUBMITTED:  
July 26, 2011

16. RETURN TO:  
Medical Services Administration  
Actuarial Division  
Capitol Commons Center - 7th Floor  
400 South Pine Street  
Lansing, Michigan 48933  
Attn: Loni Hackney

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
July 26, 2011

18. DATE APPROVED: **OCT 20 2011**

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
[Redacted]

20. SIGNATURE:  


NAME:  
Verlon Johnson

22. TITLE:  
Associate Regional Administrator

23. REMARKS:

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

### ***Program of All-Inclusive Care for the Elderly (PACE)***

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#### IV. Rates and Payments

A. The State assures CMS that the capitated rates including any ~~voluntary disenrollment~~ incentive payment will be less than the cost to the agency of providing those same fee-for-service State plan approved services on a fee-for-service basis, to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the cost in fee-for-service. Please refer to the attached rate setting information specific to Michigan.

1.  Rates are set at a percent of fee-for-service costs
2.  Experience-based (contractors/State's cost experience or encounter date) (please describe)
3.  Adjusted Community Rate (please describe)
4.  Other (please describe)

B.  The rates were set in a reasonable and predictable manner. A letter from an actuarial consulting firm under contract with the State and supporting the rates shall be submitted with the proposed rates for every rebasing year and may be submitted with the rates for other years at the State's discretion. The Medicaid portion of the PACE rates will be rebased at least every fourth year by selecting a time period where costs and eligibility data have been stable and computing the costs of persons who have met the nursing home level of care, including individuals who utilize the MI Choice Home and Community Based Services Waiver for the Elderly and Disabled. Costs are analyzed in seven provider type categories: nursing facility, home and community based waiver, inpatient hospital facility, outpatient hospital facility, physician services, ancillary services, and pharmacy. These cost components are computed using Medicaid claims and eligibility data stored on the Michigan data warehouse.

Costs are then aggregated into per member per month costs and updated for inflation and other trends to bring them into the proposed payment period using adjustment factors. Rates are discounted at least five percent from the projected costs for the eligible PACE population. In the analysis for the rebasing years and the years subsequent to rebasing computations, base rates are updated using trend factors for each provider type cost category. Global Insight Skilled Nursing Home Market Basket, without capital, is utilized to trend the nursing facility cost category. State Medicaid actuarial trend projections are used for the remaining provider categories within the designated geographic areas defined below. These trend factors may then be adjusted to account for the projected effects of policy changes unanticipated by the Global Insight national industry trend or implemented after the base time period used in estimating the Medicaid Actuarial trends.

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TN NO.: 11-02

Approval Date: **OCT 20 2011**

Effective Date: 10/01/2011

Supersedes

TN No.: 04-11

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

***Program of All-Inclusive Care for the Elderly (PACE)***

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Michigan will calculate rates annually for each of the following regions.

**REGION CONFIGURATION**

<b>REGION</b>	<b>COUNTY</b>
1	Wayne
2	Oakland
3	Lapeer, Macomb, Saint Clair, Sanilac
4	Hillsdale, Jackson, Lenawee, Livingston, Monroe, Washtenaw
5	Barry, Clinton, Eaton, Gratiot, Ingham, Ionia, Shiawassee
6	Arenac, Bay, Genesee, Huron, Midland Saginaw, Tuscola
7	Berrien, Branch, Calhoun, Cass, Kalamazoo, Saint Joseph, Van Buren
8	Kent
9	Allegan, Lake, Mason, Mecosta, Montcalm, Muskegon, Newaygo, Oceana, Ottawa
10	Alcona, Alpena, Antrim, Benzie, Charlevoix, Cheboygan, Clare, Crawford, Emmet, Gladwin, Grand Traverse, Iosco, Isabella, Kalkaska, Leelanau, Manistee, Missaukee, Montmorency, Ogemaw, Osceola, Oscoda, Otsego, Presque Isle, Roscommon, Wexford
11	Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, Schoolcraft

PACE organizations will receive an incentive bonus or penalty that will be administered after the end of the rate year once the PACE organization's monthly enrollment reaches 150 participants by the first month of the proposed rate year. This adjustment is designed to minimize the number of voluntary disenrollments the PACE organization experiences. This adjustment will be based on the region's average skilled nursing care costs and the estimated number of fee-for-service skilled nursing care days the PACE organization avoids by maintaining an attractive provider network and overall program. Voluntary disenrollment rates of less than 5% will entitle the PACE organization to a bonus while rates higher than 5% will result in a monetary penalty.

Should a catastrophic event occur, the voluntary disenrollment penalty will be suspended. The State will notify CMS of the suspension and define the nature of the catastrophic event. These events are defined as floods, nuclear accident, wild fire, etc. This list is meant to be expository and not definitive in nature.

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TN NO.: 11-02 Approval Date: OCT 20 2011 Effective Date: 10/01/2011

Supersedes  
TN No.: 04-11