

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

25 — 0012

2. STATE

MI

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

3. PROPOSED EFFECTIVE DATE  
October 1, 2025

5. FEDERAL STATUTE/REGULATION CITATION  
42 CFR 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)  
a. FFY 2026 \$0  
b. FFY 2027 \$0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, Page 11  
Attachment 4.19-A, Page 11a

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  
Attachment 4.19-A, Page 11 (TN# 18-0005)  
Attachment 4.19-A, Page 11a (TN# 23-0029)

9. SUBJECT OF AMENDMENT

This SPA establishes reimbursement for inpatient hospital services provided by children's hospitals located in a state bordering Michigan's upper peninsula.

10. GOVERNOR'S REVIEW (Check One)

- ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL



11. TYPED NAME

Meghan Groen

12. TITLE

Chief Deputy Director

13. DATE SUBMITTED

September 16, 2025

15. RETURN TO

Health Services Administration— Federal Liaison  
Capitol Commons Center – 7<sup>th</sup> Floor  
400 South Pine  
Lansing, Michigan 48933

Attn: Erin Black

**FOR CMS USE ONLY**

16. DATE RECEIVED

17. DATE APPROVED

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

***Policy and Methods for Establishing Rates  
Inpatient Hospital***

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**E. Transplant Services**

Transplant services are paid using the following formula:

Hospital Charges x Hospital operating cost-to-charge ratio = Hospital Payment

Transplant services are defined as claims which fall under the following DRGs:

| <b>DRG</b> | <b>Description</b>                          |
|------------|---|
| 001x       | Liver Transplant &/or Intestinal Transplant |
| 002x       | Heart &/or Lung Transplant                  |
| 006x       | Pancreas Transplant                         |
| 440x       | Kidney Transplant                           |

Organ acquisition within these DRGs is billed at acquisition cost, and is reimbursed at 100% of acquisition cost.

**F. Hospitals Outside Michigan**

Medical/surgical hospitals not located in Michigan are reimbursed under the DRG system. The DRG price is the statewide rate multiplied by an area wage index of 1.0. All other reimbursement policies apply.

Hospitals that have charges that exceed \$250,000 during a single fiscal year (using the State of Michigan fiscal year – October 1st through September 30th) may be reimbursed the hospital's inpatient operating cost to charge ratio for those Michigan Medicaid DRGs reimbursed by percentage of charge. The hospitals' chief financial officer must submit and the MSA must accept documentation stating the hospital's Medicaid cost to charge ratio in the state that the hospital is located. Once accepted, the hospital's actual cost to charge ratio is applied prospectively to those DRGs and claims subject to percentage of charge reimbursement using the Michigan DRG payment system.

EFFECTIVE OCTOBER 1, 2025, REIMBURSEMENT FOR INPATIENT HOSPITAL SERVICES PROVIDED BY A CHILDREN'S HOSPITAL LOCATED IN A STATE BORDERING MICHIGAN'S UPPER PENINSULA WILL BE REIMBURSED AT A RATE THAT IS 150% OF THE BASE DRG PRICE FOR HOSPITALS OUTSIDE MICHIGAN. THIS RATE WILL BE USED FOR ELIGIBLE HOSPITALS ENROLLED WITH A CHILDREN'S HOSPITAL SUBSPECIALTY. THE STATEWIDE RATES ARE LISTED ON THE STATE INPATIENT HOSPITAL WEBSITE AT [>> BILLING AND REIMBURSEMENT >> PROVIDER SPECIFIC INFORMATION >> INPATIENT HOSPITALS.](http://WWW.MICHIGAN.GOV/MEDICAIDPROVIDERS)

**G. New Hospitals**

A new medical/surgical hospital is one for which no Michigan Medicaid program cost or paid claims data exists during the period used to establish hospital rates or one which was not enrolled in the Medicaid program when hospital rates were last established. Hospitals that experience a change of ownership or that are created as the result of a merger are not considered new hospitals.

The DRG rate for new general hospitals is the statewide rate multiplied by the applicable area wage index.

