Medicaid Update

Terry Cole – Sr. VP of Finance, Indiana Hospital Association

Michael Alessandrini – Director, Blue & Co., LLC

Indiana Hospital Association

CPAs / ADVISORS blue

Topics

- FSSA Rate Setting Matrix & Schedule
- Upcoming Key Dates
- Medicaid Forecast Results & Impacts
- FQHC Changes
- Physician Fee Schedule
- CCBHC Demonstration / CMHC
- Long-Term Care / MLTSS
- Hospital Payments: HAF, HIP, DPP

FSSA Rate Matrix

Source:

https://www.in.gov/fssa/files/Rate-Review-Medicaid-Matrix.pdf

FSSA Rate Matrix, as of November 1, 2023

This is an evolving document that will be continiously informed through stakeholder feedback and experience.

Medicaid Services	Last Rate Review (SFY)	Reviewed/Rebased Rate Effective Year								Rating Approach
		SFY 2022	SFY 2023	SFY 2024	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029	
Home Health Services	2024			RR				RR		Rate Review every four years
Aging/DDRS Waivers	2024			RR				RR		
Dental Services	2024			RR				RR		
NEMT	2024			RR				RR		
DMHA 1915(I) Waivers	2024			RR				RR		
ABA Therapy	2024			E				RR		
CRMNF	2024			RR				RR		Rate initially established in 405 IAC 1-12-21(d)
PACE Capitation	2024			RR			RR			CMS requires Rate Review every 3 years
Outpatient Facility	2003					RR		RB		Rate Review every four years, Rate Rebasing every two years
Inpatient Facility	2003					RR		RB		
Other Mental Health Services	2015					RR				Rate Review every four years
Mental Health Rehabilitation	2018					RR				
Inpatient Psychiatric Services	2003					RR				
School Based Services	2016					RR				

Rates Review set in State or Federal Regulation

PRTF Services	2022	Rate Methodology Set Forth in 405 IAC 1-21	Rates reviewed every other year
Pharmacy	2024	Rates Determined According to 405 IAC 5-24	
Nursing Facility	2024	Rate Methodology Set Forth in 405 IAC 1-14.6	
ICF/ID	2021	Rate Methodology Set Forth in 405 IAC 1-12	
FQHC/RHC	Various	Rate Methodology Consistent with the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000	

Rates Set Based on % of Current Medicare Rates

Hospice	2023	100% Medicare								Rates set at 100% of Medicare
DME and Medical Supplies	2024			100% Medicare						
Emergency Transportation	2024		100% Medicare							
Physician Services	2024			Per HB1001, 100% Medicare						Rates set at 100% of Medicare
Maternity and Behavioral Health	2024			100% Medicare						Rates set at 100% of Medicare

RR shows the year in which the rate updates from the rate review will be implemented with rate review work typically occurring in the year prior.
E represent year in which rates were / will be established
RB represents a rebasing year in which State funding needed for program is not impacted

Indiana Hospital Association

Key Dates for Medicaid Programs / Spending

- December 17, 2024 – Budget forecast updates presented to budget committee, including Medicaid estimates and revenue forecast
- January 8, 2025 – 1st day of session
- April 28, 2025 – Last day/adjournment of session
- July 1, 2025 – Approved bills become law (generally)

