SANILAC COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

ADMINISTRATIVE POLICY

NUMBER: BA031

NAME: PROVIDER RATE DEVELOPMENT

INITIAL APPROVAL DATE:	09/08/2004	BY: Administrative Committee
(LAST) REVISION DATE:	03/13/2024	BY: CIO
(LAST) REVIEW DATE:	02/20/2025	BY: Policy Committee
DISCONTINUED DATE:	N/A	REPLACED BY: N/A

I.   PURPOSE

II.   APPLICATION
Populations: **ALL**
Programs: Direct **- ALL**
                    Contracted **- ALL**

III.   POLICY

A.   It shall be the policy of the Sanilac County Community Mental Health Authority (Sanilac CMH) to calculate 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 2CFR200.

B.   It shall be the policy of the Sanilac CMH to submit rates to Region 10 PIHP when submitting the required encounter data files to the Michigan Department of Health and Human Services (MDHHS).

C.   It shall be the policy of the Sanilac CMH to negotiate rates for services provided with sub-contract providers and to include those units and costs in the rate calculations for their usual and customary charges.

D.   It shall be the policy of the Sanilac CMH to calculate their usual and customary charges no less than annually.

E.   It shall be the policy of the Sanilac CMH to provide 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 Region 10 allowed amounts.

IV.   DEFINITIONS

A.   <u>Fee for Service (FFS) Payment Methodology:</u> 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.

B.   <u>Shadow Fee for Service:</u> 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.

C.   <u>Usual and Customary Charges:</u> The average charge (also commonly referred to as the average rate) per service 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.

D.   <u>Contracted Rates:</u> Dollar amounts credited to Sanilac CMH 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 Sanilac CMH 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.

E.   <u>Subcontracted Rates:</u> Dollar amounts paid to a subcontracted provider/agency or credited to a Direct Run Program by Sanilac CMH 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 Sanilac CMH and the subcontracted provider or the direct run program.

F.   <u>Provider Cost:</u> Another term for the Subcontracted Rate as defined above.

G.   <u>Allowed Amounts:</u> Dollar amounts required by the MDHHS to be included in the encounter data reported by the Region 10 PIHP. It is 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 Region 10 members. Region 10 members are requested to provide the costs of the delegated functions to the Region 10 PIHP to allow for the accurate calculation of the Region 10 allowed amounts.

V.   STANDARDS

A.   Usual and customary charges will be calculated in accordance with generally accepted accounting principles (GAAP) and using costing principles contained in publication 2CFR200.

B.   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 Sanilac CMH.

VI.   PROCEDURES – WHO DOES WHAT

A.   The Sanilac CMH CIO and/or CFO or their designee:

- Establishes the standards and methodology for the rate calculating process for the CMH.
- Designates the staff responsible for the collection of data and the calculation of the various rates.
- Collects cost data from the appropriate budget or general ledger information by program and location.
- 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.
- Calculates the usual and customary charges in accordance with the standards and methodology established.
- Computes the following administrative percentages:
    a. Sanilac CMH share of PIHP costs of total allowable costs
    b. Sanilac CMH board administration costs of total allowable costs
    c. Sanilac CMH total administration of total allowable costs
    d. Computes the Contracted Rate amounts for services provided to the Region 10 PIHP.
    e. Determines the cost of PIHP delegated functions included in Sanilac CMH rates.
- Reviews amounts calculated as Usual and Customary charges for reasonableness and consistency.
- Forwards the approved Usual and Customary charges to the Billing Department for entry into the current software system fee schedules.
- Provides summary information to PIHP CFO or designee from rate calculations for inclusion in the computation of the Region 10 PIHP Allowed Amount.
- Submits Contract Rates to the Region 10 PIHP for approval and inclusion in SUD contract.
- Submits Usual and Customary rates to third party payers, as requested, when enrolling in insurance panels.

VII. ATTACHMENTS

VIII. REFERENCES