Emerging Issues in Supplemental Medicaid Payments and Financing

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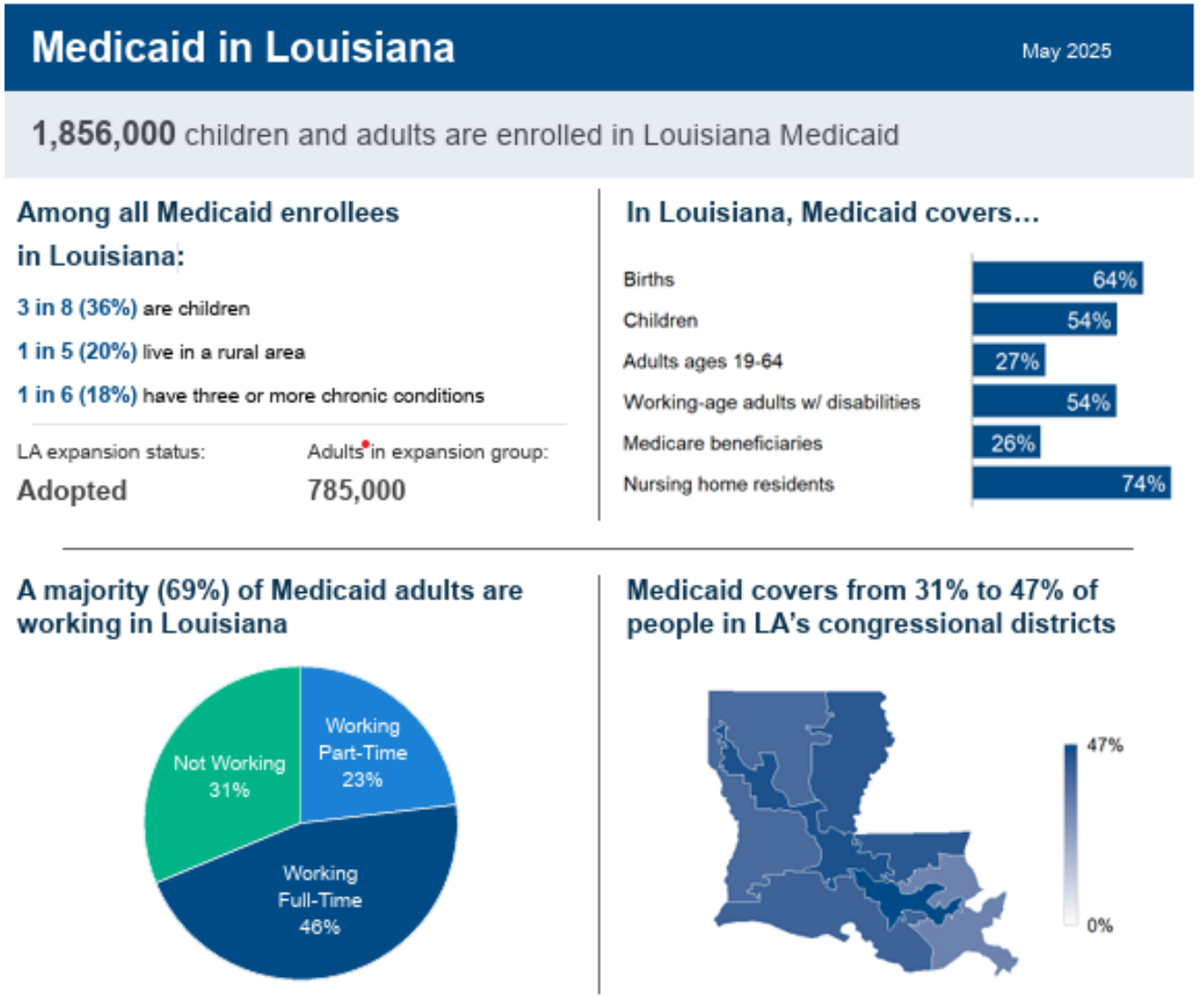
Agenda

