

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER <u>26</u> — <u>0002</u>	2. STATE <u>MI</u>
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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
July 1, 2026

5. FEDERAL STATUTE/REGULATION CITATION
1905(a)(4)(b) (EPSDT)

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2026 (\$2,000,000)
b. FFY 2027 (\$6,000,000)

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B, Pages 15 to 15c
Attachment 4.19-B, Pages 16 to 16b

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-B, Page 15 to 16 (TN:18-0013)

9. SUBJECT OF AMENDMENT
This SPA is necessary to ensure compliance with provisions of CMS's Delivering Service in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming, released May 18, 2023. This change will result in a reduction in Medicaid school-based specialized transportation reimbursement for both tribal and non-tribal school districts. Individual beneficiaries should not be affected, as schools will still be required to provide specialized transportation in accordance with the Individuals with Disabilities Education Act (IDEA).

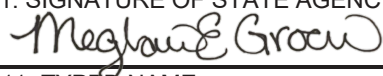
10. GOVERNOR'S REVIEW (Check One)

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
March 9, 2026

15. RETURN TO
Health Services Administration— Federal Liaison
Capitol Commons Center – 7th Floor
400 South Pine
Lansing, Michigan 48933

Attn: Erin Black

FOR CMS USE ONLY

16. DATE RECEIVED	17. DATE APPROVED
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PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

20. TYPED NAME OF APPROVING OFFICIAL

19. SIGNATURE 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 Payment Rates (Other than Inpatient Hospital and Long-Term Care Facilities)

- a. Medicaid allowable costs are reported on the annual Local Education Agency (LEA) cost report. This is an ISD specific report that identifies direct costs specified in item #2. Each ISD reports costs only for the specific staff that are identified and included in each staff pool. This report does not include any federal dollars.
- b. Cost data reports received from the ISD financial contacts. The cost for Personal Care service staff and Targeted Case Management staff is not included in the Medicaid cost report. These related salaries, fringes benefits are gleaned from financial worksheets submitted by the ISDs. This cost data is captured utilizing the same methodology currently utilized for the Administrative Outreach Program cost reporting.
- c. Michigan Department of Education Indirect Cost Rate.
- d. CONTRACTED COSTS: LEAS CAN INCLUDE CONTRACTED SERVICE COSTS FOR AND CONTRACTED CLINICIANS THAT WERE INCLUDED ON THE STAFF POOL LIST FOR THE RANDOM MOMENT TIME STUDY (RMTS) PROCESS. THE CONTRACTED SERVICE COSTS REPRESENT THE AMOUNTS CHARGED TO THE LEA BY THE CONTRACTOR OR CONTRACTING AGENCY AND MAY INCLUDE THE COSTS ASSOCIATED WITH THE CLINICIAN AND ANY OVERHEAD INCURRED BY THE CONTRACTOR THAT IS CHARGED BACK TO THE LEA. THIS COST DOES NOT INCLUDE ANY OVERHEAD OR OTHER INDIRECT COSTS INCURRED BY THE LEA TO SUPPORT THE CONTRACTED CLINICIAN.
 - 1) CONTRACTED SERVICE COSTS FOR DIRECT MEDICAL SERVICES WILL BE A SEPARATE LINE ITEM IN THE COST REPORT WITH THE APPLICATION OF THE LEA'S UNRESTRICTED INDIRECT COST RATE, AND THE LEA'S ALLOCATION USING THE MEDICAID IEP RATIO.
 - 2) CONTRACTED SERVICE COSTS FOR DIRECT MEDICAL SERVICES AND ADMINISTRATIVE SERVICES ARE PART OF THE RMTS AND THE ALLOCATION TO DIRECT MEDICAL AND ADMINISTRATIVE PERCENTAGES, THE LEA'S UNRESTRICTED INDIRECT COST RATE, AND THE LEA'S ALLOCATION USING THE MEDICAID IEP RATIO.
 - 3) THE LEA'S UNRESTRICTED INDIRECT COST RATE IS APPLIED TO CONTRACTED SERVICE COSTS TO REFLECT THE OVERHEAD AND ADMINISTRATIVE COSTS INCURRED BY THE LEA TO SUPPORT THE CONTRACTED SERVICE CLINICIAN AND ARE NON-DUPLICATIVE OF ANY AGENCY INDIRECT COSTS CHARGED TO THE LEA BY THE CONTRACTOR.

