

Center for Medicaid and CHIP Services (CMCS)

Mr. Stephen Fitton, Director
Medical Services Administration
Department of Community Health
400 South Pine
Lansing, MI 48933

AUG 18 2012

RE: Michigan State Plan Amendment (SPA) 11-16

Dear Mr. Fitton:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 11-16. Effective for services on or after December 31, 2011, this amendment reduces the Graduate Medical Education (GME) Funds payment pool size for fiscal year (FY) 2012 and increases the Primary Care payment pool size for FY 2012.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 11-16 is approved effective December 31, 2011. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Todd McMillion at (608) 441-5344.

Sincerely,



Cindy Mann,
Director (CMCS)

Enclosure

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

1. TRANSMITTAL NUMBER:
11 - 16

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
December 31, 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 447


7. FEDERAL BUDGET IMPACT:
a. FFY 2012 \$(9,740,207) ^o
b. FFY 2013 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, Pages 28 and 28a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):
Attachment 4.19-A, Pages 28 and 28a

10. SUBJECT OF AMENDMENT:
This amendment changes the GME funds pool.

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:
December 28, 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:

18. DATE APPROVED:
AUG 13 2012

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
DEC 31 2011

20. SIGNATURE OF REGIONAL OFFICIAL:


21. TYPE NAME:
Penny Thompson

22. TITLE:
Deputy Director, CMCS

23. REMARKS:
Pen & ink change made to box 7

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

Only intern and resident FTEs in approved programs as specified in 42 CFR 413.75 will be eligible for inclusion in the data used to calculate the distribution of the GME Funds and Primary Care Pools.

To distribute funds from the GME Funds and the Primary Care Pools, data will be drawn from accepted hospital cost reports for the most recent fiscal year that data is available. For the GME Funds Pool, the un-weighted full-time-equivalent (FTE) count will be used (line 3.05 from E-3, Part IV). For the Primary Care Pool, the weighted FTE count for primary care physicians will be used (line 3.07 from E-3, Part IV). If the cost report is changed, equivalent data will be used.

Both the hospital and its residency programs must be operating during the funding period in order to receive GME funds. Hospitals must notify the department in writing at least 30 days prior to the termination date of any of its residency programs. Funds distributed to ineligible hospitals are subject to recovery.

GME payments to hospitals that merge during an academic year will be combined, provided that the surviving hospital continues to operate all residency programs that the pre-merger hospitals operated. The surviving hospital must notify the department within 30 calendar days after the merger is completed, of any reductions or terminations to its residency programs. The GME payments to the surviving hospital will be reduced proportionately to the reduction in its GME programs. Over payments to surviving hospitals based on reductions in GME programs are subject to recovery.

GME Pool

To calculate each eligible hospital's share of the GME FUNDS Pool the following formulas will be used:

$$FTEs \times Casemix \times (Hospital's Title V \& Title XIX Days / Hospital's Total Days) = Adjusted FTEs$$

$$GME Funds Pool Size \times (Adjusted FTEs / \sum Adjusted FTEs) = Hospital's Distribution$$

In FY 2007, the GME Funds Pool size will be \$83,669,700. For FY 08 through FY 2011, the GME Funds Pool size will be \$61,406,400. For FY 2012 and each subsequent year, the GME funds pool size will be \$43,937,200.

Primary Care Pool

To calculate each hospital's share of the Primary Care Pool, the following formula will be used:

$$FTEs \times (Hospital's Title V \& Title XIX Outpatient Charges / Hospital's Total Charges) = Adjusted FTEs$$

$$Primary Care Pool Size \times (Adjusted FTEs / \sum Adjusted FTEs) = Hospital's Distribution$$

TN NO.: 11-16

Approval Date: AUG 1 3 2012

Effective Date: 12/31/2011

Supersedes
TN No.: 06-21

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

In FY, 2007 the Primary Care Pool size will be \$10,285,100. For FY 2008 through FY 2011, the Primary Care Pool size will be \$7,548,400. For FY 2012 and each subsequent year, the primary care pool size will be \$10,322,700.

Definitions/Notes

Title V & Title XIX Days – includes fee-for-service days. Days will include those from distinct-part psychiatric and distinct-part rehabilitation units.

Title V & Title XIX Outpatient Charges – includes fee-for-service outpatient charges. Charges will include those from distinct-part psychiatric units.

Hospital's Case Mix – the sum of the relative weights for all Medicaid admissions divided by the number of Medicaid admissions during the period covered.

of Hospital Eligible Resident FTEs – for the GME Funds and Primary Care Pools FTE data will be drawn from hospital cost reports as indicated above.

GME Payment Schedule

Payments from the GME funds and the Primary Care Pools are made quarterly, in four equal payments. The dental and podiatry pool payment is made once annually during the final quarter of the state fiscal year.

GME Innovations Pool

The GME Innovations Pool is established to support innovative GME programs that emphasize the importance of coordinated care, health promotions and psychiatric care in integrated systems. The purpose of this training is to develop the skills and experience necessary to provide psychiatric services utilized by Michigan Medicaid patient groups. This pool will be \$10,947,878.

The single state agency will approve two (2) agreements statewide each fiscal year. One agreement will be with Detroit Receiving Hospital for \$8,929,800. The second agreement will be with Edward W. Sparrow Hospital for \$2,018,078. To be eligible for the pool, a hospital must meet the following criteria:

- The hospital must be a Medicaid enrolled provider.
- The hospital must have in place an approved agreement between itself, a university psychiatric residency training program and one or more community mental health services programs to provide accredited psychiatric residency training.
- The hospital must provide assurances that all training will take place in Michigan and prepare health care professionals to provide care to populations with the special characteristics of Michigan Medicaid patient groups.

Upper Payment Limit

In the event that GME distributions would result in aggregate Medicaid payments exceeding the upper payment limit (UPL), the size of the pool(s) and/or additional payments will be reduced to bring aggregate Medicaid payments within the UPL.

TN NO.: 11-16

Approval Date: AUG 13 2012

Effective Date: 12/31/2011

Supersedes

TN No.: 10-22

OS Notification

State/Title/Plan Number: Michigan 11-016
Type of Action: SPA Approval
Required Date for State Notification: September 6, 2012
Fiscal Impact: FY 2012 \$0
FY 2013 \$0

Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0

Number of Potential Newly Eligible People: 0

Eligibility Simplification: No

Provider Payment Increase: No

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: No

Reduces Benefits: No

Detail: Effective for services on or after December 31, 2011, this amendment reduces the Graduate Medical Education (GME) Funds payments pool size for FY 2012 and increases the Primary Care payments pool size for FY 2012. Funding the non-Federal share of these payments comes from State appropriations. The State met public process requirements. There are no issues with the UPL.

Despite the reduction in total GME payments, the State estimates this amendment will have no impact on the Federal budget. The State reimburses hospitals up to the federal Medicare upper payment limit (UPL) through its Medicaid Access to Care Initiative (MACI) pool supplemental payments. The MACI pool is calculated as the difference between the federal Medicare UPL and annual Medicaid payments, including GME payments. The MACI pool would grow proportionately as a result of the GME payment reduction proposed in this SPA.

Other Considerations: This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.

Recovery Act Impact: The Regional office has reviewed this state plan amendment in conjunction with the Recovery Act and, based on the available information provided by the State regarding 1) MOE; 2) local match; 3) prompt pay; 4) rainy day

funds, and 5) eligible expenditures, the Regional Office believes that the State is not in violation of the Recovery Act requirements noted above.

CMS Contact:

**Todd McMillion (608) 441-5344
National Institutional Reimbursement Team**

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