- Background on Supplemental Medicaid Payments & Financing
- Ongoing Risks and Challenges
- OBBBA Impact on Medicaid

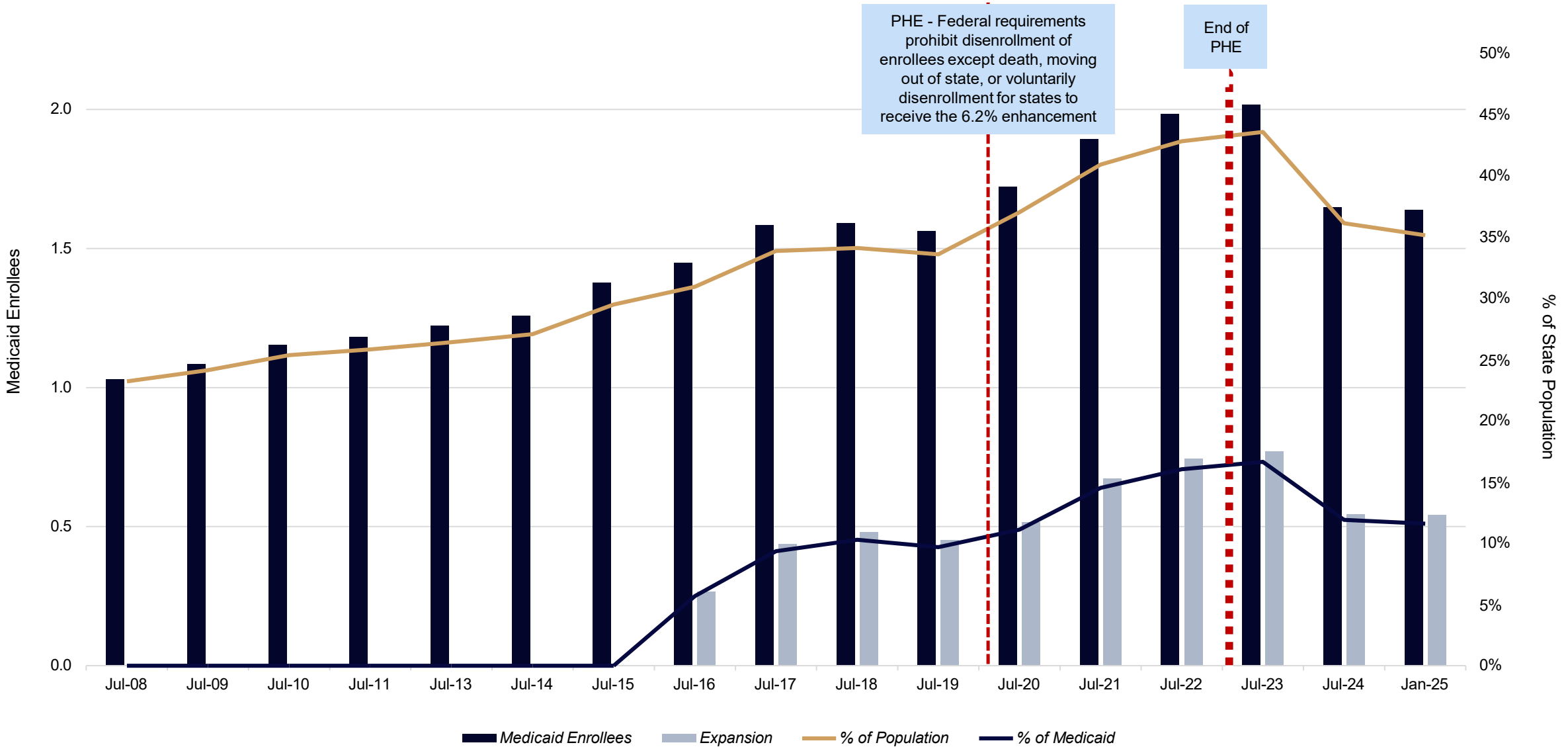
Louisiana Medicaid Financial Overview

- SFY 2026 Louisiana healthcare budget (LDH) is currently **$21.4B**
- **$19B** of that budget is Medicaid
- **$15.2B** is federal funding
- Est. **$48.8B** in total healthcare spend



