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State/Territory Name: Michigan

State Plan Amendment (SPA) #: MI 17-0009

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

Ms. Kathy Stiffler
Acting Medicaid Director
State of Michigan, Department of Community Health
400 South Pine Street
Lansing, Michigan 48933

AUG 20 2018

August 20, 2018

RE: Michigan State Plan Amendment (SPA) 17-0009

Dear Ms. Stiffler:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid state plan submitted under transmittal number (TN) 17-0009 effective for services on or after October 1st, 2017, this SPA allows for nursing facility quality incentive initiative. A quality measure initiative (QMI) payment is established for class i and class iii nursing facilities.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 17-0009 is approved effective October 1st, 2017. We are enclosing the HCFA-179 and the amended plan pages.

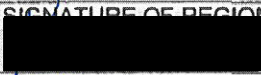
If you have any questions, please call Tom Caughey at (517) 487-8598.

Sincerely,

A black rectangular redaction box covering 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: 17 - 0009	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 October 1, 2017	
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: Section 1902(a) of the Social Security Act and 42 CFR 447		7. FEDERAL BUDGET IMPACT: a. FFY 2018 \$47,289,400 b. FFY 2019 \$48,471,635	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-D, Section I, Page 2 Attachment 4.19-D, Section IV, Page 28 Attachment 4.19-D, Section IV, Page 29		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-D, Section I, Page 2	
10. SUBJECT OF AMENDMENT: Creates a nursing facility quality incentive initiative.			
11. GOVERNOR'S REVIEW (Check One): ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT ☒ OTHER, AS SPECIFIED: ☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Chris Priest, 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 - 7th Floor 400 South Pine Lansing, Michigan 48933 Attn: Erin Black	
13. TYPED NAME: Chris Priest			
14. TITLE: Director, Medical Services Administration			
15. DATE SUBMITTED: September 25, 2017			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: AUG 20 2018	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT 01 2017		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPE NAME: Kristin Fan		22. TITLE: Director, FMCA	
23. REMARKS:			

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

***Policy and Methods for Establishing Payment Rates
(Long Term Care Facilities)***

- E. Each provider must maintain sufficient financial records and statistical data for proper determination of costs as allowable, in accordance with Section III of this plan. This may include pertinent records required by the Medicare Principles of Reimbursement in 42 CFR 413.20 and 42 CFR 413.24.
- F. All of the provider's accounting and related records, including the general ledger and books of original entry and statistical data, are regarded as permanent records and must be maintained for a period of not less than seven years.
- G. All cost reports are retained by the state agency for not less than three years following the date of filed receipt by RARSS or designee.
- H. Non-allowable expenses are excluded from the total operating expenses in accordance with procedures identified on the reporting form and defined in Section III of this plan.
- I. Related organizations and costs to related organizations (as defined in 42 CFR 413.17) shall be disclosed by the provider in the cost report.
- J. Cost related to intergovernmental transfers: Class III nursing facilities owned by local governments and any related transaction management fees associated with the intergovernmental transfer will be recognized outside of the cost reporting process.
- K. REVENUE FROM THE QUALITY MEASURE INITIATIVE DESCRIBED IN SECTION IV MUST BE ADJUSTED FROM THE COST REPORT AS DETERMINED BY THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES.

TN NO.: 17-0009

Approval Date: AUG 20 2018 Effective Date: 10/01/2017

Supersedes
TN No.: 05-11

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

***Policy and Methods for Establishing Payment Rates
(Long Term Care Facilities)***

M. QUALITY MEASURE INITIATIVE

EFFECTIVE OCTOBER 1, 2017, A QUALITY MEASURE INITIATIVE (QMI) PAYMENT IS ESTABLISHED FOR CLASS I AND CLASS III NURSING FACILITIES. PAYMENTS TO INDIVIDUAL NURSING FACILITIES WILL BE DETERMINED BY THEIR YEARLY AVERAGE 5-STAR QUALITY MEASURE RATING FROM THE CENTERS FOR MEDICARE & MEDICAID SERVICES NURSING HOME COMPARE (NHC) WEBSITE, MEDICAID UTILIZATION RATE, NUMBER OF LICENSED NURSING FACILITY BEDS, AND RESIDENT SATISFACTION SURVEY DATA AS DESCRIBED IN THIS SECTION.

