April 26, 2018

Mr. Andrew Schalk

Bureau of Medicaid Policy and Health System Innovation **D R A F T**

Medical Services Administration

P.O. Box 30479

Lansing, MI 48909-7979

Email: [schalka@michigan.gov](mailto:schalka@michigan.gov)

**E: Project Number 1805 - Hospital**

Dear Mr. Schalk:

On behalf of its member hospitals, the Michigan Health & Hospital Association (MHA) appreciates the opportunity to provide comments to the Medical Services Administration (MSA) regarding the above referenced proposed policy for the hospital 340B final settlement adjustment process. The MSA proposes to establish a final settlement adjustment process to ensure consistency in the reporting of hospital outpatient drug costs.

Currently, 35 Michigan hospitals participate in the Medicaid fee-for-service (FFS) 340B drug discount program. Existing MSA policy requires these hospitals to bill Medicaid FFS their actual acquisition cost for 340B drugs while non-340B hospitals bill Medicaid FFS their customary charges for drugs. This puts 340B hospitals at a disadvantage for cost report settlement purposes and upper payment limit (UPL) calculations since these drugs are reported at cost rather than charges. This inappropriately reduces the hospital’s UPL capacity, potentially resulting in outpatient payment recoveries due to artificially low cost limits. As a solution, the MSA proposes to adjust from actual acquisition cost to charges for the cost report to be used for UPL determinations contingent on the 340B hospital providing documentation to confirm the reasonableness of reported charges. This adjustment will not impact drug reimbursement and providers are required to continue billing 340B drugs at acquisition cost.

**The MHA requests that the MSA clarify in the final policy that these proposed changes do not require action by 340B hospitals but that Medicaid FFS 340B hospitals may voluntarily opt to participate in the 340B final settlement adjustment process which could potentially benefit them.** The change in reporting 340B drugs at charges rather than cost will likely result in some hospitals not being subject to a UPL payment recovery whereas they would have had a payment recovery. **In addition, the MHA requests that the MSA clarify that the proposed changes do not impact hospitals that do not participate in the Medicaid FFS 340B program.**

It is our understanding that under existing policy hospitals provide the MSA with detailed reports that provide hospital charge and acquisition cost data on a claims-level basis with no specified format used for providing this data that is used for settlement purposes. We recognize that there are challenges in developing and implementing a uniform reporting template but are concerned that absent this, uniform reporting will not be achieved**. As a result, the MHA encourages the MSA to work to develop a uniform reporting tool to capture the necessary charge and acquisition cost data in the future.**

Again, the MHA appreciates this opportunity to provide comments to the MSA. We believe that our suggested changes will result in a positive outcome for both providers and the MSA and the Medicaid beneficiaries served. If you have any questions, please contact me by phone at (517) 703-8608 or via email at vkunz@mha.org.

Sincerely,

Vickie R. Kunz

Senior Director, Health Finance