

Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601-5519



Stephen Fitton, Director  
Medical Services Administration  
Federal Liaison Unit  
Michigan Department of Community Health  
400 South Pine  
Lansing, Michigan 48933

JUN 07 2010

ATTN: Nancy Bishop

Dear Mr. Fitton:

Enclosed for your records is an approved copy of the following State Plan Amendment (SPA):

- Transmittal #09-12 Reduces the Children's Outpatient Hospital Adjustor Pool
- Effective September 30, 2009.

The State provided an outpatient hospital services upper payment limit demonstration in conjunction with SPA 09-012. In reviewing this demonstration, CMS had questions about the reimbursement methodology for clinical diagnostic laboratory services provided as outpatient hospital services. This is to make you aware that CMS will address those questions as part of its review of pending SPA 10-004, which also amends reimbursement for outpatient hospital services.

If you have any questions, please contact Leslie Campbell at (312) 353-1557 or [Leslie.Campbell@cms.hhs.gov](mailto:Leslie.Campbell@cms.hhs.gov).

Sincerely,

A handwritten signature in black ink that reads "Verlon Johnson". The signature is written in a cursive style with a long horizontal stroke at the end.

Verlon Johnson  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosure

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: 09 - 12	2. STATE: Michigan
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH FINANCING ADMINISTRATION DEPARTMENT OF HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE September 30, 2009	

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.201	7. FEDERAL BUDGET IMPACT: a. FFY 2009 _____ \$ (122,771) _____ b. FFY 2010 _____ \$ (127,270) _____
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B, page 2a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B, page 2a

10. SUBJECT OF AMENDMENT:  
Children's Outpatient Hospital Adjustor Pool

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Paul Reinhart, Director  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL: <i>Stephen Fitton</i>	16. RETURN TO: Medical Services Administration Program/Eligibility Policy Division - Federal Liaison Unit Capitol Commons Center - 7 <sup>th</sup> Floor 400 South Pine Lansing, Michigan 48933  Attn: Nancy Bishop
13. TYPED NAME: Stephen Fitton	
14. TITLE: Acting Director, Medical Services Administration	
15. DATE SUBMITTED: September 22, 2009	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED: <i>September 24, 2009</i>	18. DATE APPROVED: <i>June 7, 2010</i>
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: <i>September 30, 2009</i>	20. SIGNATURE OF REGIONAL OFFICIAL: <i>Verlon Johnson</i>
21. TYPE NAME: <i>Verlon Johnson</i>	22. TITLE: <i>Associate Regional Administrator</i>
23. REMARKS: <b>RECEIVED</b> SEP 24 2009 DMCH - ARA	

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

***Policy and Methods for Establishing Payment Rates  
(Other than Inpatient Hospital and Long Term Care Facilities)***

---

3. Outpatient Hospital Services (continued)

A. Children's Outpatient Hospital Adjustor Pool

Qualifying children's hospitals will share in an annual outpatient adjustor pool of \$521,300 for services provided during the fiscal year in which the payment is calculated. The payment will be made by September 30<sup>th</sup> of each State fiscal year, starting September 30, 2009.

Eligibility for the pool is restricted to freestanding children's hospitals that have incurred outpatient Medicaid charges in excess of \$40 million for hospital fiscal years ending in the second previous state fiscal year. The "second previous state fiscal year" refers to the state fiscal year (October 1 through September 30) that precedes the fiscal year prior to the last in which an eligible hospital's fiscal year ends. For example, for state fiscal year 2010 the second previous state fiscal year is 2008 (October 1 through September 30, 2008). For a hospital whose fiscal year ends December 31, the charges for services associated with their 2007 hospital fiscal year would be applied for the purpose of this pool payment. Payments will be made only to hospitals that have accepted cost reports on file with the Medical Services Administration by August 31<sup>st</sup> of the state fiscal year previous to the one in which the payment is made. These data have been subject to review and appeal and will not be changed.

The pool of \$521,300 will be distributed to eligible freestanding children's hospitals based on the ratio of the hospital's Title XIX outpatient charges to the sum of the Title XIX outpatient charges for all qualifying hospitals. Each eligible hospital will share in the pool proportionately using the ratio of the hospital's Title XIX outpatient charges to the sum of the Title XIX outpatient charges for all qualifying hospitals.

NOTE: Item B. and page 2b of this Attachment are deleted. The next item is C. on page 2b.1.

---

TN NO.: 09-12

Approval Date: JUN 07 2010

Effective Date: 09/30/2009

Supersedes  
TN No.: 99-16