



STATE OF MICHIGAN  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

November 4, 2020

TO: Executive Directors of Prepaid Inpatient Health Plans

FROM: Jeffery L. Wieferich, M.A., LLP *JW*  
Director  
Bureau of Community Based Services

SUBJECT: Direct Care Worker Premium Pay

The purpose of this communication is to address concerns/rumors that have been expressed about the lack of guidance the department provided regarding how to pay the premium pay for Direct Care Workers that was established to support them during the COVID-19 pandemic.

As you are aware, the state initiated a temporary \$2.00 an hour wage increase for selected direct care workers starting April 1, 2020. The increase was established to provide additional money to workers who continued to provide the identified Medicaid, billable vital services during the COVID-19 crisis. The first period covered April 1 – June 30 and state general and Medicaid funds were used for this increase. Medicaid numbered letters 20-27 ([L 20-27](#)) and 20-28 ([L 20-28](#)), provided the permission and general guidance for the distribution of the premium pay.

L 20-28 added additional codes for the behavioral health system that were approved to be covered.

Public Act 123 of 2020 ([PA 123](#)) extended the pay increase until September 30, 2020 and Medicaid letter 20-42 ([L 20-42](#)) provided the permission and general guidance for the distribution of the funds. The funding for this wage increase was through Coronavirus Relief Funds through the Federal government. These funds are closely audited for appropriate use, which requires significant reporting on the part of the state for how they are used. Letter 20-42 also contained the following statement:

***All Premium Payments are subject to audit and potential recoupment. Providers should retain documentation that supports the distribution to direct care workers and that payments were made in accordance with the requirements in this letter and Letters L 20-27 and L 20-28.***

Executive Directors of Prepaid Inpatient Health Plans  
November 4, 2020  
Page 2

Currently, Public Act 166 of 2020 ([PA 166](#)), has extended the pay increase until December 31, 2020 and Medicaid letter 20-67 ([L20-67](#)) provides the permission and general guidance for the distribution of these funds. State general and Medicaid funds were used for this increase.

Additionally, there were also other communications regarding paying the wage from BHDDA in emails and in various meetings with PIHP leadership. BHDDA posted Direct Care Wage communications from May 18, 2020 and May 22, 2020 on the COVID-19 Policy Update webpage ([COVID-19 Policies](#)).

The funding for the wage increases in FY 20 were included in the June and September Medicaid capitation payments. The funds for the first quarter of FY 21 will be included in the Medicaid capitation payments for November.

The guidance from the department has been consistent in terms of the purpose and the use of the funds. Any deviation from that purpose, i.e., paying for non-billable time; paying for different codes; paying different staff; paying overtime; would require the use of another funding source, not the funding provided for this specific wage increase. These are items that will be subject to audit and potential recoupment.

As has been stated from the beginning, the wage increase is temporary and even though the funds were provided through the Medicaid capitation payments the funding for the wages will not be utilized when setting future Medicaid rates. That being said, as the funds are not a true component of the established Medicaid rates, those funds cannot be used in the calculation of Medicaid savings and Internal Service Funds and the unused funds must be returned to the department.

I hope this helps in addressing the concerns that have been expressed about a lack of direction from the department. I am also aware that there are regions that have provided the wage increase appropriately so we do know that the guidance that was provided through this process was followed and that is greatly appreciated.

cc: Allen Jansen  
Penny Rutledge  
Jackie Sproat