


CHAPTER Fiscal Management	CHAPTER 06	SECTION 003	SUBJECT 105
SECTION Reimbursement		DESCRIPTION Annual Review of Rate Determination	
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APPLICATION:

<input checked="" type="checkbox"/> CMH Staff	<input checked="" type="checkbox"/> Board Members	<input checked="" type="checkbox"/> Provider Network	<input checked="" type="checkbox"/> Employment Services Providers
<input type="checkbox"/> Employment Services Provider Agencies	<input checked="" type="checkbox"/> Independent Contractors	<input type="checkbox"/> Students	<input type="checkbox"/> Interns
<input type="checkbox"/> Volunteers	<input checked="" type="checkbox"/> Persons Served		

POLICY:

Lapeer County Community Mental Health (LCCMH) calculates the rates submitted to first and third party payers for fee-for-service payment and to the Region 10 Prepaid Inpatient Health Plan (PIHP) for contract consideration for shadow fee-for-service payments in accordance with generally accepted accounting principles (GAAP) and using costing principles contained in Publication A-87.

STANDARDS:

- A. LCCMH submits adequate rate setting information to the Region 10 PIHP as requested to be included in the calculation of the Region 10 PIHP allowed amount submitted with the required encounter data files to the Michigan Department of Health and Human Services (MDHHS).
- B. LCCMH negotiates rates for services provided with sub-contract providers and includes those units and costs in the rate calculations for their usual and customary charges.
- C. LCCMH calculates their usual and customary charges no less than annually.

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- D. LCCMH provides the costs of the delegated functions to the Region 10 PIHP along with usual and customary rate calculation summary data as requested, to allow for the accurate calculation of the alliance allowed amounts.
- E. Usual and customary charges are calculated in accordance with GAAP and using costing principles contained in publication A-87.
- F. Each subcontracting provider/agency will be identified and reimbursement will be based on the rates, terms and conditions of the sub-contractor's contract with the LCCMH.

PROCEDURES:

The LCCMH Finance Department:

- A. Establishes the standards and methodology for the rate calculating process for LCCMH.
- B. Designates the staff responsible for the collection of data and the calculation of the various rates.
- C. Collects costs data from the appropriate budget or general ledger information by program and location.
- D. Collects activity data for direct and indirect service costs including units and hours by program and location. This data is collected for all direct run and contracted services.
- E. Calculates the usual and customary charges in accordance with the standards and methodology established.
- F. Computes the following administrative percentages:
 - 1. LCCMH share of PIHP costs of total allowable costs
 - 2. LCCMH board administration costs of total allowable costs
 - 3. LCCMH total administration of total allowable costs
 - 4. Computes the Contracted Rate amounts for services provided to the Region 10 PIHP. This is the usual and customary charges less the PIHP administrative percentage.

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5. Computes the Provider Cost (also known as the Subcontracted Rate) amounts for services provided by the Direct Run programs. This is the average cost per procedure code for direct run programs less the PIHP and Board administrative percentages.
 6. Determines the cost of PIHP delegated functions included in LCCMH rates.
- G. Reviews amounts calculated as usual and customary charges for reasonableness and consistency.
 - H. Forwards the approved usual and customary charges to the reimbursement department for entry into the current software system fee schedules.
 - I. Provides summary information to the PIHP CFO or designee from rate calculations for inclusion in the computation of the Region 10 PIHP allowed amount.
 - J. Submits Contract Rates to the Region 10 PIHP for approval and inclusion in contract.

DEFINITIONS:

Allowed Amounts: Dollar amounts required by MDHHS to be included in the encounter data reported by the Region 10 PIHP. It is the average amount per procedure code for the Region 10 PIHP member that excludes all costs related to PIHP functions performed by the Region 10 PIHP as well as delegated to each of the Alliance members. Alliance members are requested to provide the costs of the delegated functions to the Region 10 PIHP to allow for the accurate calculation of the Alliance-allowed amounts.

Contracted Rates: Dollar amounts credited to LCCMH as a service provider for a specified unit of an identified service. Amounts are based on the provider's cost of doing business and prevailing market rates. The negotiated contracted rates are specified in the contract between the Region 10 PIHP and LCCMH and do not include the costs the Region 10 PIHP draws from the Medicaid dollars it received as approved by the Region 10 PIHP Board. It will be used for shadow fee-for-service billings and payments.

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Fee for Service (FFS) Payment Methodology: A method of paying service providers that reimburses for each specific covered service contracted for and provided by staff with specified credentials, at a specified rate for a specific unit of measure. Other contract terms may apply, such as pre-authorization of services and specified service sites.

Internal Rate: Another term for the Contracted Rate defined above. It is recorded in the software as the Internal Cost in each Location Table.

Provider Cost: Another term for the Subcontracted Rate as defined above.

Shadow Fee for Service: A methodology that uses all the procedures of a FFS payment process to calculate a reimbursable amount, but uses the information to determine the amount of a prepaid dollar amount (cash advance) that can be identified as earned revenue.

Subcontracted Rates: Dollar amounts paid to a subcontracted provider / agency or credited to a Direct Run Program by LCCMH for each specific covered service provided by staff with specified credentials for the unit of measure defined by each procedure code as described in the contract between LCCMH and the subcontracted provider or the direct run program.

Usual and Customary Charges: The average charge (also commonly referred to as the average rate) per procedure code for each specific covered service provided by direct run program staff or by contract agency staff with specified credentials for the unit of measure defined by each procedure code. The rates include all allowable costs including PIHP administration, program administration and operating costs allocated in accordance with sited costing principles and publications. It is used for all fee-for-service billings, first and third party.

EM:lr

This policy supersedes
#03/10005 dated 03/15/2010.
