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State/Territory Name: Michigan

State Plan Amendment (SPA) #: MI 26-0007

This file contains the following documents in the order listed:

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

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

Financial Management Group

August 13, 2026

Meghan Groen
Senior Deputy Director
State of Michigan, Department of Community Health
400 South Pine Street
Lansing, Michigan 48933

RE: TN 26-0007

Dear Deputy Medicaid Director Groen:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Michigan state plan amendment (SPA) to Attachment 4.19-A, MI-26-0007, which was submitted to CMS on May 18, 2026. This plan amendment modifies hospital reimbursement methodology so that readmissions within 15 days to separate hospitals for the same condition are treated separately for payment purposes.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of July 1, 2026. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Tom Caughey at 517-487-8598 or via email at tom.caughey@cms.hhs.gov.

Sincerely,

Rory Howe
Director
Financial Management Group

Enclosures

DEPARTMENT OF HEALTH ANDHUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 26 — 0007

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
July 1, 2026

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 10

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTIONOR ATTACHMENT *(If Applicable)*
Attachment 4.19-A, Page 10 (TN# 15-0014)

9. SUBJECT OF AMENDMENT
This SPA modifies hospital reimbursement specific to readmissions within 15 days to a different hospital for the same condition as the original admission, now allowing for it to be considered separate for payment purposes.

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
[redacted]

11. TYPED NAME
Meghan Groen

12. TITLE
Senior Chief Deputy

13. DATE SUBMITTED
May 18, 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
May 18, 2026

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 1, 2026

19. SIGNATURE OF APPROVING OFFICIAL
[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director Financial Management Group

22. REMARKS

FORM CMS-179 (09/24)

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

Policy and Methods for Establishing Rates – Inpatient Hospital

(Hospital DRG Rate x Relative Weight) + [(Charges x Operating Cost-to-Charge Ratio) - (Cost Threshold)] x 85 percent) = Reimbursement for Cost Outlier Claim

B. Low Day Outliers

For services where the length of stay is less than the published low day threshold, reimbursement is charges multiplied by the individual hospital's operating cost to charge ratio, not to exceed the full DRG payment. The specific low day outlier threshold for each DRG is listed on the state website.

C. Transfers

Payment to a hospital that receives a patient as a transfer from another inpatient hospital differs depending on whether the patient is discharged or is subsequently transferred again.

1. Payment to the Transferring Hospital

Except in the cases where the DRG is defined as a transfer of a patient (for which a full DRG payment is made, plus an outlier payment, if appropriate) the transferring hospital is paid a DRG daily rate for each day of the beneficiary's stay, not to exceed the appropriate full DRG payment, plus an outlier payment, if appropriate.

2. Payment to the Receiving Hospital

If the patient is discharged, the receiving hospital is paid the full DRG payment, plus an outlier payment if appropriate.

Reimbursement is based on discharge in the following situations. If the beneficiary:

a. Is formally released from the hospital, or

b. Is transferred to home health services, or

c. Dies while hospitalized, or

d. Leaves the hospital against medical advice, or

e. Is transferred to a long-term care facility.

If the patient is transferred again, the hospital is paid as a transferring hospital.

D. Readmissions

Readmissions within 15 days for a related condition to the same hospital are considered a part of a single episode for payment purposes. If the readmission is to a different hospital, separate payment is made to both hospitals.

Readmissions for an unrelated condition, whether to the same or a different hospital, are considered separate episodes for payment purposes.