

AUG 30 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:

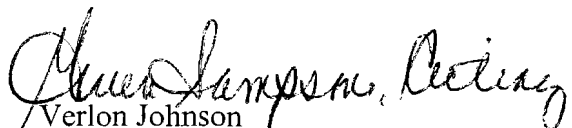
Enclosed for your records is an approved copy of the following State Plan Amendment (SPA).

Transmittal #07-002 Outpatient Hospital Laboratory Services –  
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](mailto: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 - 02

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:  
42 447.321(a)

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

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Supplement to Attachment 3.1-A, page 8  
Attachment 4.19-B, page 13

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  
Supplement to Attachment 3.1-A, page 8  
Attachment 4.19-B, page 13

10. SUBJECT OF AMENDMENT:  
Outpatient Hospital Laboratory Services

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*

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

13. TYPED NAME:  
Paul Reinhart

14. TITLE:  
Director, Medical Services Administration

15. DATE SUBMITTED:  
*February 5, 2007*

Attn: Nancy Bishop

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
*2/7/07*

18. DATE APPROVED:  
*2/30/07*

**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:  
Associate Regional Administrator

23. REMARKS:

**RECEIVED**  
FEB 07 2007  
DMCH - ARA

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

State of MICHIGAN

### ***Amount, Duration and Scope of Medical and Remedial Care Services Provided to the Categorically and Medically Needy***

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#### **2. OUTPATIENT HOSPITAL SERVICES**

Professional fees for services provided in the outpatient department of a hospital will be paid only when such payment does not duplicate payment to the hospital.

Educational costs associated with the outpatient department will be reimbursed to hospitals with approved training programs (as described in 404.1 of the HIM-15 manual).

Payment will not be made for services of staff in residence, e.g., interns and residents or medical staff functioning in an administrative or supervisory capacity (including physician-owners) who are paid by the hospital or other sources.

Outpatient services relating to routine examinations only, i.e., unrelated to a specific illness, symptom, complaint, or injury, are not covered, except when provided to eligible children under age 21 as part of a program of early and periodic screening, diagnosis and treatment. (See Item 4b.)

Outpatient hospital services include prenatal and postnatal care; and services listed below when medically necessary for the diagnosis or treatment of an illness or injury when ordered by and under the direction of a physician (M.D. or D.O.), and services performed by the physician:

- 1) radium treatment
- 2) therapeutic x-ray
- 3) diagnostic x-ray
- 4) emergency treatment
- 5) physical therapy, as defined in 1.a of Supplement to Attachment 3.1-A. Prior approval is required if services exceed the time or frequency for:
  - initial treatment (36 times in 90 consecutive calendar days) or
  - maintenance/monitoring (four times in the 90-day allowed period)
- 6) laboratory tests
- 7) electrocardiogram
- 8) electroencephalogram
- 9) basal metabolism
- 10) hemodialysis

**NOTE:** The patient who receives hemodialysis in his home is considered to be a hospital outpatient. Therefore, payment for the cost of hemodialysis supplies, such as plastic tubing, chemicals, disposable coils, etc., may be made under the Program.

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TN NO.: 07-02

Approval Date: AUG 30 2007 Effective Date: 04/01/2007

Supersedes  
TN No.: 02-06

**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)***

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20. Laboratory Services

Payment rates for clinical laboratories, physician's offices and clinics are established by the Michigan Department of Community Health as a fee screen for each procedure. The fee schedule is designed to enlist the participation of an adequate number of providers. The Medicare prevailing fees are used as guidelines or reference in determining the maximum fee screens for individual procedures.

Providers other than the State Bureau of Laboratories are reimbursed the lesser of the Medicaid fee screen or the provider's usual and customary charge minus any third party payment. A provider's usual and customary charge should be the fee most frequently charged to patients. The State Bureau of laboratories may be reimbursed up to the Medicare prevailing fees.

Laboratory services performed by an eligible provider are limited to a maximum payment rate per beneficiary per day. This rate is determined to be adequate to cover reasonable and necessary procedures. Laboratory services in excess of this rate are covered on an exception basis when determined to be medically necessary by the department.

Laboratory services provided by outpatient hospitals or ESRD facilities are reimbursed through the Medicaid OPPS and are not limited by a maximum payment rate per beneficiary per day.

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TN NO.: 07-02

Approval Date: AUG 30 2007

Effective Date: 04/01/2007

Supersedes  
TN No.: 06-09