Indiana Hospital Association

December 2024 Medicaid Assistance Forecast

Data Through October 2024

EXPENDITURES, in $millions	FY 2023	Growth	FY 2024	Growth	FY 2025	Growth	FY 2026	Growth	FY 2027
Healthy Indiana Plan	$6,306.2	(6.7%)	$5,881.8	(0.6%)	$5,846.4	9.3%	$6,389.6	3.1%	$6,586.6
Hoosier Care Connect	1,505.0	14.7%	1,725.5	(11.3%)	1,530.2	(13.0%)	1,331.8	18.2%	1,573.9
Hoosier Healthwise	2,206.1	24.6%	2,749.5	4.7%	2,879.0	6.5%	3,066.7	4.0%	3,188.3
Pathways (MLTSS)					4,224.9	14.0%	4,815.0	6.0%	5,105.6
Fee for Service - non-LTSS	2,201.0	13.9%	2,505.9	(9.5%)	2,267.2	11.0%	2,516.9	8.3%	2,726.0
Fee for Service LTSS - Institutional	2,413.7	8.8%	2,626.2	(63.9%)	947.3	(14.3%)	811.8	5.1%	852.9
Fee for Service LTSS - Community	2,146.6	66.4%	3,572.8	(35.0%)	2,323.6	(2.7%)	2,260.7	1.8%	2,301.5
Medicare Buy-In, Clawback	774.3	3.4%	800.9	5.1%	841.9	7.2%	902.1	4.6%	943.7
Rebates and Collections	(1,396.1)	2.9%	(1,436.2)	18.5%	(1,701.7)	(5.8%)	(1,602.6)	5.6%	(1,692.3)
Remove CHIP and MFP	(320.7)	31.2%	(420.7)	1.9%	(428.7)	7.5%	(461.0)	5.4%	(485.9)
Other Expenditures (DSH, UPL, etc.)	2,063.6	(32.8%)	1,387.6	37.8%	1,912.1	0.2%	1,916.9	3.6%	1,986.5
Medicaid Expenditures (State and Federal)	**$17,899.8**	**8.3%**	**$19,393.3**	**6.4%**	**$20,642.4**	**6.3%**	**$21,947.8**	**5.2%**	**$23,086.9**
FUNDING, in $millions	**FY 2023**	**Growth**	**FY 2024**	**Growth**	**FY 2025**	**Growth**	**FY 2026**	**Growth**	**FY 2027**
Federal Funds	$13,416.5	0.6%	$13,497.9	4.3%	$14,078.2	6.7%	$15,015.5	5.0%	$15,771.9
IGTs	422.6	2.5%	433.1	12.1%	485.6	10.3%	535.7	2.5%	549.2
Provider Tax Receipts	181.7	(8.4%)	166.5	53.9%	256.2	(25.6%)	190.5	2.5%	195.2
HAF Funding	676.6	7.9%	729.8	31.3%	958.6	(9.4%)	868.9	1.9%	884.9
HIP Funding	566.1	(13.3%)	490.9	(2.8%)	477.0	11.9%	533.8	2.7%	547.9
QAF Transfer to SBA	(41.8)	(2.0%)	(40.9)	3.8%	(42.5)	2.2%	(43.4)	3.0%	(44.7)
Non-Medicaid Assistance Funds	**$15,221.7**	**0.4%**	**$15,277.2**	**6.1%**	**$16,213.1**	**5.5%**	**$17,100.8**	**4.7%**	**$17,904.4**
Forecasted Medicaid GF Assistance Need	**$2,678.1**	**53.7%**	**$4,116.1**	**7.6%**	**$4,429.3**	**9.4%**	**$4,846.9**	**6.9%**	**$5,182.4**
General Fund Medicaid Assistance Appropriation	**$2,931.9**	**26.9%**	**$3,721.5**	**12.8%**	**$4,196.6**				
Sub-total (Shortfall)/Surplus	**$253.8**		**($394.6)**		**($232.7)**				
Augmentation/(Reversion) amount	**($525.0)**		**$255.2**						
Balance After Augmentation/(Reversion)	**($271.2)**		**($139.4)**						

Changes from FY 2023 – Forecast 2027:

