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State/Territory Name: Michigan

State Plan Amendment (SPA) #: 20-0001

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850

Financial Management Group

May 21, 2020

Ms. Kate Massey
State Medicaid Director
State of Michigan, Department of Community Health
400 South Pine Street
Lansing, Michigan 48933

RE: Michigan State Plan Amendment (SPA) 20-0001

Dear Ms. Massey:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 20-0001 effective for services on or after January 1, 2020. This SPA will provide authority to establish an Outpatient Prospective Payment System (OPPS) reduction factor specifically for Critical Access Hospitals (CAHs) to increase OPPS payments. Additionally, this SPA will remove critical access hospitals (CAHs) from eligibility for Rural Access Pool distributions for FY 2021 and future years.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 20-0001 is approved effective January 1, 2020. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Tom Caughey at (517) 487-8598.

Sincerely,

[redacted]

Kristin Fan

Director

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTHCARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 20 - 0001

2. STATE: Michigan

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

TO: REGIONAL ADMINISTRATOR
HEALTH FINANCING ADMINISTRATION
DEPARTMENT OF HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
January 1, 2020

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:
42 CFR 447

7. FEDERAL BUDGET IMPACT:
a. FFY 2020 $49,166,200
b. FFY 2021 $88,554,900

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, Page 36
Attachment 4.19-B, Page 2
Attachment 4.19-B, Page 24

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-A, Page 36
Attachment 4.19-B, Page 2
Attachment 4.19-B, Page 24

10. SUBJECT OF AMENDMENT:

This SPA will provide authority to establish an Outpatient Prospective Payment System (OPPS) reduction factor specifically for Critical Access Hospitals (CAHs) to increase OPPS payments. Additionally, this SPA will remove CAHs from eligibility for Rural Access Pool distributions for FY 2021 and future years.

11. 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:
Kate Massey, Director
Medical Services Administration

12. SIGNATUE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Kate Massey

14. TITLE:
Director, Medical Services Administration

15. DATE SUBMITTED:
March 16, 2020

16. RETURN TO:

Medical Services Administration
Actuarial Division - Federal Liaison
Capitol Commons Center - 7th Floor
400 South Pine
Lansing, Michigan 48933

Attn: Erin Black

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18 DATE APPROVED:
5/21/20

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
1/1/20

20. SIGNATURE OF REGIONAL OFFICIAL:
[redacted]

21. TYPE NAME:
Kristin Fan

22. TITLE:
Director, FMG

23. 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)

Rural Access Pool

The State will establish a Rural Access Pool beginning in State FY 2013 for hospitals that provide Medicaid services to low income rural residents. Effective state FY 2021, eligibility for the rural access pool is limited to non-critical access hospitals. To be eligible for this pool, hospitals must be categorized by the Centers for Medicare & Medicaid Services as a sole community hospital, or meet both of the following criteria.

1. A hospital must have 50 or fewer staffed beds. The State will calculate staffed beds by dividing the total hospital days reported by the hospital on its Medicaid cost report with a fiscal year ending between October 1, 2010 and September 30, 2011, by the number of days covered in the cost report; and

2. A hospital must be located in a county with a population of not more than 165,000 and within a city, village, or township with a population of not more than 12,000. The population threshold will be measured against population counts from the 2000 federal decennial census.

Each hospital's allocation from this pool will be calculated as the unreimbursed cost the hospital incurred providing inpatient services to Michigan Medicaid beneficiaries during its cost period that ended during the second previous fiscal year. For example, to calculate the 2013 pool, hospital cost reports with fiscal years ending between October 1, 2010 and September 30, 2011 will be used.

Provider costs will be determined using data reported on the following lines of the CMS 2552-96 or their equivalent lines on the CMS 2552-10. Inpatient costs are obtained from Worksheet D-1, Part II, Title XIX, Line 49. The following gross Medicaid payments from this cost report period will be applied against cost to determine unreimbursed cost: operating, capital, graduate medical education, executive order reductions, and Medicaid access to care initiative, or any other supplemental payment.

Payments will be made within 45 days of the beginning of each quarter. The quarterly payments will be made in four equal installments based on the total annual amount the hospital is eligible to receive.

The total amount of the rural access pool payments is the sum of each hospital's allocation from this pool described above.

In the aggregate, the State reimburses hospitals up to maximum allowable under the Federal upper payment limits for inpatient services provided to Medicaid beneficiaries. To keep total Medicaid fee-for-service payments to hospitals within the Federal upper payment limits, the State will reduce the size of the applicable year's MACI Pool payments by the size of the Rural Access Pool.

