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**State/Territory Name: MI Recovery Audit Contractor Exemption Extension**

**State Plan Amendment (SPA) #: 19-0003**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) RAC SPA Page

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
233 N. Michigan Avenue, Suite 600  
Chicago, Illinois 60601-5519



## **Regional Operations Group**

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April 17, 2019

Kathy Stiffler, Acting State Medicaid Director  
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 Ms. Stiffler:

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

- Transmittal #: 19-0003: Recovery Audit Contractor Exemption Extension
- Effective Date: April 1, 2019
- Approval Date: April 8, 2019

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/

Ruth A. Hughes  
Deputy Director  
Center for Medicaid and CHIP Service  
Regional Operations Group

cc: Erin Black, MDHHS

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

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER: 19 - 0003	2. STATE: Michigan
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
4. PROPOSED EFFECTIVE DATE April 1, 2019	

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*)

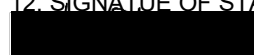
6. FEDERAL STATUTE/REGULATION CITATION: Section 1902 (a)(42)(B)(i) of the Social Security Act	7. FEDERAL BUDGET IMPACT: a. FFY 2019 \$0 b. FFY 2020 \$0
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: General Program Administration, Page 36a of Section 4.5(a)(1)	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ): General Program Administration, Page 36a of Section 4.5(a)(1)

10. SUBJECT OF AMENDMENT:

This SPA updates the time period for the existing exception to the Recovery Audit Contractor (RAC) requirements.

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

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

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO:  Medical Services Administration Actuarial Division - Federal Liaison Capitol Commons Center - 7 <sup>th</sup> Floor 400 South Pine Lansing, Michigan 48933  Attn: Erin Black
13. TYPED NAME: Kathleen Stiffler	
14. TITLE: Acting Director, Medical Services Administration	
15. DATE SUBMITTED: March 14, 2019	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: March 14, 2109	18. DATE APPROVED: April 8, 2019
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**PLAN APPROVED – ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL: April 1, 2019	20. SIGNATURE OF REGIONAL OFFICIAL: /s/
21. TYPE NAME: Ruth A. Hughes	22. TITLE: Deputy Director

23. REMARKS:

Revision: HCFA-PM-88-10 (BERC)  
 SEPTEMBER 1988  
 State: \_\_\_\_\_ MICHIGAN \_\_\_\_\_

Citation

- 4.5(a)(1) Medicaid Recovery Audit Contractor Program
- Section 1902(a)(42)(B)(i) of the Social Security Act
- The State has established a program under which it will contract with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State plan and under any waiver of the State plan.
- The State is seeking an exception to establishing such program for the following reasons:
- Due to program integrity policies and procedures now in place on the front end and the fact that the Michigan Medicaid population is predominately managed care, the existing Recovery Audit Contractor (RAC) indicated it was not interested in continuing. The State Of Michigan was unable to secure a new RAC who is interested and meets the minimum standards despite posting a request for proposal (RFP) multiple times in 2017.
- The State of Michigan has entered into a Joint Operating Agreement (JOA) with the CMS Unified Program Integrity Contractor to conduct audits on Michigan Medicaid providers. The state requests that it be granted an exception to the RAC requirements to allow the State to expand utilization of this JOA to include RAC audits.
- Section 1902(a)(42)(B)(ii)(I) of the Act
- The State/Medicaid agency has contracts of the type(s) listed in section 1902(a)(42)(B)(ii)(I) of the Act. All contracts meet the requirements of the statute. RACs are consistent with the statute.
- Place a check mark to provide assurance of the following:
- The State will make payments to the RAC(s) only from amounts recovered.
- The State will make payments to the RAC(s) on a contingent basis for collecting overpayments.
- Section 1902(a)(42)(B)(ii)(II)(aa) of the Act
- The following payment methodology shall be used to determine State payments to Medicaid RACs for identification and recovery of overpayments (e.g., the percentage of the contingency fee):
- The State attests that the contingency fee rate paid to the Medicaid RAC will not exceed the highest rate paid to Medicare RACs, as published in the Federal Register.
- The State attests that the contingency fee rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will only submit for FFP up to the amount equivalent to that published rate.
- The contingency fee rate paid to the Medicaid RAC that will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will submit a justification for that rate and will submit for FFP for the full amount of the contingency fee.

TN NO.: 19-0003

Approval Date: April 8, 2019 Effective Date: 4/1/2019 to 4/1/2021

Supersedes  
 TN No.: 17-0013