- 29% Increase in Medicaid Expenditures
- 94% Increase in GF Assistance Need

Current Forecast is a $232.7M shortfall in General Fund dollars

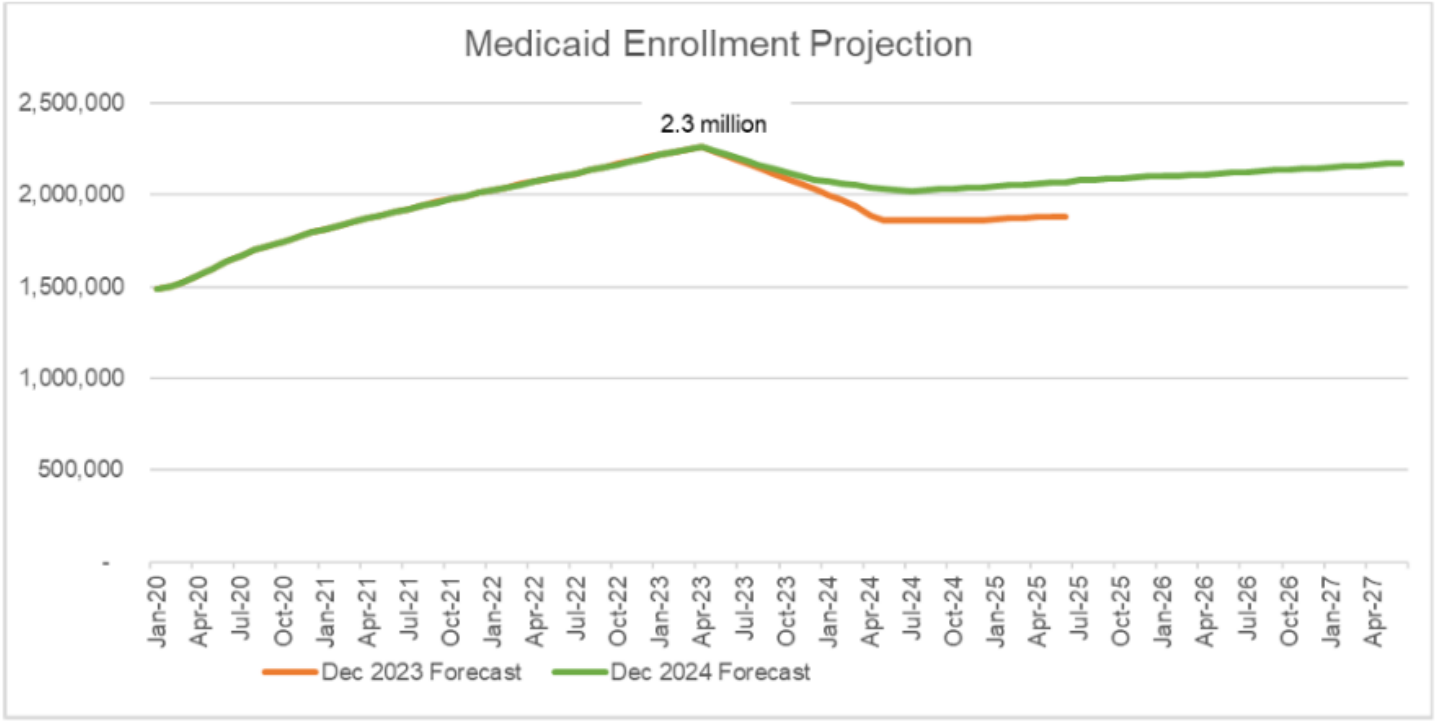
Milliman

Source: https://www.in.gov/sba/files/December-2024-Medicaid-Forecast-FINAL.pdf

Indiana Hospital Association

Enrollment projection

Compared to the December 2023 forecast update



Projection notes

- Return to normal operations: April 2023
- Renewal processing occurred over 12 months – from mid-May 2023 to mid-May 2024
- As of May 2024, the Dec 2023 forecast projected a net reduction of approximately **400,000** members. Actual reduction as of May 2024 was **225,000** members
- There are **175,000** more members than projected

Medicaid grew by approximately 772,000, from 1.49 million as of January 2020 to 2.26 million as of April 2023. It declined to 2.03 million as of May 2024

Milliman

Source: https://www.in.gov/sba/files/December-2024-Medicaid-Forecast-FINAL.pdf

Enrollment by Population – Medicaid/CHIP

Population	Jan 2020 Pre-PHE	*Growth*	Apr 2023	*Growth*	May 2024	Net Growth 2020 - 2024	% Change
Healthy Indiana Plan (HIP)							
Pregnant Women	17,388	*41,954*	59,342	*(13,175)*	46,167	28,779	166%
All Other HIP	390,670	*368,059*	758,729	*(94,683)*	664,046	273,376	70%
Hoosier Care Connect (HCC)	90,402	*10,528*	100,930	*(5,915)*	95,015	4,613	5%
Hoosier Healthwise (HHW)							
Children/CHIP	598,118	*283,167*	881,285	*(128,327)*	752,958	154,840	26%
Pregnant Women	3,528	*18,652*	22,180	*(5,525)*	16,655	13,127	372%
LTSS	90,798	*13,731*	104,529	*3,859*	108,388	17,590	19%
Other Fee-for-service (FFS)	296,839	*35,551*	332,390	*18,328*	350,718	53,879	18%
Total	**1,487,743**	***771,642***	**2,259,385**	***(225,439)***	**2,033,946**	**546,203**	37%

