



Sequestration Reduction

As a reminder, Medicare sequestration is addressed in HAP's provider manual and applies to all HAP Medicare Advantage members and plans. HAP will continue to apply Medicare sequestration, please see details below.

When actively recognized and applied by the Centers for Medicare & Medicaid Services (CMS) to capitation payments for Medicare Advantage Organizations (MAOs), sequestration reductions will be applied by HAP and its licensed MAO subsidiaries to all provider payments for services rendered to Medicare Advantage beneficiaries considered non-supplemental benefits under the Medicare program. This includes but is not limited to:

- All provider payments made to non-participating providers with the exception of providers not under U.S. jurisdiction.
- All non-supplemental benefit payments made to participating providers*
- Payments for services rendered at sites not covered under Medicare Fee for Service but where the service has been authorized by HAP. For example:
 - Surgical procedures not on the CMS ASC-approved list, which HAP has approved for coverage at an ambulatory surgery center.
 - Telehealth services that do not abide by Medicare rural origination rules but authorized by HAP.

Provider payments exempted from sequestration reductions include:

- Supplemental benefits covered by HAP but not covered under Medicare FFS as explicitly identified by HAP through the CMS Medicare Advantage bid process.
- Provider payments for services fully covered under a secondary capitation rate (e.g. payments for services covered by the MDHHS Medicaid capitation component but not the CMS Medicare capitation component of the MI Health Link integrated care program).
- Incentive payments to providers not customarily covered under Medicare FFS. For example:
 - Payments made under HAP's pay-for-performance Best Practices program
 - Pay-for-reporting paid by medical claims, medical management payments
- Any provider payments for services that would fall outside of sequestration under Medicare FFS (e.g. payments to foreign providers).

* except in cases where the provider contract expressly excludes the application of sequestration reductions, even if the provider contract does not specifically address the topic of sequestration.