

April 11, 2024

Improving the Transparency of Medicaid and CHIP Financing

Review of recommendations and draft chapter for June report

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Medicaid and CHIP Payment and Access Commission



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Chapter Outline

- Background
- Themes from stakeholder interviews
- Recommendations
- 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)
- Cost of health care-related taxes and local government contributions to the non-federal share reduce the net payments that providers receive
- Between state fiscal year (SFY) 2008 and SFY 2018:
 - State general funds declined from 75 to 68 percent of the non-federal share
 - Health care-related taxes increased from 7 to 17 percent of the non-federal share

Gaps in Existing Transparency Requirements

- Information on financing methods is not publicly available
- State-level data on provider tax amounts are reported but appear to be incomplete
- No existing requirement to report provider-level financing amounts
- Proposed recommendations would expand on prior MACPAC recommendations to collect provider-level data on financing for hospitals and nursing facilities:
 - Include all providers, not just hospitals and nursing facilities
 - Include all types of financing methods, not just provider contributions
 - Include both state- and provider-level financing amounts

Themes from Stakeholder Interviews

- Support for collecting financing data for purposes of improving payment analyses but some concern that data could be used to reconsider existing financing arrangements
- There is a lack of comprehensive information on state financing methods and amounts
- There are challenges attributing financing sources to payments for specific services or to particular facilities part of larger health systems

Recommendation 1.1

In order to improve transparency and enable analyses of net Medicaid payments, Congress should amend Section 1903(d)(6) of the Social Security Act to require states to submit an annual, comprehensive report on their Medicaid financing methods and the amounts of the non-federal share of Medicaid spending derived from specific providers. The report should include:

- a description of the methods used to finance the non-federal share of Medicaid payments, including the parameters of any health care-related taxes;
- a state-level summary of the amounts of Medicaid spending derived from each source of non-federal share, including state general funds, health care-related taxes, intergovernmental transfers, and certified public expenditures; and,
- a provider-level database of the costs of financing the non-federal share of Medicaid spending, including administrative fees and other costs that are not used to finance payments to the provider contributing the non-federal share.

This report should be made publicly available in a format that enables analysis.

Recommendation 1.1: Rationale

- Analyses of Medicaid payment policy require complete data on the costs of financing necessary to calculate net payments to providers
 - Stakeholder interviews indicated the importance of both gross and net payments that providers receive when assessing payment policies
- The data that the Centers for Medicare & Medicaid Services (CMS) currently collects is fragmented and incomplete
- Many states already collect financing data in the aggregate
 - Texas is currently reporting provider-level financing
- Public reporting can enable analyses by all stakeholders

Recommendation 1.1: Design Considerations

- The proposed comprehensive description of state financing methods can include information on tax parameters, administrative fees, and other descriptive information to inform analyses of net payments
- CMS should establish process controls to review the accuracy of the data submitted
- Provider level financing data would be most useful if:
 - Data could be easily linked with other reports through common provider identifiers
 - The report clarifies any differences between the date of transfer and the date of payment
 - States could provide information about whether financing is allocated to specific supplemental payment programs or used for overall program finances
 - Administrative fees are clearly identified

Recommendation 1.1: Implications

- Federal spending
 - Congressional Budget Office (CBO) estimates no change in federal direct spending
 - Federal administrative burden could be reduced if CMS aligns existing systems and requirements
- States
 - Increased administrative burden
 - States can offset costs by retaining additional administrative fees for financing
- Providers and health plans
 - No direct effect but some potential administrative burden if the state does not already collect financing data
- Enrollees
 - No direct effect

Recommendation 1.2

In order to provide complete and consistent information on the financing of Medicaid and the State Children's Health Insurance Program (CHIP), Congress should amend Section 2107(e) of the Social Security Act (the Act) to apply the Medicaid financing transparency requirements of Section 1903(d)(6) of the Act to CHIP.

Recommendation 1.2: Rationale

- States are permitted to financing the non-federal share of CHIP spending using the same methods that are permissible in Medicaid
- Little information is available about how states finance CHIP
- Separate CHIP is only subject to Medicaid rules described in Section 2107(e) of the Act
 - 42 CFR 457.628 applies many of the federal financing policies to CHIP, but the statute does not explicitly require CHIP to comply with the financing transparency requirements of Section 1903(d)(6) of the Act
- A statutory change would apply consistent transparency requirements in Medicaid and separate CHIP without adding substantial administrative burden

Recommendation 1.2: Implications

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- Providers and health plans
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- Enrollees
 - No direct effect

Next Steps

- Vote on recommendations tomorrow
- Finalize chapter for June report to Congress
- Continue to monitor larger trends in federal Medicaid spending, including the share of Medicaid spending financed by states, providers, and the federal government

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- a description of the methods used to finance the non-federal share of Medicaid payments, including the parameters of any health care-related taxes;
- a state-level summary of the amounts of Medicaid spending derived from each source of non-federal share, including state general funds, health care-related taxes, intergovernmental transfers, and certified public expenditures; and,
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