

**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

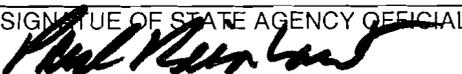
7. FEDERAL BUDGET IMPACT:
a. FFY 07 _____ \$ (25,863,000) _____
b. FFY 08 _____ \$ (26,652,000) _____

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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:

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPE NAME:

22. TITLE:

23. REMARKS:

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. 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 30 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, TXIX, 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: _____

Effective Date: 08/18/2007

Supersedes
TN No.: 06-04