

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

CMS

CENTERS for MEDICARE & MEDICAID SERVICES

Refer to:

JUN 27 2006

7-17-06.
original to
N. Bishop
e

Paul Reinhart, Medicaid Director
Medical Services Administration
Michigan Department of Community Health
400 South Pine Street
P. O. Box 30479
Lansing, Michigan 48909-7979

Dear Mr. Reinhart:

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

Transmittal #06-001 Outpatient Hospital Reimbursement--Effective April 1, 2007

If you have any additional questions, please have a member of your staff contact Cynthia Garraway at (312) 353-8583.

Sincerely,



Ruth A. Hughes
Acting Associate Regional Administrator
Division of Medicaid & Children's Health

Enclosure

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:
06 - 01

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
April 1, 2007

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 447.321

7. FEDERAL BUDGET IMPACT:
a. FFY 06 _____ \$ -0-
b. FFY 07 _____ \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-B, pages 2 and 2c

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
Attachment 4.19-B, pages 2 and 2c

10. SUBJECT OF AMENDMENT:
Outpatient hospital reimbursement

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:
Paul Reinhart / sm

16. RETURN TO:
Medical Services Administration
Program/Eligibility Policy Division - Federal Liaison Unit
Capitol Commons Center - 7th Floor
400 South Pine
Lansing, Michigan 48933

Attn: Nancy Bishop

13. TYPED NAME:
Paul Reinhart

14. TITLE:
Director, Medical Services Administration

15. DATE SUBMITTED:
June 21, 2006

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
JUN 22 2006

18. DATE APPROVED:
JUN 27 2006

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
APR 01 2007

20. SIGNATURE OF REGIONAL OFFICIAL:
Ruth A. Hughes

21. TYPE NAME:
Ruth A. Hughes

22. TITLE:
Acting Associate Regional Administrator

23. REMARKS:

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

Reimbursement to individual hospitals, including off-campus satellite clinics, for outpatient services is made in accordance with Medicaid's outpatient prospective reimbursement system (OPPS). Medicare's Ambulatory Payment Classification (APC) rates and fee schedules are utilized with a Medicaid reduction factor of 60% initially applied. Monitoring of outpatient hospital expenditures will be conducted and the reduction factor adjusted to maintain statewide budget neutrality. A wage index of 1.0 is applied for all hospitals. Medicare's APC weights are utilized. Services paid a percentage of charges are paid at a percentage of the individual hospital's charges for that service (i.e., pass-through payments). Updates of each hospital's outpatient cost-to-charge ratios are done in conjunction with updates of the inpatient operating ratios. For out of state hospitals, the default cost-to-charge ratio is the average statewide outpatient cost-to-charge ratio.

When service coverage/reimbursement methodology differences exist between Medicare and Medicaid, Medicaid fee schedules are utilized.

TN NO.: 06-01

Approval Date: JUN 27 2006

Effective Date: 04/01/2007

Supersedes

TN No.: 01-11

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)***

4. Home Health Agency Services

Reimbursement to home health agencies is made on a per visit basis in accordance with Medicaid's maximum fee screens or the home health agency's usual and customary charge (acquisition cost for medical supply items), whichever amount is less.

TN NO.: 06-01

Approval Date: JUN 27 2006 Effective Date: 04/01/2007

Supersedes
TN No.: 04-17