2. Allowable Direct Costs

Direct costs for direct medical services

- I. Salaries
- II. Benefits
- III. Other medically-related costs directly related to the approved direct services personnel for the delivery of medical services such as purchased services/contract costs, travel, materials and supplies.

3. Indirect Cost Rate

Apply the Michigan Department of Education (MDE) Cognizant Agency Indirect Cost Rate to the net direct costs.

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- a. THE UNRESTRICTED INDIRECT COST RATE IS DERIVED FROM COSTS HAVING TO DO WITH ADMINISTRATIVE, OVERHEAD MAINTENANCE AND OTHER SUPPORT SERVICES. STAFF INCLUDED ON THE LEA'S STAFF POOL LIST ARE NOT PAID FROM THESE AREAS.
 - b. LEAS ARE SPECIFICALLY INSTRUCTED THAT COSTS FROM ACCOUNTING CODES THAT ARE USED IN THE CALCULATION OF THE UNRESTRICTED INDIRECT COST RATE ARE NOT TO BE INCLUDED IN THE REPORTED EXPENDITURES. THIS ENSURES THAT THERE IS NO DUPLICATION OF COSTS FOR INDIRECT RATES.
 - c. WHEN AN MDE CALCULATED UNRESTRICTED INDIRECT COST RATE IS NOT AVAILABLE, SCHOOL DISTRICTS WILL USE A DE MINIMIS RATE IN ACCORDANCE WITH 2 CFR 200.414(F). SCHOOL DISTRICTS WITH AN MDE CALCULATED UNRESTRICTED INDIRECT COST RATE MUST USE THE CALCULATED RATE AND CANNOT CHOOSE THE DE MINIMIS RATE.
4. Net direct costs and indirect costs calculated in steps 2 and 3 are combined. ~~Random Moment Time Study (RMTS)-Discount~~
5. ~~Random Moment Time Study (RMTS)-Discount~~
Apply the appropriate direct service percentage obtained from the CMS approved RMTS methodology to determine the percentage of time that approved service personnel spend on direct services, that include Medicaid covered services, general and administrative time and all other activities to account for 100% of time to assure there is no duplicate claiming for all covered services. The RMTS methodology utilizes mutually exclusive staff pool(s) and statewide random moment samples are pulled each quarter to include a sufficient number of personnel from each staff pool to ensure the time study results will be statistically valid.
- a. DIRECT MEDICAL INDIVIDUALIZED EDUCATION PLAN (IEP) ACTIVITY CODE (4B) IS USED FOR DIRECT MEDICAL SERVICES COVERED AS PART OF AN IEP UNDER IDEA, AND NOT COVERED ON ANOTHER MEDICAL PLAN OF CARE, ALSO KNOWN AS A DOCUMENT OF MEDICAL NECESSITY (DMN).
 - 1) DIRECT MEDICAL IEP ACTIVITY CODE IS ACCOUNTED FOR IN THE ANNUAL COST SETTLEMENT REPORT.
 - b. DIRECT MEDICAL SERVICES PURSUANT TO OTHER MEDICAL PLANS OF CARE ACTIVITY CODE (4C) IS USED FOR DIRECT MEDICAL SERVICES COVERED ON A PLAN OF CARE OTHER THAN AN IEP.
 - 1) DIRECT MEDICAL SERVICES OTHER THAN AN IEP ACTIVITY CODE IS ACCOUNTED FOR IN THE ANNUAL COST SETTLEMENT REPORT.
 - c. General Administration code 10 is accounted for in both the quarterly Medicaid Administrative Claim as well as the annual Cost Reconciliation and Cost Settlement.
 - 1) GENERAL ADMINISTRATIVE CODE 10 IS A GENERAL ADMINISTRATIVE OVERHEAD FACTOR AND IS CALCULATED TO DETERMINE THE AMOUNT OF TIME THAT IS ELIGIBLE FOR REIMBURSEMENT IN THE AOP CLAIM. GENERAL ADMINISTRATION IS DISTRIBUTED TO THE REIMBURSABLE CODE BASED ON THE PERCENTAGE OF TOTAL TIME AS DICTATED BY THE RMTS.
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2) GENERAL ADMINISTRATIVE CODE 10 IS ALSO ACCOUNTED FOR IN THE ANNUAL COST REPORT. IT IS DISTRIBUTED TO THE REIMBURSABLE CODES BASED ON THE PERCENTAGE OF TOTAL TIME AS DICTATED BY THE RMTS.

d. THE RESULTING DIRECT MEDICAL SERVICE PERCENTAGES WILL BE SPECIFIC TO EACH COST POOL AND REFLECTED AS A STATEWIDE AVERAGE.

