April 20, 2018

Ms. Adriena Krul-Hall

Bureau of Medicaid Policy and Health System Innovation **D R A F T**

Medical Services Administration

P.O. Box 30479

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**E: Project Number 1804 - Lab**

Dear Ms. Krul-Hall:

On behalf of its member hospitals, the Michigan Health & Hospital Association (MHA) appreciates the opportunity to provide comments to the Medical Services Administration (MSA) regarding the above referenced proposed policy to update Medicaid payment rates for clinical laboratory fee schedule (CLFS) services effective July 1, 2018. The policy indicates that this proposal is in response to the Protecting Access to Medicare Act (PAMA) of 2014, which updated Medicare payment rates for the majority of CLFS services based on the weighted median of private payer rates. As a result of the PAMA, Medicare CLFS payments to Michigan hospital laboratories were cut approximately $11 million in 2018, increasing to nearly $40 million in 2021.

For Medicare, the PAMA reductions apply only to hospital laboratory services that are paid separately, with no payment impact for services that are part of a bundle such as packaged Ambulatory Payment Classification (APC) payments. During the April 17 MSA hospital workgroup meeting, MSA staff indicated that the rate changes specified in the above referenced proposed policy would **not** apply to hospital lab services billed on a UB-04 but will apply for services billed on a professional claim form (CMS-1500) including:

* independent clinical lab services
* physician and clinic lab services
* services that are not relative value unit based codes

**The MHA requests that the MSA clarify in the final policy that these proposed changes do not apply to lab services billed on a hospital claim (UB-04) and only apply for services billed on a professional claim (CMS-1500).**

As currently written, the policy states that the MSA is implementing the PAMA payment adjustments but does not delineate what that entails. The policy states that Medicaid currently pays 90 percent of the Medicare rate but is unclear regarding whether the 90 percent will change. This lack of clarity results in not knowing what the Medicaid rates will be on July 1, 2018. During the recent MSA hospital workgroup meeting, the MSA staff indicated that this policy is **not** being implemented as a cost saving measure and that the impact is anticipated to be budget-neutral on a statewide basis although payment rates will increase for some services and decrease for others. **The MHA requests that the MSA clarify and include information regarding the overall financial impact in the final policy**.

Medicaid currently pays CLFS services at 90 percent of the Medicare CLFS rate. For many CLFS services, Medicare payment rates declined as a result of the PAMA. We are especially concerned since Medicare CLFS rates are set to decrease by $338 million over the next ten years. Additional cuts to Medicaid payment rates may result in some hospitals no longer being able to provide outreach lab services to physician offices, clinics and patients in their communities.

While MSA has verbally indicated that this proposal will be implemented in a budget-neutral manner, we request clarification on the process. **For example, will Medicaid adjust the percentage and pay more than 90 percent of Medicare CLFS rates in future years?** It seems that an annual adjustment is required for maintaining budget-neutrality similar to the annual outpatient prospective payment system factor update.

As currently proposed, the Medicaid payment rate for CLFS services would decline significantly following the Medicare cuts making it unsustainable for facilities to continue providing these services. T**he MHA requests clarification in the final policy. In addition, we request that the MSA provide an impact analysis that includes the rate change for each HCPCS code along with statewide volume. This would allow labs to see the impact by code.**

Our understanding is that the current Medicaid CLFS payments are based on the 2009 Medicare CLFS with new codes that have been added each year. The MSA has also indicated that CLFS payment rates will be reviewed annually. **The MHA is supportive of using the most recent Medicare fee schedules**.

We noted that the distribution of the proposed policy did not include hospitals. Since many hospitals operate clinical outreach laboratories, **the MHA recommends that hospitals be included on distribution of the final policy regardless of whether there is an impact on facility-based payments.**

Again, the MHA appreciates this opportunity to provide comments to the MSA. We believe that our suggested changes will result in a positive outcome for both providers and the MSA and the Medicaid beneficiaries served. If you have any questions, please contact me by phone at (517) 703-8608 or via email at vkunz@mha.org.

Sincerely,

Vickie R. Kunz

Senior Director, Health Finance