Milliman

Source: https://www.in.gov/sba/files/December-2024-Medicaid-Forecast-FINAL.pdf

Indiana Hospital Association

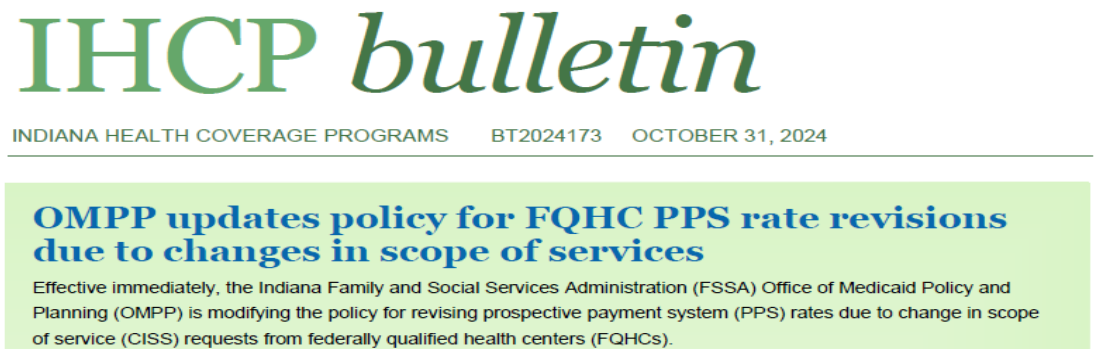
Impacts from December Medicaid Forecast

- Pressure on the use of additional general fund dollars for use in Medicaid programs
- Significant cost containment & reimbursement initiatives already underway from FSSA beginning back in 2024
- Cost containment may be applied through both payment rates and enrollment limitations
- Extra money for new programs or rate increases is a tough ask without giving up in other areas
- Several FSSA & other agency funding sources expire due to ARP dollars winding down. Increases pressure again to stretch general fund dollars

FQHC Rate Updates

- 10/31/2024 OMPP issued final policy decision related to FQHC/RHC change in scope requests
  - Request must be complete by end of 9th month after the “event” causing the change
  - Just a site change by itself is no longer eligible for a rate adjustment. But an increase in staffing (physician, NP, nurse, other) could if those providers are not just repurposed from other clinics
  - 120% cost limit applied for future rate reconsiderations (artificial cap)
  - Outlier rates trimmed and set at 90th percentile

https://www.in.gov/medicaid/providers/files/bulletins/BT2024178.pdf



IHCP *bulletin*

INDIANA HEALTH COVERAGE PROGRAMS BT2024173 OCTOBER 31, 2024

OMPP updates policy for FQHC PPS rate revisions due to changes in scope of services

Effective immediately, the Indiana Family and Social Services Administration (FSSA) Office of Medicaid Policy and Planning (OMPP) is modifying the policy for revising prospective payment system (PPS) rates due to change in scope of service (CISS) requests from federally qualified health centers (FQHCs).

