

Center for Medicaid and State Operations

Mr. Paul Reinhart, Director
Medical Services Administration
Department of Community Health
400 South Pine
Lansing, MI 48933

FEB 20 2008

RE: Michigan State Plan Amendment (SPA) 07-012

Dear Mr. Reinhart:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 07-012. This amendment implements inpatient hospital payment reductions to be applied to medical/surgical hospitals, distinct part rehabilitation units and freestanding rehabilitation hospitals. The effective date for the SPA is August 18, 2007.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 07-012 is approved effective August 18, 2007. We are enclosing the HCFA-179 and the amended plan pages.

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 call Todd McMillion at (608) 441-5344.

Sincerely,



Dennis G. Smith
Director

Enclosures

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

1. TRANSMITTAL NUMBER:
07 - 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
August 18, 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 Subpart C

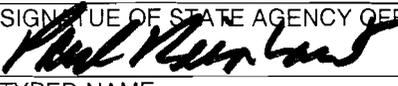
7. FEDERAL BUDGET IMPACT:
a. FFY 07 \$ ~~(25,863,000)~~ 0
b. FFY 08 \$ ~~(26,652,000)~~ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, page 35

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
Attachment 4.19-A, page 35

10. SUBJECT OF AMENDMENT:
IPH payment reductions

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:


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:
July 26, 2007

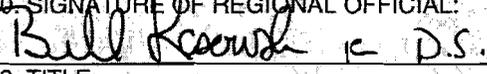
FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:
2-20-08

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
AUG 18 2007

20. SIGNATURE OF REGIONAL OFFICIAL:
 c. D.S.

21. TYPE NAME:
William Lasowski

22. TITLE:
Deputy Director, CMSO

23. REMARKS:
PEN AND INR CHANGE - BOX 7 - PER OCTOBER 18, 2007, EMAIL REQUEST FROM STATE.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

Payment Schedule

Payments will be made only after the department has received approval for this policy from the Centers for Medicare & Medicaid Services. Once approval has been received, the initial payment will be made within 45 days. Subsequent payments will be made within 45 days of the beginning of each quarter. Quarterly payments will be made in four equal installments based on the annual amount each hospital is eligible to receive.

If a hospital closes, or is determined ineligible to receive funds from a pool, its funds will be redistributed to the remaining eligible hospitals based on the original distribution formula. All funds from both inpatient hospital pools will be distributed to eligible hospitals.

VI. Special Payment Adjustments

Effective August 1, 2007 and each subsequent fiscal year, the Department is directed to reduce hospital payments in each respective fiscal year by \$45,872,360. During fiscal year 2007, the reductions were made in August and September. Payment reductions will be made during the 4th quarter of each subsequent fiscal year. These reductions are pursuant to the Governor's Executive Orders No. 2001-9, 2002-22, 2005-07 and to budgetary savings included in Act 330 of 2006 and in subsequent annual appropriation Acts.

A calculated share of the total annual reduction will be assessed to all hospitals and units operating and enrolled in the Medicaid program on the date the E.O. reductions are processed. A hospital's annual reduction will be based on its inpatient hospital paid claims for hospital admissions from October 1 to September 30th of the second previous fiscal year. (The same paid claims file is used to calculate the hospital MACI payments and the E.O. reductions for the fiscal year.) Paid claims include Title V, Title XIX, and Title V/XIX inpatient hospital claims. A hospital's share of the annual reduction is calculated by dividing the total of its paid claims by the total of the paid claims for all affected hospitals times the total amount of funds to be recovered.

Merged hospitals have their reductions combined. Reductions are taken from the surviving hospital. Should a hospital or distinct part unit close prior to the end of the fiscal year its reduction becomes part of the hospital's final settlement.

Each hospital's paid claim file is reviewed and appealed at the time the data are submitted with the hospital's cost report. No further appeal of the inpatient hospital paid claims data will be allowed. These reductions are included in the hospital's settlement.

Each hospital's share of the reductions is made by gross adjustment to the hospital's inpatient hospital Medicaid ID number. Recoveries are taken from the hospital's payments until the E.O. Reductions are complete.

TN NO.: 07-12

Approval Date: FEB 20 2008

Effective Date: 08/18/2007

Supersedes
TN No.: 06-04