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

***Policy and Methods for Establishing Rates  
Inpatient Hospital***

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H. Long Acting Reversible Contraceptives (LARCs)

Long Acting Reversible Contraceptives (LARCs) provided in the inpatient hospital setting immediately postpartum are excluded from the DRG payment. An additional payment for the LARC device will be made to a hospital when a LARC is provided immediately postpartum. Practitioners will receive payment for their professional services related to the immediate postpartum LARC insertion procedure when billed separately from the professional global obstetric procedure codes and the hospital facility. Costs associated with LARC device are to be billed separately from the inpatient visit using the Medicaid fee schedule (insertion and device).

I. Hospital Rapid Whole Genome Sequencing (rWGS) Testing Reimbursement

Rapid whole genome sequencing testing provided in the inpatient hospital setting is excluded from the DRG payment. An additional payment for medically necessary rWGS will be made to a hospital when established clinical criteria is met. Costs associated with rWGS are to be billed separately from the inpatient episode. Hospital reimbursement will be made according to the Medicaid laboratory fee schedule.

J. Spinraza

Spinraza provided in the inpatient hospital setting is excluded from the DRG payment. An additional payment for medically necessary Spinraza will be made to a hospital when established clinical criteria is met. Costs associated with Spinraza are to be billed separately from the inpatient episode. Hospital reimbursement will be made according to the Medicaid fee schedule.

K. Outcomes-Based Contract Arrangements

Drugs provided under outcomes-based contract arrangements with drug manufacturers for drugs provided to Medicaid beneficiaries in the inpatient hospital setting are excluded from the DRG payment. An additional payment for drugs under an outcomes-base contract arrangement will be made to a hospital when established clinical criteria is met. Costs associated with these drugs are to be billed separately from the inpatient episode. Hospital reimbursement will be made according to the Medicaid fee schedule.

## **Public Notice**

### **Michigan Department of Health and Human Services Behavioral and Physical Health and Aging Services Administration**

#### **Reimbursement to Hospitals Outside Michigan State Plan Amendment Request**

The Michigan Department of Health and Human Services (MDHHS) plans to submit a State Plan Amendment (SPA) request to the Centers for Medicare & Medicaid Services (CMS) to establish reimbursement for inpatient hospital services provided by children's hospitals located in a state bordering Michigan's upper peninsula. Applicable children's hospitals will be reimbursed at a rate that is 150 percent of the base Diagnosis Related Group (DRG) price for hospitals outside Michigan.

The anticipated effective date for the Reimbursement to Hospitals Outside of Michigan SPA is April 1, 2025. The estimated gross cost to the State of Michigan for the SPA is \$154,000 per year.

There is no public meeting scheduled regarding this notice. Any interested party wishing to request a written copy of the SPA or wishing to submit comments may do so by sending an e-mail to [MSADraftPolicy@michigan.gov](mailto:MSADraftPolicy@michigan.gov) or submitting a request in writing to: MDHHS/ Behavioral and Physical Health and Aging Services Administration, Program Policy Division, PO Box 30479, Lansing MI 48909-7979 by April 24, 2025. A copy of the proposed SPA will also be available for review at: <https://www.michigan.gov/mdhhs/inside-mdhhs/budgetfinance/264/state-plan-amendments>.

**RELEASED:** March 25, 2025



STATE OF MICHIGAN

GRETCHEN WHITMER  
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

ELIZABETH HERTEL  
DIRECTOR

April 7, 2025

NAME  
TITLE  
ADDRESS  
CITY STATE ZIP

Dear Tribal Chair and Health Director:

**RE:** Reimbursement to Hospitals Outside Michigan

This letter, in compliance with Section 1902(a)(73) and Section 2107(e)(1)(C) of the Social Security Act, serves as notice to all Tribal Chairs and Health Directors of the intent by the Michigan Department of Health and Human Services (MDHHS) to submit a State Plan Amendment (SPA) request to the Centers for Medicare & Medicaid Services (CMS).

MDHHS intends to submit a SPA to establish reimbursement for inpatient hospital services provided by children's hospitals located in a state bordering Michigan's upper peninsula. Applicable children's hospitals will be reimbursed at a rate that is 150 percent of the base DRG price for hospitals outside Michigan. MDHHS expects that Michigan's Medicaid patient groups, including tribal members, will benefit by the support for access to care in Michigan's upper peninsula. The anticipated effective date of this SPA is April 1, 2025.