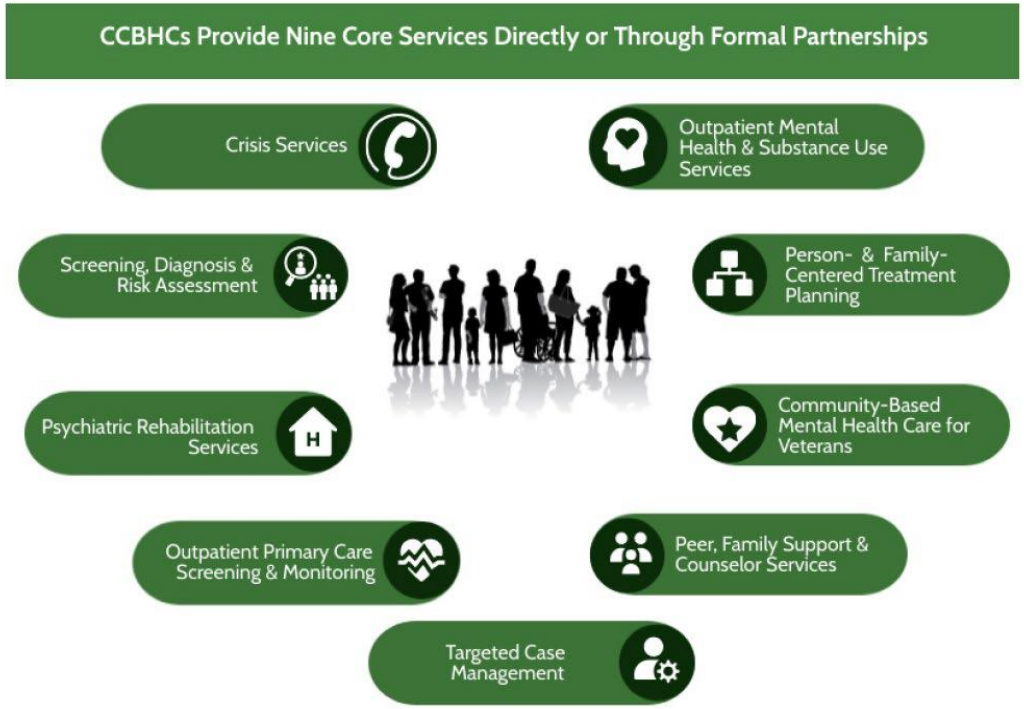
Indiana Hospital Association

Physician Fee Schedule

- OMPP has a State Plan Amendment (SPA) to clarify what fee schedule will be used to set physician fee schedule
- The 2025 Medicaid physician fee schedule should be based upon 100% of the Medicare fee schedule
- OMPP will use the Medicare fee schedule that takes effect on January 1 of the calendar year preceding the Medicaid rate effective date
    - Example: Rate effective date is 7/1/25, 1/1/25 Medicare Fee Schedule is used
- Non-facility RVU, Medicare Geographic Practice Index (GPCI) and conversion factors will be updated each year with the appropriate 1/1/xx Medicare Fee Schedule

CCBHC Demonstration / CMHC

- January 1, 2025 demonstration begins with 8 participants
- Remaining centers operate under current CMHC model
- Demonstration continues with goal of full implementation by 2027
- CCBHC Rates
  - PPS Rate for all services incurred within the same day
  - Cost-based rate calculation
- Current program funding runs through SFY 2025



Indiana Hospital Association

Long-Term Care / MLTSS Transition

- Pathways for Aging began July 1, 2024 for Hoosiers aged 60 and over and expand choice for receiving services at home or in community settings
- **Change #1** – Shift from fee-for-service to managed care model. Nursing homes work directly with MCE's
- **Change #2** – Claims processing is adjudicated by insurance companies, not OMPP anymore. Adjustments in billing practices and cash flow estimates may be needed
  - **Change #2a** – Payment shifts from ***Legacy*** rate system to ***Prospective*** system by quarter until 100% prospective on July 1, 2027
  - Change #2b – UPL payments shift from ***Legacy*** to ***Pooled*** Methodology by quarter until 100% is paid under a pooled calculation on July 1, 2029
- **Change #3** – Increase in payments related to quality measures. Benchmarks need to be met in clinical operations to receive maximum payment

Base Rate %'s	PPS Rate %	Legacy Rate %
January 1, 2025	17%	83%

UPL Estimate %'s	Pooled UPL %	Legacy UPL %	Reserved for Quality
January 1, 2025	10%	90%	10%