Source: KFF, https://files.kff.org/attachment/fact-sheet-medicaid-state-LA

Louisiana Medicaid Enrollment



Source: LDH Medicaid Enrollment Trends Report and US Census Bureau

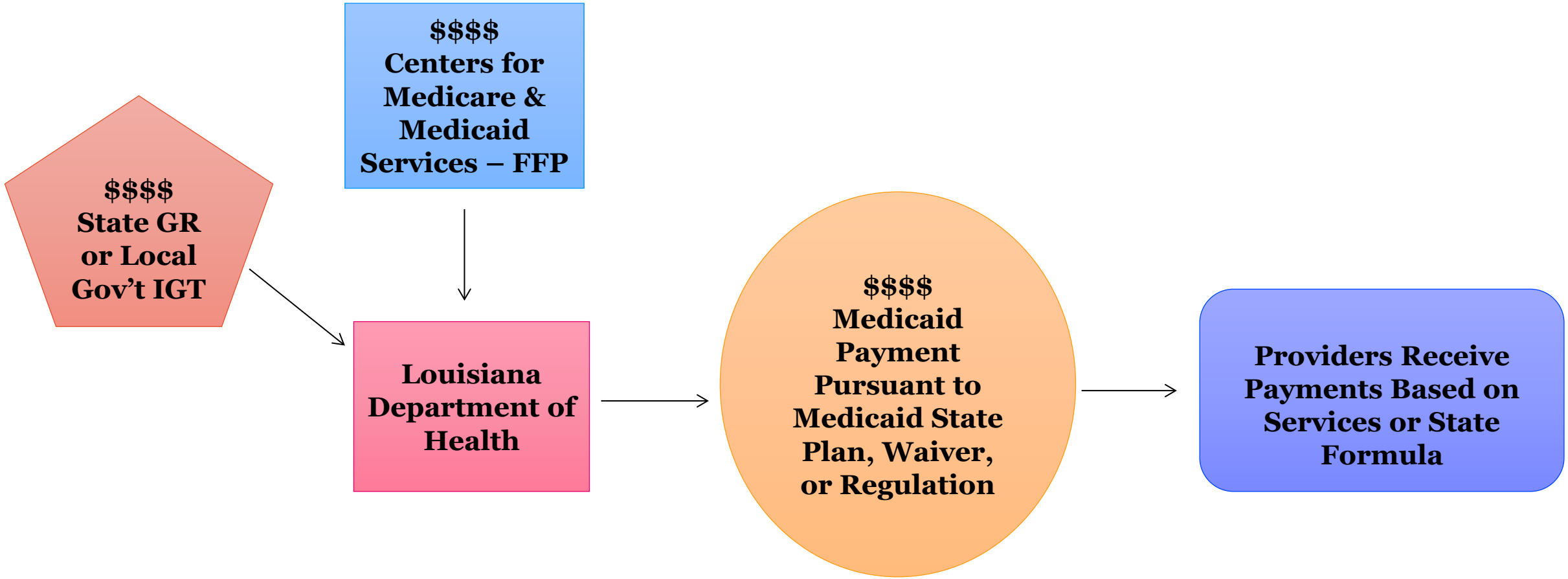
Note: Enrollees consist of both expansion and non-expansion populations

https://house.louisiana.gov/housefiscal/DOCS_APP_BDGT_MEETINGS/DOCS_AppBudgetMeetings2026/FY%2026%20LDH.pdf