There is no public hearing scheduled for this SPA. Input regarding this SPA is highly encouraged, and comments regarding this notice of intent may be submitted to Lorna Elliott-Egan, MDHHS liaison to the Michigan tribes. Lorna can be reached at 517-512-4146, or via email at [Elliott-EganL@michigan.gov](mailto:Elliott-EganL@michigan.gov). **Please provide all input by May 22, 2025.**

In addition, MDHHS is offering to set up group or individual consultation meetings to discuss the SPA, according to the tribe's preference. Consultation meetings allow tribes the opportunity to address any concerns and voice any suggestions, revisions, or objections to be relayed to the author of the proposal. If you would like additional information or wish to schedule a consultation meeting, please contact Lorna Elliott-Egan at the telephone number or email address provided above.

MDHHS appreciates the continued opportunity to work collaboratively with you to care for the residents of our state.

An electronic copy of this letter is available at [www.michigan.gov/medicaidproviders](http://www.michigan.gov/medicaidproviders) >>  
Policy, Letters & Forms.

Sincerely,

A handwritten signature in black ink that reads "Meghan E. Groen". The signature is written in a cursive, flowing style.

Meghan E. Groen  
Chief Deputy Director  
Health Services

CC: Keri Toback, CMS  
Nancy Grano, CMS  
Chasity Dial, CEO, American Indian Health and Family Services of Southeastern  
Michigan  
Asha Petoskey, Acting Area Director, Indian Health Service - Bemidji Area Office  
Lorna Elliott-Egan, MDHHS

**Distribution List for L 25-14**  
**April 7, 2025**

Ms. Whitney Gravelle, President, Bay Mills Indian Community  
Ms. Lucy DeWildt, Health Director, Bay Mills (Ellen Marshall Memorial Center)  
Ms. Sandra Witherspoon, Chairperson, Grand Traverse Band Ottawa & Chippewa Indians  
Ms. Sonya Zotigh, Health Director, Grand Traverse Band Ottawa/Chippewa  
Mr. Kenneth Meshigaud, Tribal Chairman, Hannahville Indian Community  
Ms. G. Susie Meshigaud, Health Director, Hannahville Health Center  
Mr. RD Curtis, Tribal President, Keweenaw Bay Indian Community  
Ms. Deanna Foucault, Health Director, Keweenaw Bay Indian Community - Donald Lapointe Health/Educ Facility  
Mr. James Williams, Jr., Tribal Chairman, Lac Vieux Desert Band of Lake Superior Chippewa Indians  
Ms. Sadie Valliere, Health & Human Services Director, Lac Vieux Desert Band  
Mr. Larry Romanelli, Ogema, Little River Band of Ottawa Indians  
Mr. Daryl Wever, Health Director, Little River Band of Ottawa Indians  
Ms. Regina Gasco, Tribal Chairman, Little Traverse Bay Band of Odawa Indians  
Ms. Jodi Werner, Health Director, Little Traverse Bay Band of Odawa  
Mr. Bob Peters, Chairman, Match-E-Be-Nash-She-Wish Potawatomi Indians (Gun Lake Band)  
Ms. Phyllis Davis, Tribal Council Member, Match-E-Be-Nash-She-Wish Potawatomi  
Ms. Mariah Austin, Tribal Council Member, Match-E-Be-Nash-She-Wish Potawatomi  
Ms. Dorie Rios, Tribal Chairperson, Nottawaseppi Huron Band of Potawatomi Indians  
Ms. Rosalind Johnston, Health Director, Huron Potawatomi Inc.- Tribal Health Department  
Mr. Matthew Wesaw, Tribal Chairman, Pokagon Band of Potawatomi Indians  
Ms. Priscilla Gatties, Interim Health Director, Pokagon Potawatomi Health Services  
Mr. Tim Davis, Tribal Chief, Saginaw Chippewa Indian Tribe  
Mrs. Karmen Fox, Executive Health Director, Nimkee Memorial Wellness Center  
Mr. Austin Lowes, Tribal Chairperson, Sault Ste. Marie Tribe of Chippewa Indians  
Mr. James Benko, Health Director, Sault Ste. Marie Tribe of Chippewa Indians - Health Center

CC: Keri Toback, CMS  
Nancy Grano, CMS  
Chasity Dial, CEO, American Indian Health and Family Services of Southeastern Michigan  
Asha Petoskey, Acting Area Director, Indian Health Service - Bemidji Area Office  
Lorna Elliott-Egan, MDHHS

## **Medicaid Hospital Upper Payment Limit Non-Federal Funding Questions**

The following questions should be answered in relation to all payments made to all providers reimbursed pursuant to a methodology for each of the applicable services that are submitted pursuant to SMDL #13-003.