THE TIME STUDY COST POOLS AND TIME STUDY PERIODS ARE OUTLINED BELOW. MICHIGAN UTILIZES A FOUR COST POOL METHODOLOGY IN THE RMTS. ONLY THREE OF THOSE COST POOLS ARE ELIGIBLE TO BE INCLUDED IN THE ANNUAL COST SETTLEMENT CALCULATION.

- **COST POOL 1 (AOP ONLY STAFF)-THIS COST POOL IS NOT INCLUDED IN THE COST SETTLEMENT CALCULATION.**
 - ADMINISTRATORS
 - COUNSELORS
 - EARLY IDENTIFICATION/INTERVENTION PERSONNEL
 - TEACHER CONSULTANTS
 - LIMITED LICENSED SPEECH LANGUAGE PATHOLOGISTS (WITHOUT STATE LICENSURE)

- **COST POOL 2 (AOP & DIRECT MEDICAL SERVICES STAFF) – THESE PROVIDERS MAY PERFORM DIRECT SERVICE AND ADMINISTRATIVE CLAIMING ACTIVITIES. ONLY THE PROVIDER TYPES INCLUDED IN THE APPROVED STATE PLAN WILL BE INCLUDED IN THE COST POOL AND TIME STUDY.**
 - SPEECH LANGUAGE PATHOLOGISTS AUDIOLOGISTS
 - COUNSELORS
 - LICENSED PRACTICAL NURSES
 - OCCUPATIONAL THERAPISTS
 - OCCUPATIONAL THERAPIST ASSISTANTS
 - PHYSICIAN ASSISTANTS
 - NURSE PRACTITIONERS
 - CERTIFIED NURSE SPECIALISTS
 - ORIENTATION AND MOBILITY SPECIALISTS
 - PHYSICAL THERAPISTS
 - PHYSICAL THERAPIST ASSISTANTS
 - PHYSICIAN AND PSYCHIATRISTS
 - PSYCHOLOGISTS
 - SCHOOL PSYCHOLOGISTS
 - REGISTERED NURSES
 - SOCIAL WORKERS
 - SCHOOL SOCIAL WORKERS
 - BOARD CERTIFIED BEHAVIOR ANALYST
 - BOARD CERTIFIED ASSISTANT BEHAVIOR ANALYST

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- **COST POOL 3 (PERSONAL CARE SERVICES STAFF)** – THESE PROVIDERS MAY PERFORM DIRECT SERVICE AND ADMINISTRATIVE CLAIMING ACTIVITIES. ONLY THE PROVIDER TYPES INCLUDED IN THE APPROVED STATE PLAN WILL BE INCLUDED IN THE COST POOL AND TIME STUDY.
 - BILINGUAL AIDES
 - HEALTH AIDES
 - INSTRUCTIONAL AIDES
 - PARAPROFESSIONALS
 - PROGRAM ASSISTANTS
 - TEACHER AIDES
 - TRAINABLE AIDES
 - BEHAVIOR SUPPORT AIDES

- **COST POOL 4 (TARGETED CASE MANAGEMENT STAFF)** – THESE PROVIDERS MAY PERFORM DIRECT SERVICE AND ADMINISTRATIVE CLAIMING ACTIVITIES. STAFF WITH VARIOUS POSITIONS/TITLES MAY TAKE ON THE ROLE OF “TARGETED CASE MANAGER” IN AN LEA. ONLY THE PROVIDER TYPES MEETING THE REQUIREMENTS BELOW WILL BE INCLUDED IN THE COST POOL AND TIME STUDY.

