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State/Territory Name: Michigan

State Plan Amendment (SPA) #: MI 15-0007

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Financial Management Group

FEB 10 2016

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

RE: Michigan State Plan Amendment (SPA) 15-0007

Dear Mr. Priest.:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 15-0007. Effective for services on or after April 1, 2015, this amendment creates the Outpatient DSH value based pool available to hospitals. In order to qualify for Outpatient Uncompensated Care DSH Value Pool payments, hospitals must meet the minimum federal requirements for Medicaid DSH as specified in section 1923 of the Social Security Act, meet the criteria established for Large/Urban component of the Outpatient Uncompensated DSH Pool on page 24c of 4.19-A of Michigan's state plan, and have DSH limit capacity to receive a Medicaid DSH payment.

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 15-0007 is approved effective April 1, 2015. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Tom Caughey at (517) 487-8598.

Sincerely,

A black rectangular box redacting the signature of Kristin Fan.

Kristin Fan
Director

Enclosure

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: 15 - 0007	2. STATE: Michigan
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH FINANCING ADMINISTRATION DEPARTMENT OF HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE April 1, 2015	

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 447.201	7. FEDERAL BUDGET IMPACT: a. FFY 2015 \$3,277,000 b. FFY 2016 \$3,280,000
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Pages 24c and 24d	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, Pages 24c and 24d
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10. SUBJECT OF AMENDMENT:
Outpatient Disproportionate Share Hospital (DSH) Increase – Value Based Pool

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Kathleen Stiffler, Acting Director
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Medical Services Administration Actuarial Division - Federal Liaison Capitol Commons Center - 7 th Floor 400 South Pine Lansing, Michigan 48933
13. TYPED NAME: Kathleen Stiffler	
14. TITLE: Acting Director, Medical Services Administration	
15. DATE SUBMITTED: June 18, 2015	Attn: Erin Black

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED:	18. DATE APPROVED: FEB 10 2016

PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: APR 01 2015	20. SIGNATURE OF REGIONAL OFFICIAL: 

21. TYPE NAME: Kristin Fan	22. TITLE: Director, FMC
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23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

***Methods and Standards for Establishing Payment Rates
Inpatient Hospital Care***

Aggregate DSH expenditures will be made in accordance with Section 1923(g)(1)(A) of the Social Security Act. Prior to computing the amount of payment each individual hospital is eligible to receive from this pool, all other DSH and Medicaid payments that the hospital is scheduled to receive will be counted against the hospital's DSH limit.

g. **Outpatient Uncompensated Care DSH Pool**

A special pool will be created annually for the purpose of reimbursing hospitals for a portion of their uncompensated care. The pool amount will be ~~\$140,000,000~~ **\$145,000,000** in fiscal year 2015 and each subsequent fiscal year. Payments from the pool will be made annually.

In order to qualify for a payment from the Outpatient Uncompensated Care DSH Pool, hospitals must meet the minimum requirements for Medicaid DSH payments as specified in Section H. Funds will be distributed from the Outpatient Uncompensated Care DSH Pool to qualifying Privately-Owned or Operated and Non-State Government-Owned or Operated DSH eligible hospitals in Michigan.

The Outpatient Uncompensated Care DSH Pool will be split into Small and Rural and Large-Urban components as follows:

Component	FY 2015 and Subsequent Fiscal Years
Small and Rural components	\$45,000,000
Large-Urban components	\$100,000,000 \$95,000,000
TOTALS	\$140,000,000 \$145,000,000

For purposes of distributions from this pool, any qualifying DSH hospital located in Michigan with less than 100 acute care beds or any qualifying DSH hospital located in a Michigan rural or Micropolitan County will be eligible to receive a proportional share of the Small and Rural components of the pool.

Also for purposes of distributions from this pool, any qualifying DSH hospital with 100 or more acute care beds and located in an urban Michigan county will be eligible to receive a proportional share of the Large-Urban components of the pool.

The distribution of funding from the Outpatient Uncompensated Care DSH Pool will be based on each hospital's proportion of outpatient uncompensated care relative to other hospitals in the pool. The formula below will be used to calculate the distribution of payments from the Outpatient Uncompensated Care DSH Pool.

TN NO.: 15-0007

Approval Date: FEB 10 2016

Effective Date: 4/01/2015

Supersedes

TN No.: 15-0006

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

***Methods and Standards for Establishing Payment Rates
Inpatient Hospital Care***

Each hospital's data for the formula will be taken from hospital cost reports for cost periods ending during the second previous state fiscal year.

