

## **Table of Contents**

**State/Territory Name: MI**

**State Plan Amendment (SPA) #: 16-0006**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Chicago Regional Office  
233 N. Michigan  
Suite 600  
Chicago, Illinois 60601

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November 9, 2016

Chris Priest  
Medical Services Administration  
Michigan Department of Health and Human Services  
400 South Pine Street, P.O. Box 30479  
Lansing, Michigan 48909-7979

ATTN: Erin Black

Dear Mr. Priest:

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

- Transmittal #: 16-0006: Ambulatory Surgical Center Budget Neutrality
- Effective: January 1, 2016

If you have any questions, please contact Keri Toback at (312) 353-1754 or [keri.toback@cms.hhs.gov](mailto:keri.toback@cms.hhs.gov).

Sincerely,

/s/

Celestine Curry  
Acting Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosures

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

|   |                       |
|---|-----------------------|
| 1. TRANSMITTAL NUMBER:<br>16 – 0006   | 2. STATE:<br>Michigan |
| 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)<br>TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) |                       |
| 4. PROPOSED EFFECTIVE DATE<br>January 1, 2016   |                       |

TO: REGIONAL ADMINISTRATOR  
HEALTH FINANCING ADMINISTRATION  
DEPARTMENT OF HUMAN SERVICES

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:<br>42 CFR 447                                 | 7. FEDERAL BUDGET IMPACT:<br>a. FFY 2016 \$0<br>b. FFY 2017 \$0   |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:<br>Attachment 4.19-B, Page 2 and 19 | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):<br>Attachment 4.19-B, Page 2 and 19 |

10. SUBJECT OF AMENDMENT:  
Updates the ASC reduction factor to maintain budget neutrality in response to a Medicare rate change and clarifies OPPS language per companion letter dated June 22, 2015 for SPA 14-0016.

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Chris Priest, Director  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      Medical Services Administration

|   |  |
|---|--|
| 12. SIGNATURE OF STATE AGENCY OFFICIAL:                 | 16. RETURN TO:<br><br>Medical Services Administration<br>Actuarial Division - Federal Liaison<br>Capitol Commons Center - 7 <sup>th</sup> Floor<br>400 South Pine<br>Lansing, Michigan 48933<br><br>Attn: Erin Black |
| 13. TYPED NAME:<br>Chris Priest                         |  |
| 14. TITLE:<br>Director, Medical Services Administration |  |
| 15. DATE SUBMITTED:<br>March 29, 2016                   |  |

**FOR REGIONAL OFFICE USE ONLY**

|                                      |  |
|--------------------------------------|--|
| 17. DATE RECEIVED:<br>March 29, 2016 | 18. DATE APPROVED:<br>November 9, 2016 |
|--------------------------------------|--|

**PLAN APPROVED – ONE COPY ATTACHED**

|   |   |
|---|---|
| 19. EFFECTIVE DATE OF APPROVED MATERIAL:<br>January 1, 2016 | 20. SIGNATURE OF REGIONAL OFFICIAL:<br><br>/s/        |
| 21. TYPE NAME:<br>Celestine Curry                           | 22. TITLE:<br>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)***

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3. Outpatient Hospital Services and Other Outpatient Prospective Payment System (OPPS)  
Reimbursed Facilities

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 OPPS. Payments made under OPPS will be calculated utilizing the current Medicare conversion factors/rates with an MDHHS reduction factor (RF) applied to the calculated payment (Medicare fee x RF = Medicaid fee) to maintain statewide budget neutrality. As of January 1, 2016 the OPPS reduction factor is 52.6%. The current Michigan Medicaid fee schedule is available at [www.michigan.gov/medicaidproviders](http://www.michigan.gov/medicaidproviders).

- a) 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.
- b) Medicare's APC weights are utilized.
- c) Services paid reasonable cost under OPPS are paid by applying individual hospital cost-to-charge ratios to charges.
- d) Updates of each hospital's outpatient cost-to-charge ratios are done in conjunction with updates of the inpatient operating ratios.
- e) 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. Methodology differences only exist when Medicare does not cover a facility-based service provided. The current Michigan Medicaid fee schedule, available at [www.michigan.gov/medicaidproviders](http://www.michigan.gov/medicaidproviders), is updated to conform to Medicare OPPS and is effective for dates of service on or after January 1, 2016.

## 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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#### 24. Ambulatory Surgical Centers

Reimbursement to individual Medicare-certified Ambulatory Surgical Centers (ASCs) for outpatient services provided in the ASC setting on or after January 1, 2011 is calculated by applying the MDCH outpatient prospective payment system (OPPS) reduction factor (RF) to current Medicare ASC reimbursement rates. Medicare ASC rate x RF = Medicaid rate.

State-developed fee schedule rates are the same for both governmental and private ASC providers. The ASC reduction factor is monitored and adjusted in accordance with the OPPS reduction factor schedule. The state maintains an up to date reduction factor history posting on the MDCH website that includes the current OPPS/ASC reduction factor, as well as historical OPPS/ASC reduction factors. As of January 1, 2015~~6~~ the OPPS/ASC reduction factor is 52.36%. A wage index of 1.0 is applied for all ASCs. Services paid by Medicare at reasonable cost and contractor priced items are paid by applying the Medicaid state-wide outpatient hospital cost to charge ratio to the Medicare ASC rate. All rates including the ASC wrap list are published on the MDCH MDHHS website at <http://michigan.gov/medh MDHHS>.

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

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TN NO.: 16-0006

Approval Date: 11/9/16

Effective Date: 01/01/2016

Supersedes

TN No.: 15-0003