

March 26, 2019

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

Dear Provider:

RE: Neonatal Intensive Care (NICU) Unit Billing and Reimbursement Policy

The purpose of this letter is to clarify Michigan Department of Health and Human Services (MDHHS) NICU billing and reimbursement policy.

NICU Alternate Weights


MDHHS establishes alternate weights for neonatal services from episodes that are assigned to diagnosis-related group (DRG) codes in the following range: 580x-640x. These alternate weights are utilized to support the significant cost associated with NICU operation and maintain access to care. A hospital must have a Certificate of Need (CON) to operate a NICU or the hospital must have previously received alternate weight reimbursement by Medicaid for its Special Newborn Nursery Unit (SNNU) to receive an alternate weight payment.

The NICU alternate weight reimbursement is triggered by a DRG within 580x-640x and a minimum of one day with revenue code 0174. As indicated in Medical Services Administration (MSA) bulletin 14-37, designated providers with an alternate weight assignment use revenue code 0174 as an indicator for NICU admissions. MDHHS does not currently use National Uniform Billing Committee (NUBC) nursery revenue codes as a measure of the level of medical care provided for reimbursement purposes. MDHHS has historically used revenue code 0174 to identify NICU admissions and develop DRG rates and weights accordingly. Medicaid Health Plan (MHP) capitation rates are also established using this methodology. It is not necessary to bill with revenue code 0174 for all days of an infant's stay to receive alternate weight payment. Providers are expected to render care using proper determinations of medical necessity and appropriateness of setting within the scope of current medical practice and Medicaid guidelines. MDHHS acknowledges that its use of revenue code 0174 is not aligned with NUBC guidance and will review its NICU reimbursement policy for future fiscal years.

Medicaid Health Plans

MHPs reimburse hospitals according to the terms of the contract between the MHP and the hospital. MHPs under contract to reimburse hospitals using Medicaid Fee-for-Service (FFS) payment methodology are subject to alignment with MDHHS payment policies. Out-of-network and non-contracted hospital providers are reimbursed by the MHPs in accordance with Medicaid FFS payment methodology and rates in effect on the date of service. Clinical disagreements between hospitals and MHPs should be addressed using existing resolution processes. MDHHS will establish a representative workgroup of hospitals, MHPs, and advocacy organizations to address issues surrounding NICU billing, reimbursement, and utilization review policies and procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathy Stiffler". The signature is written in a cursive, flowing style.

Kathy Stiffler, Acting Director
Medical Services Administration