



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH

LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JANET OLSZEWSKI
DIRECTOR

September 25, 2008

Dear Ambulance Company,

The Michigan Medicaid Program makes every effort to legally maximize federal funding to support providers of services to Medicaid clients. There is an opportunity through the option outlined below to increase Medicaid reimbursement levels for participating ambulance providers.

The State's budgetary situation has severely limited general fund supported reimbursement increases for Medicaid providers through the normal annual budget process. Therefore, the following possibility is being explored:

Provider Taxes (Quality Assurance Assessment Program (QAAP))

Under federal regulations 42 CFR 433.55 through 433.72, health care providers can be charged taxes by class of provider up to a maximum of 5.5% of total revenue received by the provider class in the state (in this case licensed ambulance companies). At the request of the Michigan Association of Ambulance Services (MAAS), the State is considering enacting a tax that would amount to about 3.9% of non-Medicare ambulance services revenue. All licensed ambulance companies would be charged this tax, not just ambulance companies participating in the Medicaid Program. The funds generated by the tax would be used as the state match to draw down additional federal funds to support increased Medicaid reimbursement to ambulance providers.

Under federal regulations, a provider tax must be applied uniformly to all providers within a given class (i.e. licensed ambulance providers) regardless of whether they are or are not enrolled Medicaid providers.

Michigan currently uses this approach to support higher reimbursement levels for hospitals, health maintenance organizations, and nursing homes which participate in the Medicaid program. The proposed QAAP program for ambulances is modeled on the approach currently used by Michigan with these provider classes. It should be noted that ambulance companies who routinely provide services to Medicaid clients are very likely to experience a significant net gain as a result of this program (the Medicaid ambulance payment increases would effectively return to the provider the cost of the tax plus the federal money generated by the tax). Michigan's federal match for fiscal year 2009 is 60.27%. On the other hand, ambulance companies with minimal or no Medicaid business will experience the increased cost of the tax without receiving the benefit of enhanced Medicaid reimbursement.

This option has been discussed and developed in collaboration with MAAS. Legislation has been drafted in collaboration with MAAS to provide state statutory support for this program. The legislation must be passed and enacted for this tax program to be implemented.

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Please submit any comments by October 24, 2008.

Comments may be submitted to James MacPherson at:

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Email: MacPherson@Michigan.gov

Sincerely,

A handwritten signature in black ink that reads "Paul Reinhart". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Paul Reinhart, Director
Medical Service Administration

cc: Medicaid Enrolled Hospitals
Medicaid Health Plans