STAFF WITH THE FOLLOWING CREDENTIALS MAY BE APPROPRIATE FOR INCLUSION IN TIME STUDIES IF THEY ARE INVOLVED IN TARGETED CASE MANAGEMENT ACTIVITIES IN THE SCHOOL SETTING:

- A BACHELOR'S DEGREE WITH A MAJOR IN A SPECIFIC SPECIAL EDUCATION AREA.
- COURSEWORK CREDIT EQUIVALENT TO A MAJOR IN A SPECIFIC SPECIAL EDUCATION AREA.
- MINIMUM OF THREE YEARS' PERSONAL EXPERIENCE IN THE DIRECT CARE OF AN INDIVIDUAL WITH SPECIAL NEEDS.
- A LICENSED REGISTERED NURSE (RN) IN MICHIGAN.
- STAFF CANNOT BE INCLUDED IN MORE THAN ONE COST POOL. IF AN INDIVIDUAL PERFORMS JOB DUTIES THAT CORRESPOND TO MORE THAN ONE COST POOL, THE INDIVIDUAL MUST BE ADDED TO THE COST POOL THAT CORRESPONDS WITH THEIR PRIMARY JOB RESPONSIBILITIES.
- PARTICIPANTS FROM ALL THREE POOLS COMPLETE RMTS FOR ALL REGULAR SCHOOL DAYS, WITH A PRECISION LEVEL OF +/-5% AND A 95% CONFIDENCE LEVEL.
- THE SBS RMTS SAMPLING PERIODS COMPRISE OF THE FOLLOWING TWO PERIODS:
 - SAMPLE PERIOD 1: MID-AUGUST – DECEMBER 31
 - SAMPLE PERIOD 2: JANUARY 1– JUNE 30

6. Medicaid Eligibility Rate (MER) Discount

Medicaid's portion of total net costs is identified by applying the ISD specific MER to the total net costs.

The MER is calculated using the following methodologies:

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Special Education Medicaid Eligibility Rate

- Using the Fall General Collection Student Count data, a file containing the names and birthdates of the special education students within the ISD with health related IEP is transmitted to the Michigan Department of Health and Human Services (MDHHS).
- MDHHS uses this list to run an eligibility match process against the Medicaid eligibility system. The ratio of the total number of Medicaid eligible students with health-related IEPs to the total number of students with health-related IEPs is used to determine the Medicaid Eligibility Rate percentage.

General Education Medicaid Eligibility Rate

- Using the fall general collection student count data, a file containing the names and birthdates of general education students within the ISD is transmitted to the Michigan Department of Health and Human Services (MDHHS).
- MDHHS uses this list to run an eligibility match process against the Medicaid eligibility system. The ratio of the total number of Medicaid eligible students to the total number of students is used to determine the Medicaid eligibility rate percentage.

B. Specialized Transportation Services Payment Methodology Determination of Total Medicaid Reimbursable Cost:

TRANSPORTATION MAY BE CLAIMED AS A MEDICAID SERVICE WHEN THE FOLLOWING CONDITIONS ARE MET:

SPECIAL TRANSPORTATION IS SPECIFICALLY LISTED IN THE IEP AS A REQUIRED SERVICE;

1. THE CHILD REQUIRED TRANSPORTATION IN A SPECIALLY ADAPTED VEHICLE TO SERVE THE NEEDS OF AN INDIVIDUAL WITH A DISABILITY.
2. A MEDICAID ELIGIBLE SERVICE IS PROVIDED ON THE DAY THAT THE SPECIALIZED TRANSPORTATION IS BILLED; AND
3. THE SERVICE BILLED ONLY REPRESENTS THE COSTS ASSOCIATED WITH THE ONE-WAY TRIP ON THE SPECIALLY ADAPTED TRANSPORTATION FOR DIRECT MEDICAL SERVICES AS LISTED IN THE IEP/IFSP.

THE SPECIALIZED TRANSPORTATION COST POOL WILL INCLUDE ONLY THOSE COSTS BELOW ASSOCIATED WITH THE SPECIALIZED TRANSPORTATION PROGRAM DESCRIBED BELOW AND ALLOCATE THOSE COSTS BASED ON ALLOWABLE MEDICAID 1-WAY TRIPS.

