

**Bulletin:** MSA 07-23

**Distribution:** All Providers

**Issued:** May 1, 2007

**Subject:** FY 07 Fee Reductions

**Effective:** June 1, 2007

**Programs Affected:** Medicaid, Children's Special Health Care Services (CSHCS), Maternity Outpatient Medical Services (MOMS), Plan First!, Adult Benefits Waiver (ABW), MIChoice Waiver, and Children's Waiver

In an effort to address budget shortfalls identified for fiscal year 2007, the Michigan Department of Community Health (MDCH) is implementing program/fee reductions effective for dates of service on and after June 1, 2007 unless otherwise noted. The specific reductions are described in the following table. Only those provider types affected by reductions are included in the table.

Due to the need to achieve significant savings during the current fiscal year, the public comment portion of the policy promulgation process is being conducted concurrently with the implementation of the reductions. Any interested party wishing to comment on the changes may do so by submitting them in writing to:

MDCH/Medical Services Administration  
 Program Policy Division  
 PO Box 30479  
 Lansing, MI 48909-7979  
 or  
 email: [MSADraftPolicy@michigan.gov](mailto:MSADraftPolicy@michigan.gov)

If responding by email, please include "Fee Reduction Policy" in the subject line.

Comments received will be considered for revisions to reductions implemented by this bulletin.

### Fee For Service Reductions

| Provider/Service Type  | Reduction FY 07                                                                   | Exclusions/Comments |
|------------------------|-----------------------------------------------------------------------------------|---------------------|
| Ambulance              | 6% fee reduction                                                                  |                     |
| Anesthesia             | Reduce anesthesia conversion factor by 6%                                         |                     |
| Chiropractic           | Reduce conversion factor by 6% for RVU-based fees. Other fees to be reduced by 6% |                     |
| Clinical Laboratory    | 6% fee reduction                                                                  |                     |
| Cochlear Manufacturers | 6% fee reduction for equipment and services                                       |                     |

**Fee For Service Reductions**

| Provider/Service Type                                | Reduction FY 07                                                                                                                                                                                                                                                                                                                                                                                                                         | Exclusions/Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dental                                               | 6% fee reduction                                                                                                                                                                                                                                                                                                                                                                                                                        | Healthy Kids Dental (Delta Dental) contract excluded.                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Family Planning Clinics                              | Reduce conversion factor by 6% for RVU-based fees. Other fees to be reduced by 6%.                                                                                                                                                                                                                                                                                                                                                      | A4260-A4261, A4266-A4269, J0696, J1055, J7300, J7302-J7304, Q1044, S0180, S4989, and S4993 are excluded.                                                                                                                                                                                                                                                                                                                                                                 |
| Hearing & Speech Centers                             | 6% fee reduction                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Hearing Aid Dealers                                  | Dispensing fees reduced by 6%<br><br>Repairs/modifications limited to cost plus \$18.05 (reduced from \$19.20)<br><br>Supplies, accessories, and replacement batteries limited to cost plus 9.1% (reduced from 9.6%)                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Home Health                                          | 6% rate reduction in addition to FY 03 and FY 05 reductions currently in place<br><br>6% reduction in fees paid for medical supplies                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Hospice                                              | 6% rate reduction will apply to hospice services, including room and board component related to beneficiary residing in a nursing facility.                                                                                                                                                                                                                                                                                             | Payments to nursing facilities supported by the NF provider tax will be driven by reductions in QAS payments to NFs pursuant to this bulletin.                                                                                                                                                                                                                                                                                                                           |
| Hospital (Inpatient)                                 | 6% reduction for DRG payments (medical/surgical hospitals) and per diem payments (distinct part rehabilitation units/freestanding rehabilitation hospitals).<br><br>Continue reductions in Executive Orders 2001-9, 2002-22, 2005-7, and Public Act 330 of 2006 for a total reduction of \$45,872,360. Lump sum adjustments for the continued reductions will be made during the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters of FY 07. | MACI and capital payments are excluded.                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Hospital (DSH)                                       | Reduce \$45 million and \$5 million DSH pools by 6% (total DSH payment reduction of \$1 million).                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Hospital (GME)                                       | Reduce FFS GME payments by 6% (total GME payment reduction of \$1,879,100).                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Hospital (Outpatient) and Outpatient Rehab Providers | Reduce MDCH APC reduction factor by 6%. Fees for wrap around codes will be reduced by 6%.                                                                                                                                                                                                                                                                                                                                               | Immunization codes (90281-90399, 90476-90749; Administration of immunizations (90465-90474, G0008-G0010, G0377); Drug administration codes (90765-90799); Radioisotopes (A4641-A4642, A9500-A9700, Q3001, Q9945-Q9953, Q9955-Q9957); Injectable drugs (J0128-J9999, Q0136, Q0515, Q3025-Q3026, Q4054-Q4055, Q4079, Q4081, Q4083-Q4086, S0030, S0032, S0074, S0077, S0080, S0145-S0147, S0162, S0164, S0166-S0167, S0171, S0180, S0190-S0191, S0199, S4989) are excluded. |
| Maternal and Infant Health Program                   | Reduce conversion factor by 6% for RVU-based fees. Other fees to be reduced by 6%.                                                                                                                                                                                                                                                                                                                                                      | Transportation services (A0100, A0110, A0140, A0170, S0215) are excluded.                                                                                                                                                                                                                                                                                                                                                                                                |
| Medical Supplier/DME                                 | 6% fee reduction for items with fee screens<br><br>Manually priced items limited to acquisition cost plus 17.9% (reduced from 19%)<br><br>Payment for labor reduced by 6%<br><br>Payments to nonenrolled providers reduced by 6%                                                                                                                                                                                                        | Items provided under the Incontinent Supply Volume Purchase Contract are excluded.                                                                                                                                                                                                                                                                                                                                                                                       |