Medicaid Payments and Financing Common Terms and Concepts

- Medicaid State Plan and Amendments (SPA)
- Preprint (CMS Form)
- Waivers (Section 1115, Section 1915)
- Upper Payment Limit (UPL)
- Average Commercial Rate (ACR)
- Federal Financial Participation (FFP)
- Federal Medical Assistance Percentage (FMAP)
- Non-federal share / State-Share / “matching funds”
- Intergovernmental Transfer (IGT)
- General Revenue (GR)
- Directed Payment Program (DPP)
- Delivery System Reform Incentive Payment (DSRIP)

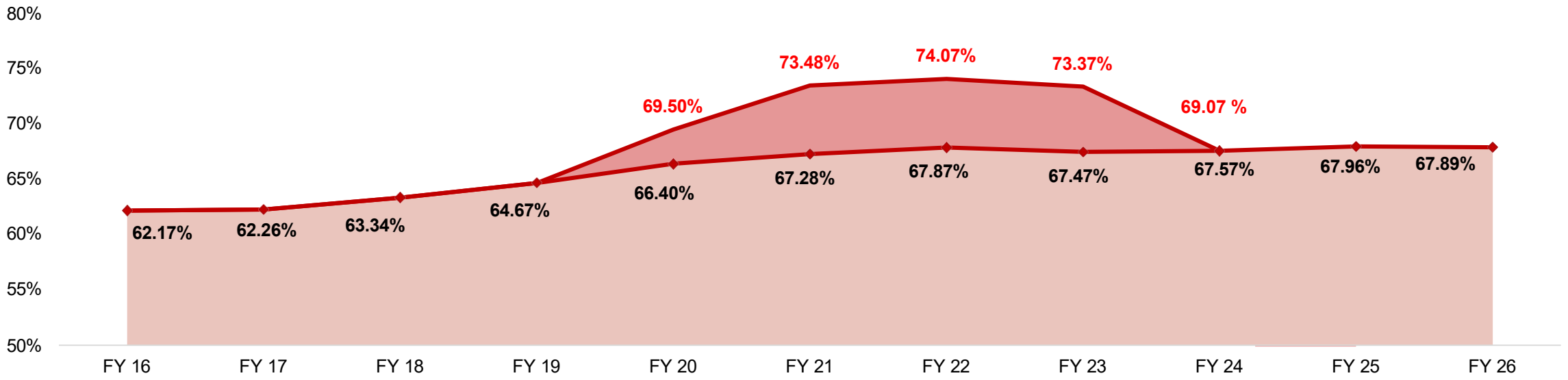
Medicaid Payment and Finance Logistics



Federal Medical Assistance Percentage (FMAP)

$$FMAP = 1.00 - 0.45\left(\frac{State\ Per\ Capita\ Income}{US\ Per\ Capita\ Income}\right)^2$$

- In FY 26, the base blended FMAP is budgeted to be 67.89%, meaning for every $1 the state pays, the federal government will match $2.10 for general Medicaid services
- Federal match on Medicaid Expansion population has leveled out at 90% beginning in 2020
- Federal match on administrative functions is generally 50%