1. Section 1903(a)(1) provides that Federal matching funds are only available for expenditures made by States for services under the approved State plan. Do providers receive and retain the total Medicaid expenditures claimed by the State (includes normal per diem, supplemental, enhanced payments, other) or is any portion of the payments returned to the State, local governmental entity, or any other intermediary organization? If providers are required to return any portion of payments, please provide a full description of the repayment process. Include in your response a full description of the methodology for the return of any of the payments, a complete listing of providers that return a portion of their payments, the amount or percentage of payments that are returned and the disposition and use of the funds once they are returned to the State (i.e., general fund, medical services account, etc.)

**Response 4.19-A:** *Providers will not return any portion of any Medicaid-related payments they receive.*

**Response 4.19-B:** *Providers will not return any portion of any Medicaid-related payments they receive.*

2. Section 1902(a)(2) provides that the lack of adequate funds from local sources will not result in lowering the amount, duration, scope, or quality of care and services available under the plan. Please describe how the state share of each type of Medicaid payment (normal per diem, supplemental, enhanced, other) is funded. Please describe whether the state share is from appropriations from the legislature to the Medicaid agency, through intergovernmental transfer agreements (IGTs), certified public expenditures (CPEs), provider taxes, or any other mechanism used by the state to provide state share. Note that, if the appropriation is not to the Medicaid agency, the source of the state share would necessarily be derived through either through an IGT or CPE. In this case, please identify the agency to which the funds are appropriated. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment. If any of the non-federal share is being provided using IGTs or CPEs, please fully describe the matching arrangement including when the state agency receives the transferred amounts from the local governmental entity transferring the funds. If CPEs are used, please describe the methodology used by the state to verify that the total expenditures being certified are eligible for Federal matching funds in accordance with 42 CFR 433.51(b). For any payment funded by CPEs or IGTs, please provide the following:
  - i. a complete list of the names of entities transferring or certifying funds;
  - ii. the operational nature of the entity (state, county, city, other);
  - iii. the total amounts transferred or certified by each entity;
  - iv. clarify whether the certifying or transferring entity has general taxing authority: and,



- v. whether the certifying or transferring entity received appropriations (identify level of appropriations).

**Response 4.19-A:** *Funding for all hospital payments detailed below must be appropriated by the state legislature before expenditures can be incurred. The funding sources supporting appropriations for specific payments are itemized below.*

**DRG Payments** – *Hospital DRG payments made under section 4.19-A are estimated to be \$302.5 million for fiscal year 2022. State funding for these payments is estimated at \$55.9 million for this time period.*

**Per Diem Payments** – *Hospital per diem payments made under section 4.19-A are estimated to be \$6.4 million for fiscal year 2022. State funding for these payments is estimated at \$0.8 million for this time period.*

**TEFRA Payments** – *Hospital TEFRA payments made under section 4.19-A are estimated to be \$48.2 million for fiscal year 2022. State funding for these payments is estimated at \$13.6 million for this time period.*

**Capital Payments** – *Hospital capital payments made under section 4.19-A are included in the DRG and Per Diem payments listed above for fiscal year 2022. State funding for these payments is listed above for this time period.*

**GME Payments** – *Hospital GME payments made under section 4.19-A are estimated to be \$52.1 million for fiscal year 2022. State funding for these payments is estimated at \$19.3 million for this time period.*

*GME payments consisted of \$31.2 million in GME Funds Pool and Primary Care Pool payments and \$20.9 million in Innovations Pool payments. The latter were made to Pine Rest Christian Hospital, Hurley Medical Center, and Detroit Receiving Hospital under arrangements with Michigan State University and Wayne State University, respectively, whereby the universities provided the state share of approximately \$10.5 million.*

