



Michigan Association of
COMMUNITY MENTAL HEALTH
Boards

The (QAAP) Proposal

The Granholm Administration, in its FY 2010-11 budget, is proposing the implementation of a physician QAAP. The physician QAAP would tax payments for physician services (with the exception of pass-through pharmaceutical costs) at 3.0%.

The budget assumes that the State would collect \$300.0 million in revenue from this tax, based on an estimated tax base of \$10.0 billion. The State would retain a portion of this revenue, estimated at \$107.8 million, and would use the remaining portion, \$192.2 million, combined with Federal Medicaid match, to increase Medicaid physician reimbursement rates, both fee for service and managed care, by \$715.4 million.

The administration states that this would increase Medicaid physician payment rates up to the rates paid by the Federal Medicare program. The administration argues that the rate increase provided would represent an 80.0% increase in Medicaid rates, which would take Medicaid rates from roughly 55.6% of Medicare up to 100.0% of Medicare.

As about \$537.2 million of this increased funding would flow through the Medicaid HMOs, the Medicaid HMO 6.0% Use Tax base would increase and that would generate an additional \$25.1 million in net revenue for the State.

Therefore, the Administration argues that its proposal would lead to a net benefit of \$132.9 million for the State's budget (the \$107.8 million gainshare plus the \$25.1 million net revenue increase).

The estimated net benefit to the physician community, that is, Medicaid rate increase less tax paid, would be \$415.4 million.

The Administration further argues that physician practices that receive more than 4.0% of their revenue from Medicaid would see a net benefit. In other words, a physician practice that received 4.0% of its revenue from Medicaid would receive a Medicaid increase equivalent to the amount of tax paid.