

	Payment Overview	
	<b>Policy Number</b>	FOM 903-01
	<b>Effective Date</b>	10/01/2017
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	<b>Attachment</b>	

## PAYMENT OVERVIEW

West Michigan Partnership for Children (WMPC) will utilize the services of individual families, placement agency foster care (PAFC) providers, private child caring institutions (CCI), court-operated facilities, the Michigan Department of Health and Human Services (MDHHS)-operated facilities, mental health facilities, and other facilities such as hospitals and adult foster care homes, as appropriate, to meet the needs of an individual child. A combination of the child's legal status, family financial circumstances, and placement needs strictly determines which fund source is used to pay for placement and other related services.

### INTRODUCTION TO PAID SERVICE AUTHORIZATION

Types of paid service authorizations are listed below along with manual references explaining how the payments are initiated.

#### Placement Service Authorization

Placement service authorizations include maintenance. Service authorizations are created, amended, and end dated within the electronic case management system. Further policy clarification is provided for many placement service authorizations.

- For family foster care service authorization details for all foster families and paid relative providers see [WMPC FOM 903-03, Payment for Foster Family/Relative Care](#).
- For purchased care payment procedures for PAFC and CCIs see [WMPC FOM 903-04, Purchased Care Payment Procedures](#).
- For foster care rates see [WMPC FOM 905-03, Foster Care Rates](#).

#### Case Service Authorizations

For detailed requirements for case services see [WMPC FOM 903-09, Case Service Payments](#). Some medical reimbursements can be requested on a [DHS-93, Medical Service Authorization](#). For policy requirements see [SRF 800, DHS-93 Medical Service Authorization](#).

### Taxability of Foster Care Payments

Taxable income is defined in [MCL 206.30\(I\)](#) as adjusted gross income as determined in the Internal Revenue Code (IRC) subject to certain adjustments.

Foster care payments, including determination of care (DOC) payments, are not taxable to the extent these payments are excludable from adjusted gross income under [Section 131 of the IRC](#).

Foster care payments that are not excludable from taxation under Section 131 will be included in adjusted gross income as compensation for personal services. These payments are taxable to a resident of this state and to a nonresident if the personal services are performed in this state.

Foster parents may receive an IRS 1099 form. This is not meant to be a determination of tax liability.

Recipients of foster care payments must consult a tax advisor for further clarification.

### PAYMENT SYSTEMS PROCEDURES

In all cases the service authorization must be completed in a timely manner in the electronic case management system; see [MDHHS' Reference Schedules Manual \(RFS\) 205, Children's Foster Care Payment Schedule](#). Warrants are issued weekly. Each warrant will cover maintenance and administrative payments for any verified previous bi-weekly period(s) and case service payments. Details regarding child specific service authorizations, payment requests, rosters, and warrants can be found in the electronic case management system.

### Returned, Lost, Stolen, Forged, or Undelivered Warrants

Warrants issued from the electronic case management system that are returned, lost, stolen, forged, or undelivered can be stopped or rewritten. Review MDHHS' electronic case management system Warrant Rewrite and Reissue job aid for further instructions.

### INCORRECT PAYMENTS

Prompt corrective action must be taken when payment errors are identified.

### Reconciliation of Payments

If the wrong fund source was used for a payment, reconciliation must be completed in the electronic case management system.

### Recoupment of Overpayments

#### Foster Care Providers

Recoupment action is necessary when a provider is overpaid for services and the funds must be returned to MDHHS. When an error is identified, the child's payment history must be closely researched to ensure that all payments made in error are processed for recoupment. Payment recoupment includes both the placement service and case service payments.

Examples of circumstances that require recoupment include:

- Child moves from a paid, licensed provider to an unlicensed relative and an overpayment is made to the licensed provider.
- Payment to one provider continues beyond the date of the child's placement and another provider is entitled to payment for the child's care.
- DOC supplement is paid for a period of time beyond the authorization.
- Enhanced Foster Care (EFC) supplement and admin rate are paid for a period of time beyond the authorization.
- The incorrect EFC rate is paid for a period of time.
- A clothing allowance was made to the child's prior placement after the child moved to a new placement.
- A child does not complete driver's education, but a payment was issued.

To correct these types of payment errors, the local MDHHS staff must ensure that the recoupment is completed in the electronic case management system. If a different provider needs to be paid for the same dates or services, the local MDHHS office must execute a new service authorization and request a manual payment from the Federal Compliance Division (FCD) at MDHHS- [federalcompliance@mdhhs.gov](mailto:federalcompliance@mdhhs.gov).

#### Independent Living

WMPC does not request recoupment for overpayments made to a youth in independent living. The worker must ensure accuracy for all independent living placements and service authorizations in the electronic case management system to ensure overpayments are not made.

#### Time Limit on Foster Care Payments

Requests for payment exceeding 12 months from the date of service will **not** be honored. To request a rare exception to policy for payment of dates exceeding 12 months from the date of service, a policy exception request must be submitted for approval of WMPC's Chief Financial Officer.

#### Problem Payment Inquiries

Workers with questions concerning payments can contact the assigned PBFS worker, who will, in turn, contact FCD at MDHHS- [federalcompliance@mdhhs.gov](mailto:federalcompliance@mdhhs.gov) for assistance if needed.