

**MEDICAID POLICY INFORMATION SHEET**

**Policy Analyst:** Carly Todd

**Phone Number:** 517-284-1196

Initial

Public Comment

Final

**Brief description of policy:**

The purpose of this policy is to consolidate the Disproportionate Share Hospital (DSH) process into two steps. The Michigan Department of Health and Human Services (MDHHS) will eliminate the interim settlement step of the existing DSH process to complete the final DSH calculation with greater timeliness and accuracy.

**Reason for policy (problem being addressed):**

Merging steps of the current DSH process will reduce the amount of data processed by the department and would prevent timing issues with the audit overlapping with ongoing DSH calculations.

**Budget implication:**

budget neutral

will cost MDHHS \$ , and (select one) budgeted in current appropriation

will save MDHHS \$

**Is this policy change mandated per federal requirements?**

No

**Does policy have operational implications on other parts of MDHHS?**

Yes, Hospital and Clinic Reimbursement Division.

**Does policy have operational implications on other departments?**

No

**Summary of input:**

controversial

acceptable to most/all groups

limited public interest/comment

**Supporting Documentation:**

State Plan Amendment Required: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Public Notice Required: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If Yes, please provide status:	If yes, Submission Date:
<input type="checkbox"/> Approved <input type="checkbox"/> Pending <input type="checkbox"/> Denied	
Date: Approval Date:	

<b>DRAFT FOR PUBLIC COMMENT</b>  <b>Michigan Department of Health and Human Services</b>		
	<b>Project Number:</b> 2205-Hospital	<b>Date:</b> March 10, 2022

**Comments Due:** April 14, 2022

**Proposed Effective Date:** As Indicated

**Direct Comments To:** Carly Todd

**Address:**

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<p><b>Policy Subject:</b> Disproportionate Share Hospital (DSH) Process Consolidation</p> <p><b>Affected Programs:</b> Medicaid, Healthy Michigan Plan</p> <p><b>Distribution:</b> Hospitals</p> <p><b>Summary:</b> The purpose of this policy is to consolidate the DSH process into two steps. MDHHS will eliminate the interim settlement step of the existing DSH process to complete the final DSH calculation with greater timeliness and accuracy.</p> <p><b>Purpose:</b> Merging steps of the current DSH process will reduce the amount of data processed by the department and would prevent timing issues with the audit overlapping with ongoing DSH calculations.</p> <p><b>Cost Implications:</b> Budget neutral</p> <p><b>Potential Hearings &amp; Appeal Issues:</b> Limited</p>
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<b>State Plan Amendment Required:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <b>If yes, date submitted:</b>	<b>Public Notice Required:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <b>Submitted date:</b>
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**Tribal Notification:** Yes  No  - **Date:** November 1, 2021

**THIS SECTION COMPLETED BY RECEIVER**

<input type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>No Comments</b>
<input type="checkbox"/> <b>Disapproved</b>	<input type="checkbox"/> <b>See Comments Below</b>
	<input type="checkbox"/> <b>See Comments in Text</b>

<b>Signature:</b>	<b>Phone Number</b>
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**Signature Printed:**

<b>Bureau/Administration</b> <i>(please print)</i>	<b>Date</b>
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# Proposed Policy Draft

Michigan Department of Health and Human Services  
Health and Aging Services Administration

**Distribution:** Hospitals

**Issued:** May 1, 2022 (Proposed)

**Subject:** Disproportionate Share Hospital (DSH) Process Consolidation

**Effective:** As Indicated (Proposed)

**Programs Affected:** Medicaid, Healthy Michigan Plan

**NOTE: Implementation of this policy is contingent upon State Plan Amendment approval from the Centers for Medicare & Medicaid Services (CMS).**

The DSH process is designed to mitigate DSH audit-related recoveries. It is a multiple-step process that allows hospitals to provide input into the DSH calculations, decline DSH funds, and reduce their DSH ceiling. The purpose of this policy is to consolidate the DSH process into two steps. Upon State Plan approval, the Michigan Department of Health and Human Services (MDHHS) will remove the interim settlement step of the existing DSH process to complete the final DSH calculation with greater timeliness and accuracy. The methodology of the Step 1 DSH initial calculation will remain unchanged. The final DSH settlement will now occur at the Step 2 Final DSH Audit Settlement stage. Contingent upon CMS approval, the new DSH process will begin for any DSH year that has not yet undergone Step 2 completion.

## **Step 2 Final DSH Audit Settlement**

DSH limits, DSH payments and Medicaid utilization rates are recalculated during the final DSH settlement step. DSH funds will be reallocated in the following manner:

1. Institute for Mental Disease Pool
2. \$45 Million Pool
3. Outpatient Uncompensated Care DSH Pool
4. University with Both a College of Allopathic Medicine and a College of Osteopathic Medicine Pool (University Pool)
5. Government Provider DSH Pool (GP DSH Pool)
6. Unspent funds not applicable to Step 1

MDHHS will recalculate hospital-specific DSH limits, DSH payment allocations and Medicaid utilization rates upon completion of the DSH audit for the applicable DSH year. Inpatient and outpatient cost and payment data utilized from Step 1 will be refreshed to account for any cost

report changes that occurred between steps during the cost report acceptance process. DSH limits and Medicaid utilization rates will be calculated using the final DSH audit.

Upon completion of the calculations for the first five pools outlined in the order above, any remaining unspent federal DSH allotment will be distributed through a new pool. The remaining allotment will be distributed to all remaining eligible hospitals proportionately based on their share of remaining audited hospital-specific DSH limit capacity adjusted to exclude the DSH payment amounts hospitals received from the university and GP DSH pools. No hospital will receive an allocation in excess of its remaining audited hospital-specific DSH limit capacity or other federal limits. The formulas to distribute these funds are as follows:

- a. 
$$\frac{\text{Eligible Hospital's Remaining Audited DSH Limit Capacity} + \text{University DSH Payment Amount} + \text{GP DSH Payment Amount}}{\sum \text{of All Eligible Hospitals' Audited Remaining DSH Limit Capacity} + \text{University DSH Payment Amount} + \text{GP DSH Payment Amount}} = \text{Hospital Pool Factor}$$
- b. 
$$\text{Hospital Pool Factor} \times \text{Pool Amount} = \text{Pool Payment}$$