TRANSPORTATION COSTS INCLUDED ON THE COST REPORT WORKSHEET WILL ONLY INCLUDE THOSE PERSONNEL AND NON- PERSONNEL COSTS ASSOCIATED WITH SPECIAL EDUCATION REDUCED BY ANY FEDERAL PAYMENTS FOR THESE COSTS, RESULTING IN ADJUSTED COSTS FOR TRANSPORTATION. THE COST IDENTIFIED ON THE COST REPORT INCLUDES THE FOLLOWING:

1. BUS DRIVERS
2. MECHANICS
3. SUBSTITUTE DRIVERS
4. FUEL
5. REPAIRS & MAINTENANCE
6. RENTALS
7. INSURANCE
8. CONTRACT USE COST
9. DEPRECIATION

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THE SOURCE OF THESE COSTS WILL BE AUDITED CHART OF ACCOUNTS DATA KEPT AT THE SCHOOL DISTRICT, ISDS, AND K-12 EDUCATIONAL INSTITUTIONS LEVEL. THE CHART OF ACCOUNTS IS UNIFORM THROUGHOUT THE STATE OF MICHIGAN.

SPECIAL EDUCATION TRANSPORTATION COSTS INCLUDE THOSE FOR WHEELCHAIR LIFTS AND OTHER SPECIAL MODIFICATIONS WHICH ARE NECESSARY TO EQUIP A SCHOOL BUS IN ORDER TO TRANSPORT CHILDREN WITH DISABILITIES.

COSTS FOR SPECIALIZED TRANSPORTATION MUST BE REPORTED IN ONE OF TWO, MUTUALLY EXCLUSIVE COST POOLS; SPECIALIZED TRANSPORTATION ONLY OR NOT ONLY SPECIALIZED TRANSPORTATION.

- SPECIALIZED TRANSPORTATION ONLY COSTS: LEAS/ISDS SHOULD REPORT COSTS IN THIS COST POOL ONLY WHEN THEY ARE ABLE TO DISCRETELY ACCOUNT FOR THESE COSTS WITHIN THEIR FINANCIAL RECORDS AND WHEN THE PERSONNEL AND NON-PERSONNEL COSTS BEING REPORTED UNDER THIS CATEGORY ARE 100% DEDICATED TO THE PROVISION OF A SPECIALIZED TRANSPORTATION TRIP. COSTS REPORTED AS SPECIALIZED TRANSPORTATION ONLY WOULD BE APPORTIONED TO THE MEDICAID PROGRAM THROUGH THE APPLICATION OF THE MEDICAID ONE-WAY TRIP RATIO ONLY.
- NOT-ONLY SPECIALIZED TRANSPORTATION COST: LEAS/ISDS SHOULD REPORT COSTS IN THIS COST POOL WHEN THEY CANNOT DISCRETELY IDENTIFY THE SPECIALIZED TRANSPORTATION COSTS FROM THEIR GENERAL TRANSPORTATION COSTS AND WHEN SPECIALIZED TRANSPORTATION PERSONNEL OR EQUIPMENT ARE USED TO PROVIDE TRANSPORTATION SERVICES FOR BOTH SPECIALIZED TRANSPORTATION AND GENERAL TRANSPORTATION STUDENTS. FOR EXAMPLE, IF A BUS MODIFIED FOR THE PURPOSES OF PROVIDING SPECIALIZED TRANSPORTATION SERVICES IS ALSO USED TO TRANSPORT A GENERAL EDUCATION STUDENT(S), THE PERSONNEL AND NON-PERSONNEL COSTS MUST BE REPORTED AS NOT-ONLY SPECIALIZED TRANSPORTATION. COSTS REPORTED AS NOT-ONLY SPECIALIZED TRANSPORTATION COSTS WILL BE APPORTIONED TO THE MEDICAID PROGRAM FIRST THROUGH THE APPLICATION OF THE SPECIALIZED TRANSPORTATION STUDENT RATIO TO IDENTIFY THE PORTION OF COSTS ASSOCIATED WITH THE PROVISION OF THE SPECIALIZED TRANSPORTATION SERVICES AND SUBSEQUENTLY BY THE APPLICATION OF THE MEDICAID ONE-WAY TRIP RATIO.

