January 25, 2024

Policy Options for Improving the Transparency of Medicaid Financing

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Overview

- Background
- Existing requirements
- Policy options
  - Financing methods
  - State-level financing amounts
  - Provider-level financing amounts
- Using provider-level data to inform analyses of Medicaid payments
- Next steps

Background

- The Medicaid statute permits states to finance the non-federal share of Medicaid spending from a variety of sources, including:
  - State general funds
  - Health care-related taxes (often referred to as provider taxes)
  - Intergovernmental transfers (IGTs)
  - Certified public expenditures (CPEs)
- MACPAC has previously recommended more transparency of provider contributions to the non-federal share to enable analyses of net payments to hospitals and nursing facilities
- MACPAC could expand on these recommendations in several ways
  - Specifying how data should be collected
  - Expanding reporting to all types of Medicaid services
  - Including state-level data to validate provider-level data and provide more context

Existing Federal Requirements

- Financing methods
  - States answer five funding questions when they make changes to payment methodologies in their Medicaid state plan or managed care directed payments
  - These responses are not publicly available
  - Some taxes require additional documentation when they are initially approved
- State-level financing amounts
  - States are statutorily required to submit tax amounts on Form 64.11
  - Data are for informational purposes and appear to be incomplete
- Provider-level financing amounts
  - No existing requirements
  - States can choose to account for some provider taxes in upper payment limit demonstrations
  - Centers for Medicare & Medicaid Services (CMS) occasionally collects more detailed financing information during financial management reviews

Policy Options

Developing and Assessing Options

- Policy options were developed based on feedback from interviews with federal officials, states, provider associations, and other experts
- We evaluated policies based on three criteria:
- **Usefulness:** Would increasing transparency be useful for enabling analyses of net Medicaid payments?
- **Comprehensiveness:** Would increasing transparency provide a comprehensive perspective on all types of Medicaid payments?
- **Minimizing administrative burden:** What option has the least administrative burden for states, providers, and CMS?

Improving Transparency of State Financing Methods

Options	Criteria		
	Usefulness	Comprehensive	Administrative burden
1A. Require CMS to make responses to existing standard funding questions publicly available	**Pro:** Current questions do include useful information on financing sources for specific payments **Con:** Some questions are not particularly relevant to calculating net Medicaid payments	**Con:** States submit multiple SPAs and pre-prints a year, making it difficult to compile this information for a comprehensive view of Medicaid financing	**Pro:** Low burden because this information is already being collected
1B. Require states to submit a new comprehensive report describing all of their Medicaid financing methods, which would be made publicly available	**Pro:** A new report could include information that is more useful to policymakers	**Pro:** A new report would provide a comprehensive perspective on all types of Medicaid financing and all types of Medicaid payments.	**Con:** Even though states already have this information available, any new report would add additional administrative burden

Notes: CMS is Centers for Medicare & Medicaid Services. SPA is state plan amendment.

State Financing Methods: Design Considerations

- What information would be most useful for CMS to include on a new comprehensive financing report?
  - Summary of all types of Medicaid financing and whether the source is used to fund a specific type of Medicaid payment
  - Parameters of the health care-related tax
  - Information on administrative fees for IGTs or CPEs
  - Context for interpreting data on state and provider-level financing amounts
- How should this new report relate to information that CMS already collects?
  - Balancing transparency and oversight responsibilities
  - Consider ways to reduce administrative burden of existing reports

Improving Transparency of State Financing Amounts

Options	Criteria		
	Usefulness	Comprehensive	Administrative burden
2A. Expand Form CMS-64.11 to include IGT and CPE financing and additional quality controls to ensure the accuracy of these data	**Pro:** Would provide overall information on financing amounts **Con:** Would not include specific financing for different types of Medicaid payments	**Pro:** Would include all types of financing for Medicaid payments	**Pro:** Low administrative burden because it would involve minimal changes to existing reports and would not require states to track which financing sources are used for which payments
2B. Require states to specify sources of non-federal share for claims for specific expenditures on Form CMS-64	**Pro:** Would provide more specific financing information for FFS **Con:** Would still not separately identify financing for managed care directed payments	**Pro:** Would include all types of financing for Medicaid payments.	**Con:** High administrative burden, especially for states that do not currently track which financing sources are used for each payment

Notes: CMS is Centers for Medicare & Medicaid Services. IGT is intergovernmental transfer. CPE is certified public expenditure. FFS is fee for service.