- 1.) TO BE ELIGIBLE FOR A QMI PAYMENT, A PROVIDER MUST MEET THE FOLLOWING CONDITIONS:
 - a. THE PROVIDER MUST HAVE A 1, 2, 3, 4 OR 5-STAR QUALITY MEASURE RATING ON THE NHC COMPARE WEBSITE.
 - b. THE PROVIDER MUST BE A MEDICAID-CERTIFIED NURSING FACILITY.
 - c. THE PROVIDER MUST DELIVER AT LEAST ONE DAY OF MEDICAID NURSING FACILITY SERVICES DURING THE STATE FISCAL YEAR IN WHICH THEY RECEIVE QMI PAYMENTS AND IN THEIR IMMEDIATE PRIOR YEAR-END COST REPORTING PERIOD. QMI PAYMENTS MADE TO A PROVIDER FOUND TO HAVE NO DAYS OF MEDICAID NURSING FACILITY SERVICES SHALL BE RECOUPED BY MDHHS AFTER THE END OF THE STATE FISCAL YEAR.
 - d. THE PROVIDER MUST NOT BE CLOSED FOR BUSINESS.
 - e. THE PROVIDER MUST NOT BE DESIGNATED AS A SPECIAL FOCUS FACILITY BY THE CENTERS FOR MEDICARE & MEDICAID SERVICES.
 - f. IF THE PROVIDER HAS AN AVERAGE QUALITY MEASURE RATING BELOW 2.5 STARS, THEY MUST SUBMIT AN ACTION PLAN TO THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES. THE ACTION PLAN MUST MEET THE REQUIREMENTS DETERMINED BY THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES AND MUST BE SUBMITTED BY THE DUE DATE SPECIFIED BY THE DEPARTMENT.
- 2.) THE AVERAGE NHC 5-STAR QUALITY MEASURE RATING WILL BE BASED UPON THE AVERAGE RATING FROM JULY OF THE PRIOR CALENDAR YEAR TO JUNE OF THE CURRENT CALENDAR YEAR. THE NHC QUALITY MEASURE RATING WILL DETERMINE A PER-BED QMI AMOUNT BASED ON AVAILABLE FUNDING. THE PER-BED QMI AMOUNT WILL BE LARGER FOR HIGHER AVERAGE QUALITY MEASURE RATINGS.
- 3.) THE MEDICAID UTILIZATION RATE WILL BE DETERMINED FROM THE IMMEDIATE PRIOR YEAR-END COST REPORT COVERING A TIME PERIOD OF AT LEAST 7 MONTHS. A NURSING FACILITY THAT DID NOT FILE A COST REPORT IN THE PRIOR YEAR OR A COST REPORT COVERING A PERIOD OF AT LEAST 7 MONTHS MUST SUBMIT THEIR UTILIZATION DATA IN A FORMAT DETERMINED BY THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES, OR THEY WILL BE ASSUMED TO HAVE NO MEDICAID UTILIZATION. THE PER-BED QMI AMOUNT IS MULTIPLIED BY THE MEDICAID UTILIZATION SCALE. THE MEDICAID UTILIZATION SCALE IS DETERMINED BY THE MEDICAID UTILIZATION RATE AND IS APPLIED AS FOLLOWS:
 - a. FOR NURSING FACILITIES WITH A MEDICAID UTILIZATION RATE OF ABOVE 63%, THE FACILITY SHALL RECEIVE 100% OF THE QMI AMOUNT.
 - b. FOR NURSING FACILITIES WITH A MEDICAID UTILIZATION RATE BETWEEN 50% AND 63%, THE FACILITY SHALL RECEIVE 75% OF THE QMI AMOUNT.
 - c. FOR NURSING FACILITIES WITH A MEDICAID UTILIZATION RATE BELOW 50%, THE FACILITY QMI AMOUNT IS MULTIPLIED BY THE FACILITY'S MEDICAID UTILIZATION RATE.