THE TWO RATIOS ARE DEFINED AS FOLLOWS:

- SPECIALIZED TRANSPORTATION STUDENT RATIO: THE SPECIALIZED TRANSPORTATION STUDENT RATIO IS REQUIRED WHEN A LEA/ISD REPORTS "NOT-ONLY SPECIALIZED TRANSPORTATION" COSTS. THIS RATIO DETERMINES THE PERCENTAGE OF STUDENTS WITH SPECIALIZED TRANSPORTATION AS PRESCRIBED IN THEIR IEP/IFSP RECEIVING SPECIALIZED TRANSPORTATION SERVICES IN A LEA/ISD AND THEREFORE THE PORTION OF COSTS ASSOCIATED WITH THE PROVISION OF SPECIALIZED TRANSPORTATION SERVICES. THE NUMERATOR OF THE SPECIALIZED TRANSPORTATION STUDENT RATIO WILL BE THE COUNT OF ALL STUDENTS WITH SPECIALIZED TRANSPORTATION PRESCRIBED IN THEIR IEP/IFSP. THE DENOMINATOR OF THE SPECIALIZED TRANSPORTATION STUDENT RATIO WILL BE THE TOTAL NUMBER OF ALL STUDENTS RECEIVING TRANSPORTATION SERVICES IN THE LEA/ISD. THIS WOULD INCLUDE STUDENTS RECEIVING BOTH SPECIALIZED TRANSPORTATION PER THEIR IEP/IFSP AND ALL OTHER STUDENTS RECEIVING TRANSPORTATION SERVICES.

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THE FORMULA FOR THE SPECIALIZED TRANSPORTATION STUDENT RATIO IS PRESENTED BELOW:

ALL STUDENTS WITH SPECIALIZED TRANSPORTATION IN THEIR IEP/IFSP
ALL STUDENTS RECEIVING TRANSPORTATION SERVICES IN THE LEA/ISD

THE APPLICATION OF THE SPECIALIZED TRANSPORTATION STUDENT RATIO TO THE NOT-ONLY SPECIALIZED TRANSPORTATION COST POOL RESULTS IN THE EXCLUSION OF ANY COSTS ASSOCIATED WITH TRANSPORTATION SERVICES FOR ANY STUDENTS THAT ARE NOT RECEIVING SPECIALIZED TRANSPORTATION SERVICES PER THEIR IEP/IFSP. THE REMAINING COSTS FOLLOWING THE APPLICATION OF THIS RATIO ARE ASSOCIATED WITH THE PROVISION OF TRANSPORTATION SERVICES FOR ONLY THOSE STUDENTS RECEIVING SPECIALIZED TRANSPORTATION PER THEIR IEP/IFSP.

NOTE: IF A LEA REPORTS COSTS AS SPECIALIZED TRANSPORTATION ONLY, AS DEFINED ABOVE, THE SPECIALIZED TRANSPORTATION STUDENT RATIO WOULD NOT BE APPLICABLE.

- MEDICAID ONE-WAY TRIP RATIO: THE MEDICAID ONE-WAY TRIP RATIO IS USED TO ALLOCATE THE MEDICAID ALLOWABLE SPECIALIZED TRANSPORTATION COSTS FROM THE TOTAL SPECIALIZED TRANSPORTATION COSTS REPORTED BY THE LEA/ISD. THE NUMERATOR FOR THE MEDICAID ONE-WAY TRIP RATIO WILL BE THE TOTAL NUMBER OF ALLOWABLE (AS DEFINED ABOVE) SPECIALIZED TRANSPORTATION ONE-WAY TRIPS FOR MEDICAID ENROLLED IEP/IFSP STUDENTS. THE DENOMINATOR FOR THIS RATIO WILL BE THE TOTAL NUMBER OF ONE-WAY TRIPS FOR ALL STUDENTS USING SPECIALIZED TRANSPORTATION VEHICLES (MEDICAID ENROLLED AND NON-MEDICAID ENROLLED STUDENTS). THE SOURCE FOR THE TRIP COUNTS REPORTED IN THE NUMERATOR AND DENOMINATOR WILL BE LEA/ISD VEHICLE/BUS LOGS OR EQUIVALENT DOCUMENTATION.

