

AUG 3 0 2007

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

Dear Mr. Reinhart:

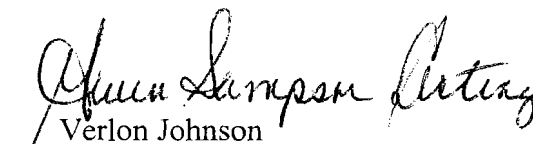
Enclosed for your records is an approved copy of the following State Plan Amendment (SPA).

Transmittal #07-01 – Outpatient Hospital Reimbursement – Effective April 1, 2007

Under regulations at 42 CFR 430.12(c)(i), States are required to amend State plans whenever necessary to implement changes in Federal law, regulations, policy interpretations, or court decisions. On May 25, 2007, CMS placed a final rule, CMS-2258-FC (Cost Limit for Providers Operated by Units of Government and Provisions to Ensure the Integrity of Federal-State Financial Partnership) on display at the Federal Register and that can be found at 72 Fed. Reg. 29748 (May 29, 2007) that would modify Medicaid reimbursement. Because of this regulation, some or all of the payments under this plan amendment may no longer be allowable expenditures for federal Medicaid matching funds. Public Law 110-28, enacted on May 25, 2007 instructed CMS to take no action to implement this final regulation for one year. CMS will abide by the time frames specified by the statute. Approval of the subject State plan amendment does not relieve the State of its responsibility to comply with changes in federal laws and regulations, and to ensure that claims for federal funding are consistent with all applicable requirements.

If you have any questions, please contact Cynthia Garraway by telephone at (312) 353-8583 or by e-mail at Cynthia.Garraway@cms.hhs.gov.

Sincerely,



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

cc: Nancy Bishop, Michigan Department of Community Health

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:
07 - 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(a)

7. FEDERAL BUDGET IMPACT:
a. FFY 07 _____ \$ -0- _____
b. FFY 08 _____ \$ -0- _____

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

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):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

10. SUBJECT OF AMENDMENT:
Outpatient Hospital reimbursement

11. GOVERNOR'S REVIEW (Check One):
 GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:
Paul Reinhart, Director
Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:
Paul Reinhart

13. TYPED NAME:
Paul Reinhart

14. TITLE:
Director, Medical Services Administration

15. DATE SUBMITTED:
January 12, 2007

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

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
JAN 17 2007

18. DATE APPROVED:
8.3007

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL

20. SIGNATURE OF REGIONAL OFFICIAL:
Verlon Johnson

21. TYPE NAME:
Verlon Johnson

22. TITLE: Assistant Regional Administrator
Division of Medicaid and Children's Health

23. REMARKS:
JAN 17 2007
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

Reimbursement to individual hospitals, including off-campus satellite clinics, hospital-owned ambulance services, freestanding dialysis centers, comprehensive outpatient rehabilitation facilities (CORFs) and rehabilitation agencies for outpatient services is made in accordance with Medicaid's outpatient prospective reimbursement system (OPPS). Payments made under OPPS will be calculated utilizing the current Medicare conversion factors/rates with an MDCH reduction factor (RF) applied to the calculated payment (Medicare fee x RF = Medicaid fee) to maintain statewide budget neutrality.

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.: 07-01

AUG 30 2007
Approval Date: _____

Effective Date: 04/01/2007

Supersedes
TN No.: 06-01