Indiana Hospital Association

Medicaid Parity

- CMS requires payments for all Medicaid programs to be at the same rate
- Payments for physicians were revised beginning 1/1/24 so that Medicaid began paying all physicians at 100% of Medicare
- Other providers were omitted from the 1/1/24 fix and continued to be paid at different rates for HIP than for other Medicaid programs
  - Rehabilitation hospitals
  - Long-term acute care hospitals (LTACs)
  - Ambulatory Surgical Centers (ASCs)
  - End-state renal disease clinics (ESRDs)
  - Out-of-state hospitals
- Rates for these other providers were effective 1/1/25 (See IHCP Bulletin BT2024178)

https://www.in.gov/medicaid/providers/files/bulletins/BT2024178.pdf

Hospital Payments – HAF, HIP, Directed Payment Program

- 2025 HAF - $134M increase
  - Reduction in cigarette tax $20M → More hospital funds needed for HIP state share
  - Additional DSH dollars $50M → More hospital funds needed to cover full DSH allotment
  - Change in FMAP $40M → More hospital funds needed to cover state share when federal match is reduced
  - No savings generated by reduction in enrollment
- 2023 HAF True-up - $25.5M reduction over assessed
  - Primarily due to FMAP changes

Indiana Hospital Association

Hospital Payments – HAF, HIP, Directed Payment Program

- Directed Payment Program
  - Proposes changes to HAF program
  - Part of 2025 legislative agenda
  - Maxes out allowable tax on hospital services (Limited to 6% of statewide hospital NPR)
  - Additional $400M in fees
  - Estimated $845M **net** benefit increase over current program
- Other proposed changes: certain fee discounts available today are removed, but new discounts begin (ex: physician owned hospitals, rural OB provider)
- Funding for Medicaid DSH is removed from HAF Fees – IGT's will be needed to fund DSH payments (if provider can support)
  - Increases funding pool
  - DSH caps hard to support