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)

3. Outpatient Hospital Services and Other Outpatient Prospective Payment System (OPPS) Reimbursed Facilities

Reimbursement to individual hospitals, including off-campus satellite clinics, hospital-owned ambulance services, freestanding dialysis centers, comprehensive outpatient rehabilitation facilities (CORFs) and rehabilitation agencies for outpatient services is made in accordance with Medicaid's OPPS. Payments made under OPPS will be calculated utilizing the current Medicare conversion factors/rates with an MDHHS reduction factor (RF) applied to the calculated payment (Medicare fee x RF =Medicaid fee) to maintain statewide budget neutrality. Effective FY 2020, the state will reimburse critical access hospitals using an enhanced OPPS reduction factor. The current Michigan Medicaid fee schedule and OPPS reduction factors are available at www.michigan.gov/medicaidproviders .

a) Monitoring of outpatient hospital expenditures will be conducted and the reduction factor adjusted to maintain statewide budget neutrality. A wage index of 1.0 is applied for all hospitals.

b) Medicare's APC weights are utilized.

c) Services paid reasonable cost under OPPS are paid by applying individual hospital cost-to-charge ratios to charges.

d) Updates of each hospital's outpatient cost-to-charge ratios are done in conjunction with updates of the inpatient operating ratios.

e) For out of state hospitals, the default cost-to-charge ratio is the average statewide outpatient cost-to-charge ratio.

When service coverage/reimbursement methodology differences exist between Medicare and Medicaid, Medicaid fee schedules are utilized. Methodology differences only exist when Medicare does not cover a facility-based service provided. The current Michigan Medicaid fee schedule, available at www.michigan.gov/medicaidproviders, is updated to conform to Medicare OPPS and is effective for dates of service on or after January 1, 2016.

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)

Rural Access Pool

The State will establish a Rural Access Pool beginning in State FY 2013 for hospitals that provide Medicaid services to low income rural residents. Effective state FY 2021, eligibility for the rural access pool is limited to non-critical access hospitals. To be eligible for this pool, hospitals must be categorized by the Centers for Medicare & Medicaid Services as a sole community hospital, or meet both of the following criteria.

1. A hospital must have 50 or fewer staffed beds. The State will calculate staffed beds by dividing the total hospital days reported by the hospital on its Medicaid cost report with a fiscal year ending between October 1, 2010 and September 30, 2011, by the number of days covered in the cost report; and

2. A hospital must be located in a county with a population of not more than 165,000 and within a city, village, or township with a population of not more than 12,000. The population threshold will be measured against population counts from the 2000 federal decennial census.

Each hospital's allocation from this pool will be calculated as the unreimbursed cost the hospital incurred providing outpatient services to Michigan Medicaid beneficiaries during its cost period that ended during the second previous fiscal year. For example, to calculate the 2013 pool, hospital cost reports with fiscal years ending between October 1, 2010 and September 30, 2011 will be used.

Provider costs will be determined using data reported on the following lines of the CMS 2552-96 or their equivalent lines on the CMS 2552-10: GME costs are determined. First, Total Medicaid Outpatient Program Charges (reported on Worksheet D, Part V, Column 5, Lines 37.00 through 65.99, excluding Lines 63.50 through 63.99 of the CMS 2552-96) are divided by Total Hospital Charges Net of Hospital Based Physicians, for all provider types (reported on Worksheet G2, Column 1, Lines 1, 2, 10-14, 17, and 18 of the CMS 2552-96). This ratio is then multiplied by the Intern and Resident Cost (reported on the Worksheet B, Part 1, Columns 22 and 23, Line 95 of the CMS 2552-96) to determine GME costs. Non-GME costs are obtained from Worksheet D, Part V, Column 9, Lines 37.00 through 65.99, excluding lines 63.50 through 63.99. GME and Non-GME costs are combined to determine total costs. The following gross Medicaid payments from this cost report period will be applied against cost to determine unreimbursed cost: operating, capital, graduate medical education, and Medicaid Access to Care Initiative, or any other supplemental payment.

Payments will be made within 45 days of the beginning of each quarter. The quarterly payments will be made in four equal installments based on the total annual amount the hospital is eligible to receive.

The total amount of the rural access pool payments is the sum of each hospital's allocation from this pool described above.

In the aggregate, the State reimburses hospitals up to maximum allowable under the Federal upper payment limits for outpatient services provided to Medicaid beneficiaries. To keep total Medicaid fee-for-service payments to hospitals within the Federal upper payment limits, the State will reduce the size of the applicable year's MACI Pool payments by the size of the Rural Access Pool.