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# MACPAC Releases Recommendations on Medicaid Drug Policy, Hospital Payment, Program Integrity, and Foster Care Services

Report to Congress also features analysis of Puerto Rico's projected Medicaid funding shortfall, which could occur as early as March 2020

Washington, DC—The Medicaid and CHIP Payment and Access Commission (MACPAC) today called on Congress and the U.S. Department of Health and Human Services (HHS) to make changes to improve Medicaid policy affecting prescription drug and hospital payment, program integrity, and therapeutic foster care services for children and youth. The recommendations are part of MACPAC's June 2019 *Report to Congress on Medicaid and CHIP*, one of two such reports that MACPAC is required by statute to publish annually. The June report to Congress also contains a congressionally requested analysis on Medicaid in Puerto Rico, which faces a funding shortfall early next year.

In Chapter 1 of the June report, the Commission makes the case for two statutory changes responding to state concerns about their ability to manage spending on outpatient prescription drugs, a sector expected to experience some of the largest growth in expenditures among health care goods and services over the next decade. MACPAC recommends enacting legislation that would provide states with a formal 180-day grace period similar to the current grace period under Medicare Part D and exchange plans. This would give Medicaid programs more time to establish appropriate coverage criteria and help prevent potential drug-related harm to patients.

The Commission also recommends removing the cap on Medicaid drug rebates. The cap restricts the amount of the inflationary rebate Medicaid receives on drugs whose prices have rapidly increased over the rate of inflation. "Lifting the rebate cap would create considerable savings for Medicaid by allowing states to maintain the same level of drug coverage at a lower cost," said MACPAC Chair Melanie Bella. The Congressional Budget Office estimates that adopting this recommendation would decrease federal spending by \$15–\$20 billion over 10 years.

The Commission also calls for changes to current policy that allows hospitals to receive disproportionate share hospital (DSH) payments for costs that have already been paid for by other payers. The Commission recommends that Congress change the statutory definition of Medicaid shortfall—the difference between a hospital's costs of care for Medicaid-eligible patients and payments it receives for these services—to exclude costs and payments when Medicaid is not the primary payer. The change would promote administrative simplicity while channeling a greater share of DSH funds to hospitals that serve a high share of Medicaid and uninsured patients.



The Commission observes in Chapter 3 that states have received little guidance on how to measure return on investment in their program integrity (PI) efforts, recommending that HHS use its authority to examine states' current PI activities, conduct pilots to test PI strategies, and share these findings with the states. It also calls for elimination of the requirement for states to procure a recovery audit contractor, a strategy that has seen diminishing returns over the past several years.

In Chapter 4, the Commission responds to a House Appropriations Committee request to assess the utility of a uniform definition of therapeutic foster care. In the Commission's view, a uniform definition could limit states and providers in tailoring services to address the varied needs of this vulnerable population. Instead, the Commission calls on HHS to issue guidance on how states can cover therapeutic foster care using existing authorities and coordinate services across agencies.

Chapter 5 of the June report also responds to a House Appropriations Committee request for an analysis of Medicaid in Puerto Rico. The analysis finds that the statutory financing arrangement for Puerto Rico's Medicaid program has resulted in chronic underfunding of its Medicaid program; the territory is currently projected to exhaust its federal funds in March of 2020. The Commission observes that if Congress does not provide additional funding, territorial officials will be forced to make major cuts in benefits and enrollment. The Commission concludes, however, that reliable, sustainable access to care for these Americans will require policy changes that provide a higher level of federal investment over a longer period.

Download the June 2019 *Report to Congress on Medicaid and CHIP* and each of its chapters—[Next Steps in Improving Medicaid Prescription Drug Policy](#), [Treatment of Third-Party Payments in the Definition of Medicaid Shortfall](#), [Improving the Effectiveness of Medicaid Program Integrity](#), [Mandated Report on Therapeutic Foster Care](#), and [Mandated Report—Medicaid in Puerto Rico](#)—at [macpac.gov](http://macpac.gov).

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## ABOUT MACPAC

The Medicaid and CHIP Payment and Access Commission is a non-partisan legislative branch agency that provides policy and data analysis and makes recommendations to Congress, the Secretary of the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children's Health Insurance Program (CHIP). For more information, please visit: [www.macpac.gov](http://www.macpac.gov).