**DSH Payments** – *Hospital DSH payments under 4.19-A are estimated to be \$490.5 million for fiscal year 2022. The total non-federal share of hospital DSH payments was approximately \$138.9 million for this time period. There are four components to the non-federal share of the payments:*

- 1. Approximately \$58.7 million was funded through state general fund tax dollars.*
- 2. Approximately \$1.0 million was funded through intergovernmental transfers (IGTs) from public entities. The state received the state share from public entities prior to issuing the DSH payment to the hospitals. Attachment A provides additional information related to these IGTs.*
- 3. Approximately \$26.8 million was funded through certified public expenditures (CPEs). The methodology for these payments is described on pages 24b and 24c of Section 4.19-A of Michigan's Medicaid State Plan. Attachment B provides additional information related to these CPEs.*

4. Approximately \$52.4 million was funded through a hospital provider tax to support the Outpatient Uncompensated Care DSH Pool.

**Supplemental/Enhanced Payments** – Hospital supplemental payments made under section 4.19-A are estimated to be \$370.5 million for fiscal year 2022. These payments consist of \$369.2 million in Medicaid Access to Care Initiative (MACI) payments and \$1.3 million in Rural Access Pool (RAP) payments. MACI payments are supported by a hospital provider tax. RAP payments are supported by the state general fund. The non-federal share of supplemental/enhanced payments is estimated at \$75.6 million.

**Response 4.19-B:** Funding for all hospital payments detailed below must be appropriated by the state legislature before expenditures can be incurred. The funding sources supporting appropriations for specific payments are broken out below.

*Regular Outpatient Hospital Payments-* Regular outpatient hospital payments made under section 4.19-B are estimated to be \$100.7 million for fiscal year 2022. These payments are supported by state general fund. State funding for these payments is estimated at \$20.3 million for this time period.

*Supplemental/Enhanced Payments-* Hospital supplemental payments made under section 4.19-B for fiscal year 2022 are estimated to be \$123.9 million. These payments consist of \$123.1 million in Medicaid Access to Care Initiative (MACI) payments and \$0.8 million in Rural Access Pool (RAP) payments. MACI payments are supported by a hospital provider tax. RAP payments are supported by the state general fund. The non-federal share of supplemental/enhanced payments is estimated at \$24.2 million.

3. Section 1902(a)(30) requires that payments for services be consistent with efficiency, economy, and quality of care. Section 1903(a)(1) provides for Federal financial participation to States for expenditures for services under an approved State plan. If supplemental or enhanced payments are made, please provide the total amount for each type of supplemental or enhanced payment made to each provider type.

**Response 4.19-A:** The Medicaid Access to Care Initiative (MACI) and Rural Access Pool (RAP) payments detailed in section 4.19-A are considered to be supplemental payments. Total supplemental inpatient payments made under section 4.19-A for fiscal year 2022 are approximately \$369.2 million for MACI payments and \$1.3 million for the RAP payments.

**Response 4.19-B:** Medicaid Access to Care (MACI) and Rural Access Pool (RAP) hospital payments detailed in Attachment 4.19-B are considered to be supplemental payments. Total supplemental payments made under Attachment 4.19-B for fiscal year 2022 are approximately \$123.1 million for MACI payments and \$0.8 million for the RAP payments.

4. For clinic or outpatient hospital services please provide a detailed description of the methodology used by the state to estimate the upper payment limit (UPL) for each class

of providers (State owned or operated, non-state government owned or operated, and privately owned or operated). Please provide a current (i.e., applicable to the current rate year) UPL demonstration.

*Response: The answer to this question is provided in the State's response to the CMS formal UPL reporting requirements. The State's UPL packet includes a final copy of its fiscal year 2024 upper payment limit demonstration and the accompanying completed fillable documents.*

5. Does any governmental provider receive payments that in the aggregate (normal per diem, supplemental, enhanced, other) exceed their reasonable costs of providing services? If payments exceed the cost of services, do you recoup the excess and return the Federal share of the excess to CMS on the quarterly expenditure report?

*Response: In the aggregate, the payments are under the Medicare upper payment limit. They therefore do not exceed the hospital providers' reasonable costs of providing services. A mechanism has been implemented to recoup and return the federal share of overpayments in the event that overpayment occurs.*