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- 4.) LICENSED BEDS WILL BE DETERMINED USING THE NUMBER OF LICENSED NURSING FACILITY BEDS IDENTIFIED BY THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES AS OF A DATE DETERMINED BY THE DEPARTMENT. ONLY LICENSED NURSING FACILITY BEDS COUNT TOWARDS THE TOTAL, BUT THE BED COUNT INCLUDES NURSING FACILITY BEDS THAT HAVE MEDICARE ONLY CERTIFICATION, MEDICAID ONLY CERTIFICATION, DUAL MEDICARE AND MEDICAID CERTIFICATION, OR ARE LICENSED ONLY. THE PER-BED QMI AMOUNT IS MULTIPLIED BY THE NUMBER OF LICENSED BEDS.
- 5.) EFFECTIVE OCTOBER 1, 2018, AN ADJUSTMENT IS MADE TO THE PER-BED QMI AMOUNT BASED ON THE SUBMISSION OF RESIDENT SATISFACTION SURVEY DATA AND DOCUMENTATION TO THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES. PER-BED QMI AMOUNTS WILL BE MULTIPLIED BY 100% FOR NURSING FACILITIES THAT SUBMIT ACCEPTABLE RESIDENT SATISFACTION SURVEY DATA AND DOCUMENTATION, BUT PAYMENTS WILL BE MULTIPLIED BY A PERCENTAGE SET BY THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR NURSING FACILITIES THAT DO NOT SUBMIT THE DATA AND DOCUMENTATION. THE RESIDENT SATISFACTION SURVEY MUST NOT BE MORE THAN 12 MONTHS OLD, AND SURVEY DATA USED FOR PRIOR YEAR QMI PAYMENTS WILL NOT BE ACCEPTED.
- 6.) QMI PAYMENTS WILL BE CALCULATED TO BE EFFECTIVE AT THE BEGINNING OF THE STATE FISCAL YEAR UNLESS OTHERWISE DETERMINED BY THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES. THE QMI PAYMENTS WILL BE DISTRIBUTED ON A MONTHLY BASIS. IN CASES OF A CHANGE OF OWNERSHIP, THE NEW OWNER'S QMI PAYMENT WILL CONTINUE TO BE CALCULATED BASED OFF OF THE PRIOR OWNER'S AVERAGE QUALITY MEASURE RATING, MEDICAID UTILIZATION RATE, NUMBER OF LICENSED BEDS AND RESIDENT SATISFACTION SURVEY DATA. IF A FACILITY CLOSES OR IS DESIGNATED AS A SPECIAL FOCUS FACILITY, THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES MAY RECALCULATE SOME OR ALL QMI PAYMENTS.
- 7.) THE FOLLOWING FORMULA DEMONSTRATES HOW MONTHLY QMI PAYMENTS ARE CALCULATED (FOR RATE YEARS PRIOR TO OCTOBER 1, 2018 THE RESIDENT SATISFACTION SURVEY FACTOR IS NOT INCLUDED IN THE FORMULA):
 - $\text{MONTHLY QMI PAYMENT} = ([\text{PER-BED QMI AMOUNT}] * [\text{MEDICAID UTILIZATION SCALE PERCENTAGE}] * [\text{RESIDENT SATISFACTION SURVEY ADJUSTMENT PERCENTAGE}] * [\text{NUMBER OF LICENSED NURSING FACILITY BEDS}]) / [\text{NUMBER OF ELIGIBLE PAYMENT MONTHS}]$