



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

ELIZABETH HERTEL
DIRECTOR

January 6, 2025

<Provider Name>
<Provider Address 1>
<Provider Address 2>
<City> <State> zipcode5-zipcode4

Dear Nursing Facilities:

RE: Time Study Submission Requirements

Section 6.1 of the [Michigan Department of Health and Human Services \(MDHHS\) Medicaid Provider Manual](#) outlines the nursing facility (NF) cost report audit process and provides an example of required information to be included in financial records to provide accurate cost, revenue and statistical data.

The purpose of this letter is to remind NF providers that actual time spent taken from payroll records, assignment schedules, sign in sheets, etc. are the preferred cost allocation method for Medicaid cost reporting. However, providers wishing to utilize time studies in lieu of actual time keeping records must obtain approval from the Reimbursement and Rate Setting Section (RARSS) prior to changing the cost allocation method. The request must identify the reason for the change and must demonstrate that the proposed method is representative of actual staffing costs within the facility and results in an equitable and accurate allocation of staffing costs. The provider must demonstrate to Medicaid that the system used for recording the hours of staffing costs can be audited and equitably allocates the staffing costs between the distinct part and/or other parts of the facility. Accurate and complete information must be included in the submission of cost report data or upon request from MDHHS. Failure to submit accurate time study or time keeping records could result in associated costs being disallowed.

Criteria regarding the appropriate use of time studies can be found in the [CMS Provider Reimbursement Manual - Chapter 23, Section 2313.2 E](#).

- The time records to be maintained must be specified in a written plan submitted to the intermediary no later than 90 days prior to the end of the cost reporting period to which the plan is to apply. The intermediary must respond in writing to the plan within 60 days from the date of receipt of the request, whether approving, modifying, or denying the plan.
- A minimally acceptable time study must encompass at least one full week per month of the cost reporting period.
- Each week selected must be a full work week (Monday to Friday, Monday to Saturday, or Sunday to Saturday).

- The weeks selected must be equally distributed among the months in the cost reporting period, e.g., for a 12-month period, 3 of the 12 weeks in the study must be the first week beginning in the month, 3 weeks the 2nd week beginning in the month, 3 weeks the 3rd, and 3 weeks the fourth.
- No two consecutive months may use the same week for the study, e.g., if the second week beginning in April is the study week for April, the weeks selected for March and May may not be the second week beginning in those months.
- The time study must be contemporaneous with the costs to be allocated. Thus, a time study conducted in the current cost reporting year may not be used to allocate the costs of prior or subsequent cost reporting years.
- The time study must be provider specific. Thus, chain organizations may not use a time study from one provider to allocate the costs of another provider or a time study of a sample group of providers to allocate the costs of all providers within the chain.

The intermediary may require the use of different, or additional, weeks in the study in its response to the provider's request for approval and may prospectively require changes in the provider's request as applied to subsequent cost reporting.

An electronic copy of this letter is available at www.michigan.gov/medicaidproviders >>
Policy, Letters & Forms.

Sincerely,

A handwritten signature in dark ink, appearing to read "Meghan E. Groen". The signature is fluid and cursive, with the first name "Meghan" and last name "Groen" clearly distinguishable.

Meghan E. Groen, Director
Behavioral and Physical Health and Aging Services Administration