### Fee For Service Reductions

| Provider/Service Type                                                 | Reduction FY 07                                                                                                                                                                               | Exclusions/Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nursing Facilities                                                    | 6% reduction to the variable cost portion of the rate                                                                                                                                         | Reductions will apply to the variable cost portion of the daily rate. QAS payments will not be based on the reduced variable cost portion. NFs specializing in mental retardation/illness are excluded from the reductions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Optician/Dispensing Ophthalmologist                                   | 6% fee reduction                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Optometrists                                                          | Reduce conversion factor by 6% for RVU-based fees. Other fees to be reduced by 6%                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Orthotists/Prosthetists                                               | 6% fee reduction for items with fee screens<br><br>Manually priced items limited to acquisition cost plus 17.9% (reduced from 19%)<br><br>\$45.12 payment cap for repairs (reduced from \$48) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Pharmacy                                                              | 6% reduction to dispensing fees<br><br>6% reduction for drugs reimbursed based on AWP (14.3% for pharmacies with 1-4 stores; 16% for 5 or more stores)                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Podiatrists                                                           | Reduce conversion factor by 6% for RVU-based fees. Other fees to be reduced by 6%                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Practitioners (MD, DO, CRNA, CNM, NP, Oral Surgeons, Medical Clinics) | Reduce conversion factor by 6% for RVU-based fees. Other fees to be reduced by 6%.                                                                                                            | Immunization codes (90281-90399, 90476-90749; Administration of immunizations (90465-90474, G0008-G0010, G0377); Drug administration codes (90765-90799); Radioisotopes (A4641-A4642, A9500-A9700, Q3001, Q9945-Q9953, Q9955-Q9957); Injectable drugs (J0128-J9999, Q0136, Q0515, Q3025-Q3026, Q4054-Q4055, Q4079, Q4081, Q4083-Q4086, S0030, S0032, S0074, S0077, S0080, S0145-S0147, S0162, S0164, S0166-S0167, S0171, S0180, S0190-S0191, S0199, S4989) are excluded.<br><br>Splint/casting supplies (L0210-L8603) are excluded.<br><br>Cost-settled clinics (FQHCs, LHDs, RHCs, and THC). These clinics will initially be impacted by practitioner fee reductions, however, payments will be adjusted through the cost settlement process. |

### Capitated Plan Reductions

| Provider/Service Type                                | Reduction FY 07    | Exclusions/Comments                                                                                                             |
|------------------------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Prepaid Inpatient Health Plans                       | 6% rate reduction. |                                                                                                                                 |
| Medicaid Health Plans                                | 6% rate reduction. | Hospital reimbursement adjustment (HRA), pharmacy and GME components of the rates excluded.                                     |
| Program of All-Inclusive Care for the Elderly (PACE) | 6% rate reduction. | Pharmacy component of the rate is excluded.                                                                                     |
| MI Choice Waiver                                     | 6% rate reduction. | Portions of the MI Choice budget supported by local match or attributable to NF Transition Initiative conversions are excluded. |

### **Manual Maintenance**

Retain this bulletin until the information has been incorporated into the Michigan Medicaid Provider Manual.

### **Questions**

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Community Health, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mail at [ProviderSupport@michigan.gov](mailto:ProviderSupport@michigan.gov). When you submit an e-mail, be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may phone toll-free 1-800-292-2550.

### **Approved**

A handwritten signature in black ink that reads "Paul Reinhart". The signature is written in a cursive, flowing style.

Paul Reinhart, Director  
Medical Services Administration