

August 6, 2014

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

Dear Provider:

RE: Primary Care Provider Incentive Program – Employer Retention

Pursuant to Section 1202 of the Affordable Care Act, state Medicaid programs are required to implement a temporary primary care rate increase for specific primary care services furnished by certain qualified primary care providers. Requirements related to the increased payments apply to services reimbursed by Medicaid Fee-for-Service (FFS) and Medicaid Health Plans (MHPs). The Michigan Department of Community Health (MDCH) issued policy bulletin MSA 12-66 announcing that for dates of service on and after January 1, 2013, and through December 31, 2014, MDCH will apply an increased payment rate to enrolled practitioners for primary care services delivered by a physician with a specialty designation of family medicine, general internal medicine, or pediatric medicine. MSA 12-66 outlines the specific details regarding eligible providers and primary care services.

MDCH has received inquiries regarding whether provider employers or provider organization group entities may retain any of this incentive revenue as opposed to flowing all dollars directly to eligible practitioners. Based on previous federal guidance, MDCH stated that provider groups may not retain any portion of these payments. However, the Centers for Medicare and Medicaid Services (CMS) has recently clarified their guidance to States. Based on this updated guidance, MDCH will now permit these payments to be retained by provider employers or provider organization group entities under certain circumstances as described below.

Organizations employing providers under salary arrangements have the following three broad options regarding additional payments provided under section 1202 of the Affordable Care Act:

1. Employing organizations can make additional payments to employed physicians for 100% of the amount of the enhanced payments. These payments can come in the form of increased salary or through direct payment.
2. Employing organizations can retain 100% of the enhanced primary care payments for salaried physicians. This option is permissible only if there is a contractual employment agreement in place between the physician and the employing entity stipulating that the physician accepts his or her salary as payment in full regardless of Medicaid reimbursement levels.
3. Employing organizations can modify employment arrangements to increase reimbursement to salaried physicians to reflect a portion of these payments, as long as there is a contractual employment agreement in place between the physician and employing entity stipulating that the physician accepts his or her salary as payment in full regardless of Medicaid reimbursement levels.

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

Sincerely,



Stephen Fitton, Director
Medical Services Administration