

May 2013

<Provider Name>
<Provider Address1>
<Provider Address2>
<Provider City> <state> <zipcode5-zip4>

Dear Provider:

RE: Medicare Sequestration

As a result of the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012, the Centers for Medicare and Medicaid Services (CMS) is reducing payments to providers for the provision of services to Medicare beneficiaries by 2% effective for dates of service on and after April 1, 2013. On March 8, 2013, CMS announced that the reduction will be applied as the last step of Medicare payment calculations and will not impact official Medicare payment rates. Instead, the claims payment adjustment will be applied to claims after determining coinsurance, deductible, and Medicare Secondary Payment adjustments. This letter provides information on how the Michigan Department of Community Health (MDCH) will treat the following as a result of the 2% Medicare payment reduction:

- Crossover claims where Medicare is the primary payer and Medicaid is the secondary payer;
- Outpatient hospital and ambulatory surgical center claims where Medicaid is the primary payer; and
- Affordable Care Act-related primary care rate increase.

Crossover claims where Medicare is the primary payer and Medicaid is the secondary payer:

The current claims crossover process from Medicare to Medicaid for individuals dually eligible for Medicare and Medicaid will continue. (For information regarding crossover claims, refer to Section 4 of the Coordination of Benefits chapter of the Medicaid Provider Manual, available at www.michigan.gov/medicaidproviders >> Medicaid Provider Manual.) MDCH will identify the 2% Medicare sequestration amount within the crossover claim by the presence of Claim Adjustment Reason Code (CARC) "223" (*adjustment code for mandated federal, state or local law/regulation that is not already covered by another code and is mandated before a new code can be created*). MDCH intends to treat CARC "223" as a contractual obligation; therefore, MDCH's payment liability will remain the same and will not change due to the 2% reduction in Medicare payment.

Outpatient hospital and ambulatory surgical center claims where Medicaid is the primary payer:

Medicaid payment rates to hospitals for services provided in the outpatient hospital setting are calculated as a percentage of Medicare payment rates. The Medicare rate file used by MDCH for pricing Medicaid outpatient hospital claims was not changed by CMS on April 1, 2013, since the Medicare reduction is applied as the last step of the Medicare payment calculation process. As a result, MDCH did not and will not change its Medicaid Outpatient Prospective Payment System (OPPS) or Ambulatory Surgical Center (ASC) reduction factors for dates of service on and after April 1, 2013.

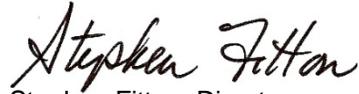
Affordable Care Act-related primary care rate increase:

Medicaid payment rates to eligible primary care physicians, as part of section 1202 of the Affordable Care Act, will not be affected by the 2% Medicare payment reductions to providers.

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Thank you for your continued participation in the Michigan Medicaid Program and your commitment to providing quality care to Michigan's most vulnerable citizens. If you have any questions please contact Provider Inquiry at 1-800-292-2550 or providersupport@michigan.gov.

Sincerely,

A handwritten signature in black ink that reads "Stephen Fitton". The signature is written in a cursive, flowing style.

Stephen Fitton, Director
Medical Services Administration