



May 2, 2013

Subject: American Taxpayer Relief Act of 2012/ Sequestration

The Budget Control Act of 2011 requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. The American Taxpayer Relief Act of 2012 postponed sequestration for 2 months. As required by law, President Obama issued a sequestration order on March 1, 2013. Sequestration reductions began April 1, 2013.

At Care1st, working with our dedicated health care partners is a priority and a pillar to our success as a health plan. Providing accurate information regarding sequestration is important to us so together we can deliver quality care to Medicare beneficiaries while sustaining administered affordable benefits.

We will all need to continue to urge Congress to take prompt action to address the current budget uncertainty and the economic hardships imposed by sequestration.

Some details for you to review around this change:

- As sequestration reductions have now been imposed by the Centers for Medicare & Medicaid Services (CMS), Care1st will implement the same reductions to network and non-network provider payments.
- This reduction applies to all of our Medicare Advantage plans, effective April 1, 2013.
- Capitation payments to Participating Provider Groups are also subject to sequestration. The 2% payment reduction will be applied to net capitation payments.
- All non-network providers and network providers who are reimbursed using a fee schedule based off the Medicare payment system (e.g., Medicare Physician Fee Schedule, ASP, DMEPOS fee schedule, Prospective Payment



Systems such as Acute Inpatient Payments/DRG, APC, Home Health, etc.) will have the same sequestration reduction applied in the same manner as CMS. This applies to all Health Care Professionals, Providers, and Suppliers.

- The claims payment adjustment shall be applied to all claims after determining the Medicare allowed amount, copay, coinsurance, any applicable deductible, and any applicable Medicare Secondary Payment adjustments.
- Though beneficiary payments for deductibles and coinsurance are not subject to the 2 % payment reduction, Care1st Health Plan's reimbursements to claims paid by beneficiaries for unassigned claims are subject to the 2 % reduction. Like the Centers for Medicare & Medicaid Services, Care1st Health Plan encourages Medicare physicians, practitioners, and suppliers who bill claims on an unassigned basis to discuss with beneficiaries the impact of sequestration on Medicare's reimbursement.

At Care1st we are working hard to implement the sequestration requirement and will share all available information to you, our provider partners.

The more we educate ourselves on what sequestration means to Medicare Advantage health plans and our provider partners the more successful we will be in navigating this challenge together.