1. $(\text{Hospital Title XIX Outpatient FFS Payments}) \div (\text{Hospital Title XIX Outpatient FFS Charges}) = (\text{Hospital Title XIX Outpatient Payment to Charge Ratio})$
2. $(\text{Hospital Uncompensated Outpatient Charges}) - (\text{Hospital Uncompensated Outpatient Payments}) = (\text{Net Hospital Uncompensated Outpatient Charges})$
3. $(\text{Hospital Title XIX Outpatient Payment to Charge Ratio}) \times (\text{Net Hospital Uncompensated Outpatient Charges}) = (\text{Net Hospital Outpatient Uncompensated Title XIX Equivalent Payments})$
4. $(\text{Net Hospital Outpatient Uncompensated Title XIX Equivalent Payments}) \div (\sum \text{of all Net Hospital Outpatient Uncompensated Title XIX Equivalent Payments}) = (\text{Outpatient Uncompensated DSH Hospital Pool Factor})$
5. $(\text{Outpatient Uncompensated DSH Hospital Pool Factor}) \times (\text{Outpatient Uncompensated DSH Pool Component Amount}) = (\text{Outpatient Uncompensated DSH Hospital Pool Component Payment})$

BEGINNING IN FY 2015, \$5,000,000 OF THE LARGE-URBAN COMPONENT OF THE POOL WILL BE DISTRIBUTED TO REWARD AND INCENTIVIZE HOSPITALS PROVIDING LOW COST AND HIGH QUALITY MEDICAID SERVICES. THE MEDICARE VALUE BASED PURCHASING (VBP) ADJUSTMENT FACTOR WILL BE OBTAINED ANNUALLY FROM THE FEDERAL REGISTER. EACH HOSPITAL'S RESPECTIVE PAYMENT FROM THE \$5,000,000 POOL COMPONENT WILL BE CALCULATED AS FOLLOWS:

- $(\text{HOSPITAL'S OUTPATIENT UNCOMPENSATED DSH HOSPITAL POOL FACTOR}) \times (\text{HOSPITAL'S VBP ADJUSTMENT FACTOR}) = (\text{HOSPITAL'S OUTPATIENT UNCOMPENSATED DSH VALUE ADJUSTMENT FACTOR})$
- $(\text{HOSPITAL OUTPATIENT UNCOMPENSATED DSH VALUE ADJUSTMENT FACTOR}) / (\sum \text{ALL HOSPITAL OUTPATIENT UNCOMPENSATED DSH VALUE ADJUSTMENT FACTORS}) \times (\text{TOTAL POOL AMOUNT}) = (\text{OUTPATIENT UNCOMPENSATED DSH VALUE PAYMENT})$

Payments to individual hospitals will be limited to the room available under each hospital's specific DSH ceiling. If payments calculated for individual hospitals exceed that hospital's DSH ceiling, the amounts in excess of the ceiling will be placed back into the pool. These amounts will then be reallocated to the remaining hospitals in the pool which have not exceeded the room available under their individual hospital DSH ceiling based on the formula above. This process will be repeated as many times as necessary to expend all funds in the pool.

h. Harper University Hospital DSH Pool

TN NO.: 15-0007

Approval Date: FEB 10 2016

Effective Date: 04/01/2015

Supersedes

TN No.: 14-011

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

***Methods and Standards for Establishing Payment Rates
Inpatient Hospital Care***

Effective for FY 2014, a one year DSH pool will be established totaling \$9,994,952 to be distributed to Harper University Hospital. This pool will be used to reduce uncompensated care the hospital incurs delivering newborns at that location. Harper University Hospital is the largest Medicaid birthing hospital in the state, performing over 3,800 Medicaid newborn deliveries. This equates to 8% of all Medicaid deliveries in the State.

3. Public Hospitals DSH Sunset Provision

Medicaid DSH payments to public hospitals are made up to the public hospital DSH ceiling as permitted by current federal regulations.

These payments are authorized to continue through September 30, 2005. The state may submit state plan amendments effective after September 30, 2005 that re- implement the current payment structure or different payment methodologies.

TN NO.: 15-0007

Approval Date: FEB 10 2016

Effective Date: 04/01/2015

Supersedes

TN No.: 14-011