




Michigan Department of Health and Human Services
Behavioral and Physical Health and Aging Services Administration

MEMORANDUM

To: Executive Officers of the Prepaid Inpatient Health Plans and Community Mental Health Services Program

From: Kristen Morningstar, Director 
Bureau of Specialty Behavioral Health Services

Date: February 6, 2026

RE: Revised Clarification of Direct Care Worker Wage Increase

Purpose:

This memorandum provides formal clarification regarding Prepaid Inpatient Health Plans (PIHP) responsibilities for implementing the Direct Care Worker (DCW) Wage Increase under Numbered Letter L-25-78 and outlines how recent minimum wage changes have been incorporated into PIHP managed care capitation rates. This guidance is intended to ensure consistent application across all PIHPs and contracted provider networks.

Statutory and Policy Requirements:

It is the responsibility of PIHPs to implement the wage increases in accordance with L 25-78. For reference please see: [Numbered-Letter-L-25-78-DCW.pdf](#).

The Department continues to receive questions and requests for guidance related to implementation of the Direct Care Worker (DCW) Wage Increase, which are clarified below:

- Consistent with L-25-78, the DCW Wage Increase **cannot** cover costs associated with the minimum wage increase.
- Consistent with L-25-78, the DCW Wage Increase is **in addition to** the minimum wage.
- State minimum wage changes are **separate from** the DCW Wage Increase detailed in L-25-78.
 - DCW Wage Increase is a standardized increase to a worker's hourly wage.
 - State minimum wage changes **do not** result in standardized wage increases.

Incorporation of Minimum Wage Changes Into PIHP Capitation Rates:

SFY 2025 Rate Amendment

- SFY 2025 amended managed care rates support the February 21, 2025, minimum wage increase as related to DCW services.

- Revised PIHP rates were reflected in Gross Adjustments transmitted February 5, 2026.
- As indicated in the SFY 2025 PIHP Rate Certification Amendment (December 26, 2025):
 - Michigan's minimum hourly wage increased to **\$12.48** effective February 21, 2025.
 - This adjustment was applied beginning **February 1, 2025**, in recognition of the administrative complexities with implementing mid-month wage increases.
 - The rate adjustment was informed by survey data provided by the Specialty System.
- The Michigan Earned Sick Time Act (effective February 21, 2025) was also incorporated into the rate adjustment with an effective date of February 1, 2025.

SFY 2026 Current PIHP Rates

- SFY 2026 current managed care rates support the **January 1, 2026**, minimum wage increase as related to Direct Care Worker services.
- PIHP Capitation payments effective October 2025 reflect this minimum wage consideration.
- As indicated in the PIHP Rate Certification (September 29, 2025):
 - Michigan's minimum hourly wage increased to **\$13.73** effective January 1, 2026.
 - Rates reflect:
 - **\$12.48** minimum wage for October 1–December 31, 2025
 - **\$13.73** minimum wage for January 1–September 30, 2026
 - The SFY 2026 current rates were informed by survey data provided by the Specialty System.
 - The Michigan Earned Sick Time Act (effective February 21, 2025) was also incorporated into SFY 2026 current rates.

Department Expectations for PIHPs:

As a result of guidance in the form of L-Letters and funding incorporated into PIHP capitation rates as described above, it is MDHHS's reasonable and **firm expectation that all qualifying DCW workers are compensated, prior to overtime consideration, at no less than:**

- **\$15.88** per hour ($\$12.48 + \3.40) for the period **February 1–December 31, 2025**
- **\$17.13** per hour ($\$13.73 + \3.40) beginning **January 1, 2026**

Recordkeeping Requirements:

Additionally, as required under L-25-78:

- DCW agencies that are a network provider under a Medicaid managed care entity and/or their subcontractor must retain documentation demonstrating:
 - Distribution of the DCW Wage Increase to eligible workers.
 - Compliance with all requirements in L-25-78.

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- Documentation must be provided upon request by MDHHS or contracted managed care entities.

FY26 Budget Changes- Section 1034:

PIHPs must comply with all requirements under [PA 22 of 2025 Sec. 1034](#). Consider the following when reporting:

- Neither this guidance nor L 25-78 reflect a requirement for the state minimum wage increase to reflect a uniform contract rate increase.
- As stated above, state minimum wage changes do not result in standardized wage increases.
- As such, state minimum wage increases are distinct from program requirements associated with ABA service provision.