State Financing Amounts: Design Considerations

- How should CMS ensure the accuracy and completeness of data submitted?
  - Interviewees noted that CMS has not prioritized state submission of CMS 64.11
  - CMS has few enforcement mechanisms available to ensure accurate data
- CMS could establish additional internal process controls
  - In 2003, CMS created a National Institutional Reimbursement Team (NIRT) to review all state financing practices over a three year period after the five funding questions were first introduced

Improving Transparency of Provider Financing Amounts

Options	Criteria		
	Usefulness	Comprehensive	Administrative burden
3A. Require providers to report financing information on cost reports	**Pro:** Would be easy to link with other provider cost information	**Con:** Would not include providers who do not submit cost reports and may not capture IGTs and CPEs	**Con:** Small providers with limited reporting capabilities would likely face challenges with new requirements
3B. Requiring states to include financing information on provider-level supplemental payment reports	**Pro:** Would enable net payment analyses of supplemental payments	**Con:** Would not include base payments or managed care directed payments	**Con:** States may have difficulty attributing financing to specific payments
3C. Require states to report provider-level financing data on a new report	**Pro:** Would enable net payment analyses of overall Medicaid payments to providers	**Pro:** Could include all financing sources for all types of providers.	**Pro:** Less administrative burden than other options, since providers would not need to report and states would not need to identify different types of payment

Notes: IGT is intergovernmental transfer. CPE is certified public expenditure. FFS is fee for service.

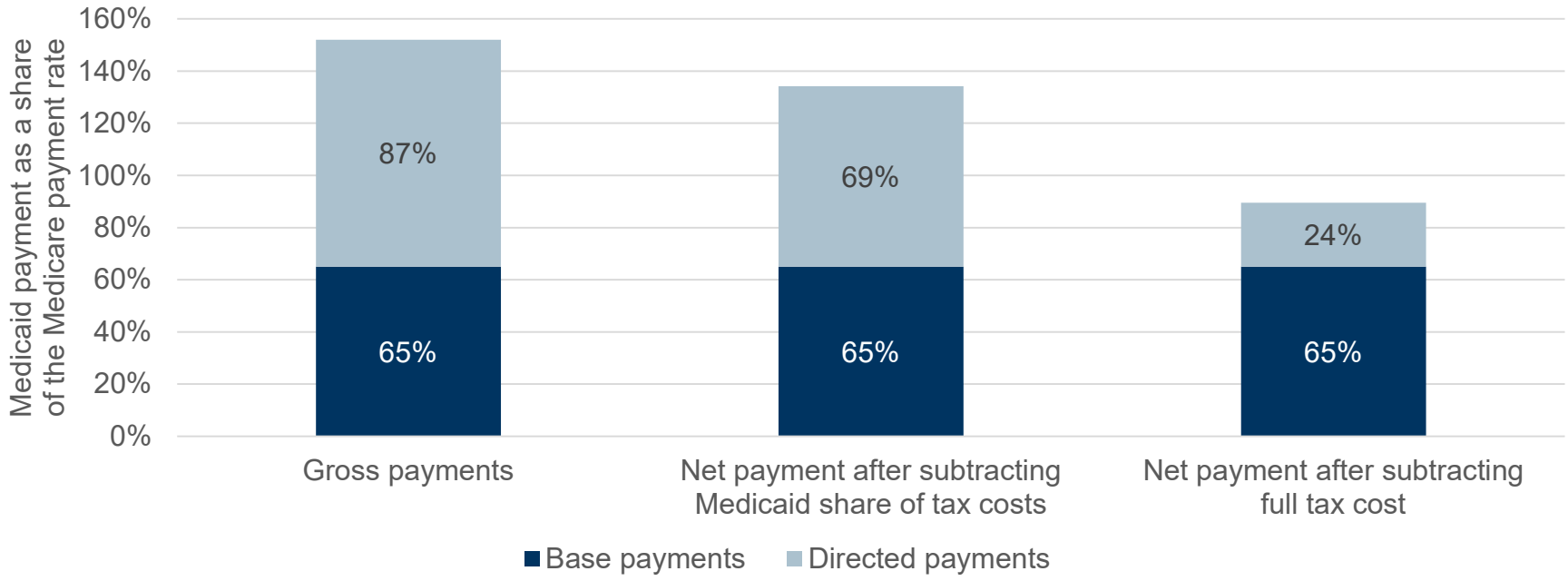
Provider Financing Amounts: Considerations

- Texas has recently begun collecting provider-level financing amounts and could be a model for other states
  - Publicly available data can be linked to other available payment information
  - Successful reporting required a substantial investment of administrative funds
- The timing of when provider financing is collected may not align with the date that the provider-financed payment is made
- The Texas report includes information on administrative fees collected by local governments for administering local provider taxes
  - Of the $2.7 billion in taxes collected in fiscal year (FY) 2022, $1.8 million (0.7 percent) was retained as a local administrative fee