THE FORMULA FOR THE MEDICAID ONE-WAY TRIP RATIO IS PRESENTED BELOW:

ALLOWABLE SPECIALIZED TRANSPORTATION ONE-WAY TRIPS FOR MEDICAID ENROLLED STUDENTS WITH SPECIALIZED TRANSPORTATION IN THEIR IEP/IFSP
ALL SPECIALIZED TRANSPORTATION ONE-WAY TRIPS FOR ALL STUDENTS WITH SPECIALIZED TRANSPORTATION IN THEIR IEP/IFSP

THE DENOMINATOR FOR THIS RATIO SHOULD BE INCLUSIVE OF ALL ONE-WAY TRIPS FOR ALL STUDENTS INCLUDED IN THE NUMERATOR OF THE SPECIALIZED TRANSPORTATION STUDENT RATIO.

THE APPLICATION OF THE MEDICAID ONE-WAY TRIP RATIO TO THE SPECIALIZED TRANSPORTATION ONLY COST POOL AND THE NOT-ONLY SPECIALIZED TRANSPORTATION COST POOL (FOLLOWING THE APPLICATION OF THE SPECIALIZED TRANSPORTATION STUDENT RATIO) WILL RESULT IN THE IDENTIFICATION OF THE COSTS FOR SPECIALIZED TRANSPORTATION ONE-WAY TRIPS FOR MEDICAID ENROLLED STUDENTS WITH SPECIALIZED TRANSPORTATION IN THEIR IEP/IFSP.

1. ~~Medicaid allowable direct costs are captured utilizing the following reports:~~
 - a. ~~SE 4094: Special Education costs as reported in the current, CMS approved, SE 4094 Transportation Expenditure Report and identified in Step #2. This report contains only the costs associated with Special Education buses used for the specific purpose of transporting~~

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~~only Special Education children. This report does not include any federal dollars.~~

- ~~b. Michigan Department of Education Indirect Cost Rate as identified in Step #3.~~
2. Allowable direct costs as reported on the SE-4094:
- ~~a. Salaries (Sec 52 & Sec 53a; Bus Drivers, Aides & Purchased Service — Staff [Bus Drivers & Aides portion only] lines)~~
 - ~~b. Benefits (Sec 53a; 52 & Sec Employee Benefits line)~~
 - ~~c. Purchased Services — Vehicle Related Costs (Sec 52 & Sec 53a; Pupil Trans. By Carrier, Pupil Trans. By Carrier (b/y), Family Vehicle K Costs, Contracted Taxis, Pupil Trans. Fleet Ins., & Contracted/Leased Busses lines)~~
 - ~~d. Supplies (gasoline, oil/grease, tires, etc.) (Sec 52 & Sec 53a; Gasoline/Fuel, Oil/Grease, & Tires/Batteries lines)~~
 - ~~e. Other expense/Adjustments (Sec 52 & Sec 53a; Other Expense/Adjustment line, only the costs associated with adjustments to allowable costs)~~
 - ~~f. Bus Amortization (Sec 52 & Sec 53a; Bus Amortization line)~~
3. Indirect Costs
Apply the Michigan Department of Education Cognizant Agency Indirect Cost Rate to the net direct costs.
4. Net direct costs and indirect costs are combined.
5. The costs from step 4 are then divided by the total number of Special Education one-way trips to get a Special Education per trip rate.
6. The special education per trip rate is then multiplied by the number OF Medicaid eligible one-way trips to get the total cost for Medicaid eligible specialized transportation. Medicaid eligible transportation is defined as transportation provided to a beneficiary with an IEP/IFSP requiring specialized transportation and receiving a medical service on that date.
- C. Annual Reconciliation and Cost Settlement Process Health-related services cost reconciliation and settlement:
Within six months after the end of the school fiscal year, the ISDs submit the annual LEA cost report to the Michigan Department of Health and Human Services (MDHHS) This filed cost report is used by

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MI Response to Funding Questions for
SPA 26-0002 School Based Services
Submitted March 9, 2026

Funding Questions

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.)?

State Response: The State of Michigan currently retains 40% of the federal portion of reimbursement for Medicaid services billed and approved by the Intermediate School Districts (ISDs) and Detroit Public Schools (DPS) services provided through an Individualized Education Plan (IEP) or Individualized Family Service Plan (IFSP). For services delivered outside of an IEP or IFSP the State of Michigan retains 5% of the federal portion of reimbursement, Schools are not required to return any portion of the funds they receive; the state share is withheld prior to funds being paid to the participating ISDs and DPS. All funds withheld by the State are placed in the general fund.

