

# Michigan Non-Traditional Funding Initiatives

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# Non-Traditional Funding Sources

- Provider Taxes & Donations
- Intergovernmental Transfers (IGT)
- Certified Public Expenditures (CPE)

# Federal Regulations

- 42 CFR 433.10(a) Rates of FFP for program services
- Basis. Sections 1903(a)(1), 1903(g), and 1905(b) provide for payments to States, on the basis of a Federal medical assistance percentage, for part of their expenditures for services under an approved State plan.



# 42 CFR 433.51

- Public funds as the State share of financial participation
  - (a) Public funds may be considered as the State's share in claiming FFP if....
  - (b) The public funds are appropriated directly to the State or local Medicaid agency, or transferred from other public agencies (including Indian tribes) to the State or local agency and under its administrative control, or certified by the contributing public agency as representing expenditures eligible for FFP under this section.

# Source of State Share

- Different Sources for State Share
  - Appropriation from State Legislature
  - Certified Public Expenditures (CPE)
  - Intergovernmental Transfers (IGT)
  - Provider Tax
- State funds must account for at least 40% of the non-Federal Share of total expenditures (42 CFR 433.53(b))

# IGT/CPE

- IGT/CPE provider must:
  - Have access to state or local tax revenues
    - Direct Taxing Authority
  - Able to access funding as an integral part of a governmental unit with taxing authority (legally obligated to fund provider's expenses, liabilities, & deficits)



# Payment Adjustments for Public Practitioners

- State Plan Amendments submitted to CMS

- 1) Practitioner services provided through public entities

- Reimbursed up to the allowed amount established by Medicare
- Approved for dates of service after March, 2004
- University of Michigan Dental School included in this plan
- MSA Bulletin 04-16

- 2) Public Dental Clinic Enhanced Reimbursement Rate

- Public Dental Clinics defined in Public Health Code—district, county or city health dept.
- Reimbursed at the average commercial rate for Medicaid services
- Approved April, 2006 retroactive to April, 2005
- MSA Bulletin 06-30

# 42 CFR 433.52 General Definitions

- ***Provider-related Donation*** means a donation or other voluntary payment (in cash or in kind) made directly or indirectly to a State or unit of local government by or on behalf of a health care provider, an entity related to such a health care provider, or an entity providing goods or services to the State of administration of the State's Medicaid plan.



# 42 CFR 433.52

- ***Entity related to a health care provider*** means:
  - (1) An organization, association, corporation, or partnership formed by or on behalf of a health care provider;
  - (2) An individual with an ownership or control interest in the provider, as defined section 1124(a)(3) of the Act;
  - (3) An employee, spouse, parent, child, or sibling of the provider, or of a person with an ownership or control interest in the provider, as defined in section 1124(a)(3) of the Act;

# 42 CFR 433.52 (cont'd)

- 1) Cannot be a provider
- 2) Revenue Test = How much of the organization's annual revenue is derived from provider and/or other entities related to providers?
  - 25% Threshold for Revenue Test
    - >25% automatically provider-related
    - < 25% not generally presumed to be provider-related

# 42 CFR 433.54

- Bona Fide Donations
  - (a) A bona fide donation means a provider-related donation made to the State or unit of local government, that has no direct or indirect relationship to Medicaid payments to:
    - The health care provider
    - Any related entity providing health care items and services; or
    - Other providers furnishing the same class of items or services as the provider or entity.



## 42 CFR 433.54 (cont'd)

- (b) Provider-related donations will be determined to have no direct or indirect relationship to Medicaid payments if those donations are not returned to the individual provider, the provider class, or related entity under a hold harmless provision or practice.

# 42 CFR 433.54 (cont'd)

- (c) A hold harmless practice exists if any of the following applies:
  - (1) The amount of the payment received (other than under Title XIX of the Act) is positively correlated either to the amount of the donation or to the difference between the amount of the donation and the amount of the payment received under the State plan;
  - (2) All or any portion of the payment made under Medicaid to the donor, the provider class, or any related entity, varies based only on the amount of the total donation received; or
  - (3) The State or other unit of local government receiving the donation provides for any payment, offset, or waiver that guarantees to return any portion of the donation to the provider.

## 42 CFR 433.54 (cont'd)

- (d) CMS will presume provider-related donations to be bona fide if the voluntary payments, including, but not limited to, gifts, contributions, presentations or awards, made by or on behalf of individual health care providers to the State, county, or any other unit of local government does not exceed-
  - (1) \$5000 per year in the case of an individual provider donation
  - (2) \$50,000 per year in the case of a donation from any health care organizational entity.



## 42 CFR 433.54 (cont'd)

- (e) To the extent that a donation presumed to be bona fide contains a hold harmless provision, it will not be considered a bona fide donation. When provider-related donations are not bona fide, CMS will deduct this amount from the State's medical assistance expenditures before calculating FFP. This offset will apply to all years the State received such donations and any subsequent fiscal year in which a similar donation is received.

# Foundation Donations

- Three FQHCs have expanded scope of services and provided capital improvements through foundation donations
- Developed a process for federal match:
  - FQHC staff meet with MDCH staff to review expansion plan and need
  - Staff reviews the number of Medicaid encounters and payments for past year
  - Staff reviews the request for expansion and improvements

# Foundation Donation Process (cont'd)

Developed a process for FQHCs:

- FQHC provides information on the amount of foundation funds
- MDCH reviews and recommends the amount of foundation funds available for federal match and the timeline for the funds based on Medicaid encounter and past revenue experience
- Foundation must provide a letter that stipulates that source of revenue is less than the 25% threshold



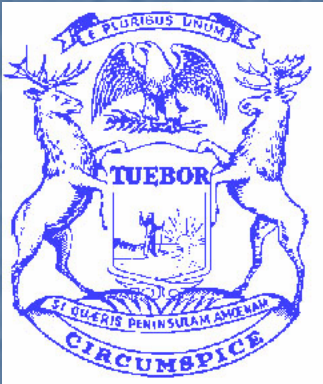
# Foundation Donation Process (cont'd)

- Developed a process for FQHCs:
  - Foundation sends money via EFT or wire transfer to the State
  - Special accounting system set-up to identify foundation donations
  - MSA reimbursement staff submit claim to CMS with foundation donations to draw federal match
  - Entire amount (foundation plus federal monies) sent back to FQHC via EFT warrant

# Future Initiatives

- April, 2007, met with administrator of Helppie Foundation to consider foundation donation for dental services in the Detroit area
- Waiting for the determination of the proposed federal regulation (CMS-2258-P ) on certified public expenditures and the unit of government
- This proposed rule will impact a number of areas and policies. The fiscal impact of this regulation is estimated at over \$400 million dollars.

# Contact Information



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