Redesign Comparison

Current Program Includes…	Future Program Includes…

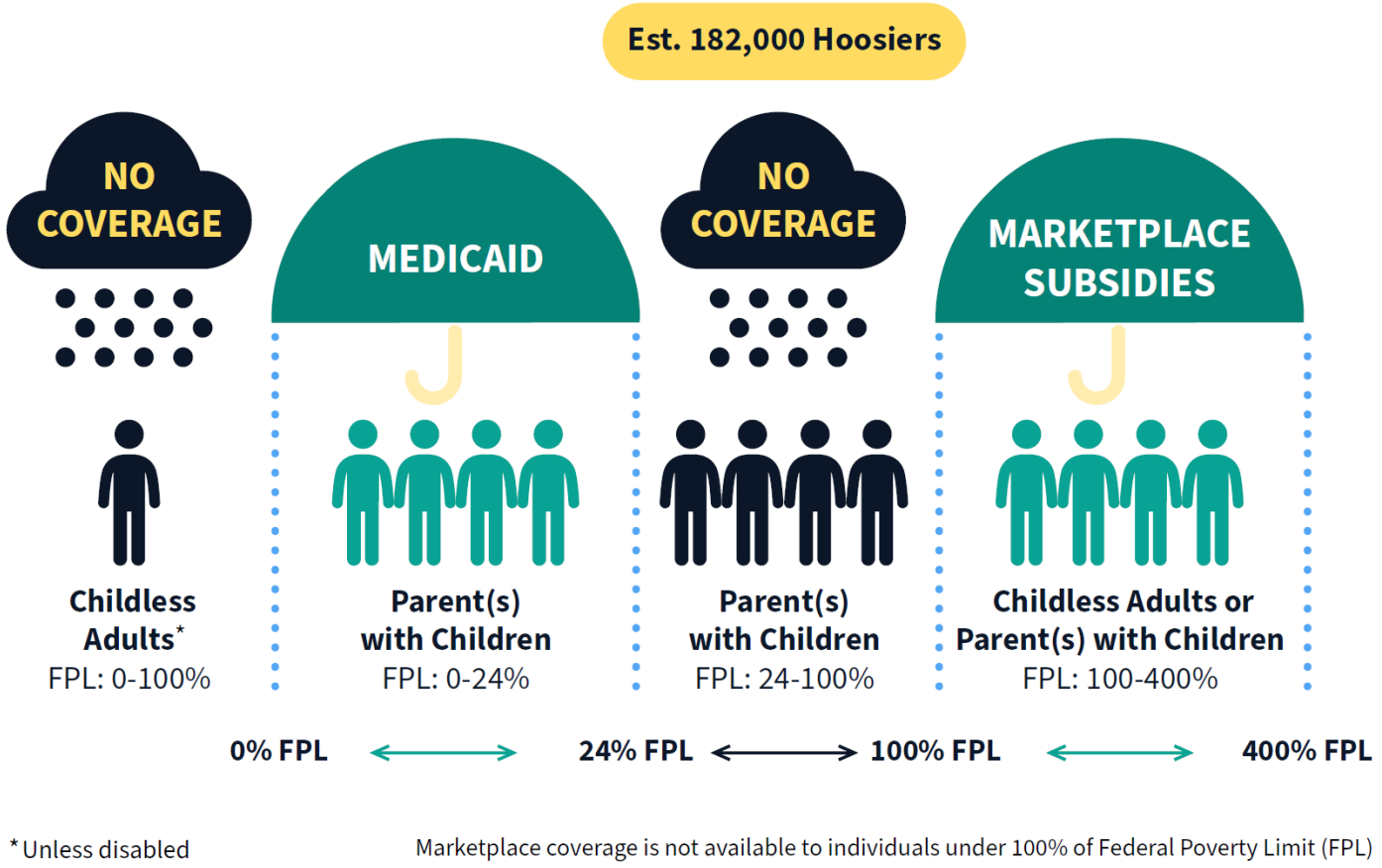
• Supplemental Payments
  • FFS – Paid at Medicare
  • MCO – Paid at Medicare
  • HIP – Paid at Medicare
• Payments are a multiple (factor) of base rates
• Fees based on IP days
• Discounts on fees available
• Certain Hospitals excluded
• Fees fund Medicaid DSH payments
• No Quality Component
• Funds HIP Medical costs and MCO Physician rate increases (75% of Medicare
	• Supplemental Payments
	  • FFS – Paid at Medicare
	  • MCO – Paid > Medicare but < ACR
	  • HIP – Paid > Medicare but < ACR
	• Payments are a multiple (% add-on) of base rates
	• Fees based on Net Patient Revenue
	• Discounts on fees available
	• Certain Hospitals excluded
	• No DSH funding
	• Payments linked to quality component
	• Funds HIP Medical costs and MCO Physician rate increases (75% of Medicare)

Indiana Hospital Association

Hospital Payments – HAF, HIP, Directed Payment Program

- A class structure is also being considered based on feedback from Senate leadership:
  - Class 1 – County hospitals, CAHs, CMS-designated rural hospitals (would receive redirected funding from Class 3)
  - Class 2 – Hospitals not in another class
  - Class 3 – Hospital systems with $1B or more in net patient revenue (would redirect portion of enhanced funding to Class 1)
  - Class 4 – CMHCs with inpatient beds
- Risks to Program
  - Potential change to federal match for HIP (Currently 90/10)
    - Indiana has “circuit breaker” in HIP statute if federal match rate changes
  - Potential change to 6% ceiling on fees
  - Potential cuts to HIP enrollment levels (no state budget impact)
    - Coverage gap

Coverage Gap for HIP Enrollees if no Longer Covered by HIP



*Unless disabled

Marketplace coverage is not available to individuals under 100% of Federal Poverty Limit (FPL)

Indiana Hospital Association

Takeaways

- Numerous provider types have some kind of payment change, rate change, administrative change occurring
- Some of this is due to natural programmatic changes, some is due to Medicaid budget pressure
- State budget and revenue forecasts are impacting every decision on state and federal funding levels
- Remains to be seen how new administration will impact hospitals
- Many changes will likely occur before the dust settles

- **Questions?**

Indiana Hospital Association

Contact Information

Terry Cole
Senior Vice President, Finance
Indiana Hospital Association
tcole@ihaconnect.org

Michael Alessandrini
Director, Reimbursement
Blue & Co, LLC.
malessandrini@blueandco.com

Indiana Hospital Association