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.

State Response: The local source for match is provided through various state funding sources. Michigan utilizes a Certification of Public Expenditures (CPE) process to certify the match. The CPE process is completed as part of the annual cost report process. The majority of state funds that are utilized for match for this program are paid by the Michigan Department of Education directly to the participating ISDs and DPS.

Please see the attached spreadsheet for responses to items i, ii, iii, iv, and v.

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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.

State Response: The state does not utilize a supplemental or enhance payment level.

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.

State Response: Not applicable.

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?

State Response: If, after the finalizing of the annual cost report, it is identified that a provider received payments in excess of their reasonable cost of providing services, that excess amount is recouped, and the federal share of the excess is returned to CMS on the next quarterly expenditure report.

Public Notice

Michigan Department of Health and Human Services Health Services

School Services Program 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 implement CMS-required changes.

The effective date for the School Services Program SPA is on or after July 1, 2026.

This SPA is necessary to ensure compliance with provisions of the CMS [Delivering Services in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming](#), released May 18, 2023. The proposed changes will include changes to the current methodologies for claiming specialized transportation of eligible students and to the School Services Program's random moment time study.

The estimated gross cost to the State of Michigan for the SPA is \$4 million - \$6 million per year in decreased Medicaid reimbursement, which consists of a \$1.6 million – \$2.4 million reduction to the Medicaid General Fund and a \$2.4 million – \$3.6 million reduction to the intermediate school districts.

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 or submitting a request in writing to: MDHHS/ Health Services Administration, Program Policy Division, PO Box 30479, Lansing MI 48909-7979 by March 5, 2026. A copy of the proposed State Plan Amendment will also be available for review at: <https://www.michigan.gov/mdhhs/inside-mdhhs/budgetfinance/264/state-plan-amendments>.

RELEASED: February 3, 2026



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ELIZABETH HERTEL
DIRECTOR

October 30, 2025

NAME
TITLE
ADDRESS
CITY STATE ZIP

Dear Tribal Chair and Health Director:

RE: Intermediate School Districts (ISD) Services State Plan Amendment (SPA)

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 SPA request to the Centers for Medicare & Medicaid Services (CMS).

This SPA is necessary to ensure compliance with provisions of CMS's [Delivering Service in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming](#), released May 18, 2023. This change will result in a reduction in Medicaid school-based specialized transportation reimbursement for both tribal and non-tribal school districts. Individual beneficiaries should not be affected, as schools will still be required to provide specialized transportation in accordance with the Individuals with Disabilities Education Act (IDEA). The effective date of this SPA is on or after July 1, 2026.

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. **Please provide all input by December 15, 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.

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An electronic copy of this letter is available at 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
Chris Poole, Director, Indian Health Service - Bemidji Area Office
Lorna Elliott-Egan, MDHHS

Distribution List for L 25-46
October 30, 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
Dr. Daryl Wever, Health Director, Little River Band of Ottawa Indians
Ms. Winnay Wemigwase, Tribal Chairperson, Little Traverse Bay Band of Odawa Indians
Ms. Jodi Werner, Health Director, Little Traverse Bay Band of Odawa Indians
Dr. Frank Animikwam, Medical Director, Little Traverse Bay Band of Odawa Indians
Mr. Bob Peters, Chairman, Match-E-Be-Nash-She-Wish Potawatomi Indians (Gun Lake Band)
Ms. Mallory Horwath, Interim Tribal Council Member, Match-E-Be-Nash-She-Wish Potawatomi
Ms. Dorie Rios, Tribal Chairperson, Nottawaseppi Huron Band of Potawatomi Indians
Ms. Daun Bieda, Interim Health Director, Nottawaseppi Band of Potawatomi Indians
Ms. Nichol Bremer, Nottawaseppi Huron Band of Potawatomi Indians - Tribal Health Department
Mr. Andrew Straatsma, Nottawaseppi Huron Band of Potawatomi Indians – 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
Chris Poole, Director, Indian Health Service - Bemidji Area Office
Lorna Elliott-Egan, MDHHS