Using Provider Data to Analyze Net Payments

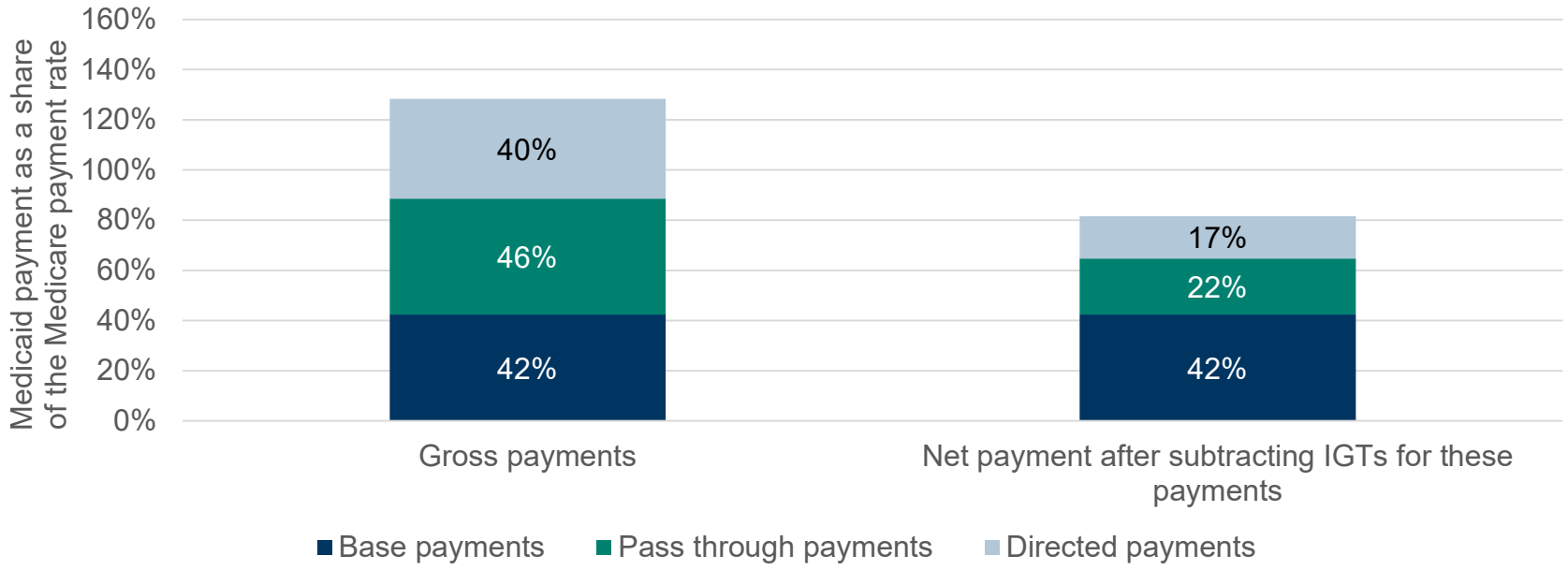
- To illustrate how provider-level financing data could be used to enhance understanding of Medicaid payments, we linked available FY 2022 data for a public and private hospital in Texas
- Used managed care directed payment projections
  - Actual amounts may differ from projections
  - $274 million of the $4.7 billion in directed payments made to hospitals (6 percent) was retained by the managed care organization as an administrative fee
- Our analysis only focused on one of the 11 Texas supplemental and directed payment programs financed by providers

Example of Gross and Net Medicaid Managed Care Payments for a Private Texas Hospital, 2022



Notes: Analysis excludes fee for service base and supplemental payments.
Source: MACPAC, 2024, analysis of managed care directed payment pre-print and Rider 15(b) annual report

Example of Gross and Net Medicaid Managed Care Payments for a Public Texas Hospital, 2022



Notes: IGT is intergovernmental transfer. Analysis excludes fee for service base and supplemental payments.
Source: MACPAC, 2024, analysis of managed care directed payment pre-print and Rider 15(b) annual report

Next Steps

- Feedback on the policy options
  - Which options should we bring back for a vote?
  - What additional points should we consider in the rationale and design considerations?
  - Are there any additional options we should consider?
- Plan to vote on recommendation at the April 2024 meeting to include a chapter in MACPAC's June 2024 report to Congress

Policy Option Summary

- Improving the transparency of financing methods
  - 1A. Require CMS to make responses to existing standard funding questions publicly available
  - 1B. Require states to submit a new comprehensive report describing all of their Medicaid financing methods, which would be made publicly available
- Improving transparency of state-level financing amounts
  - 2A. Expand CMS Form 64.11 to include IGT and CPE financing and additional quality controls to ensure the accuracy of these data
  - 2B. Require states to specify sources of non-federal share for claims for specific expenditures on Form CMS-64
- Improving transparency of provider-level financing amounts
  - 3A. Require providers to report financing information on cost reports
  - 3B. Require states to include financing information on provider-level supplemental payment reports
  - 3C. Require states to report provider-level financing data on a new report

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