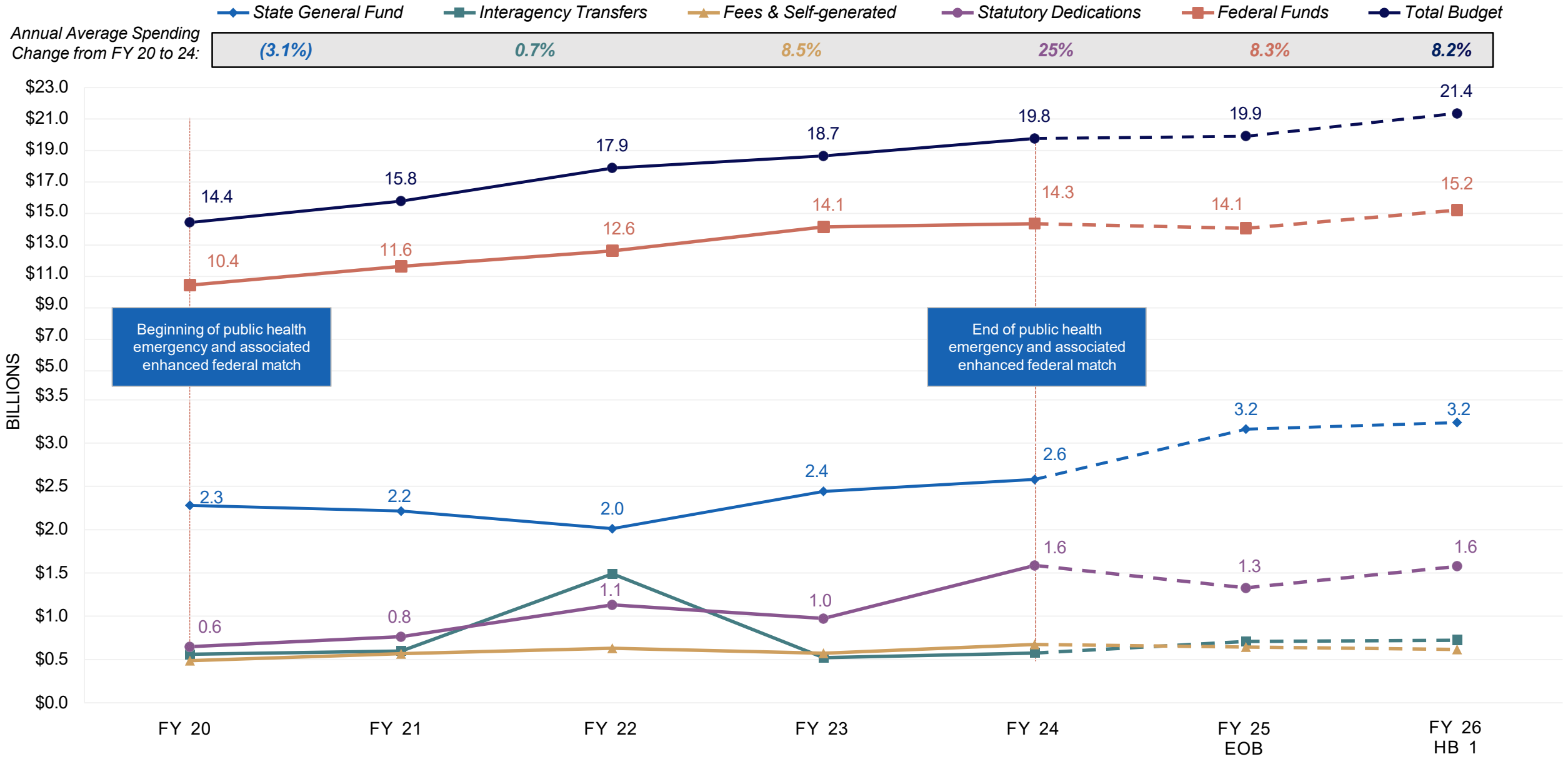
The enhanced FMAP was phased out in FY24.

https://house.louisiana.gov/housefiscal/DOCS_APP_BDGT_MEETINGS/DOCS_AppBudgetMeetings2026/FY%2026%20LDH.pdf

Medicaid Payment Programs Overview

- Base Payments - Limited by state balanced budget requirements
  - Fee-for-Service (Generally only Aged & Disabled in LA)
  - Managed Care (Almost universal adoption in LA)
- Supplemental Payments – Payments with no additional services
  - Uncompensated Care / Waiver / “UPL” / Medicaid GME
  - Medicaid Disproportionate Share Hospital Payments (DSH)
- Medicaid Managed Care Directed Payment Programs (DPPs)
- Other Quality Initiatives (MCIP, Reporting for DPPs, DSRIP)

LOUISIANA MEDICAID HISTORICAL SPENDING



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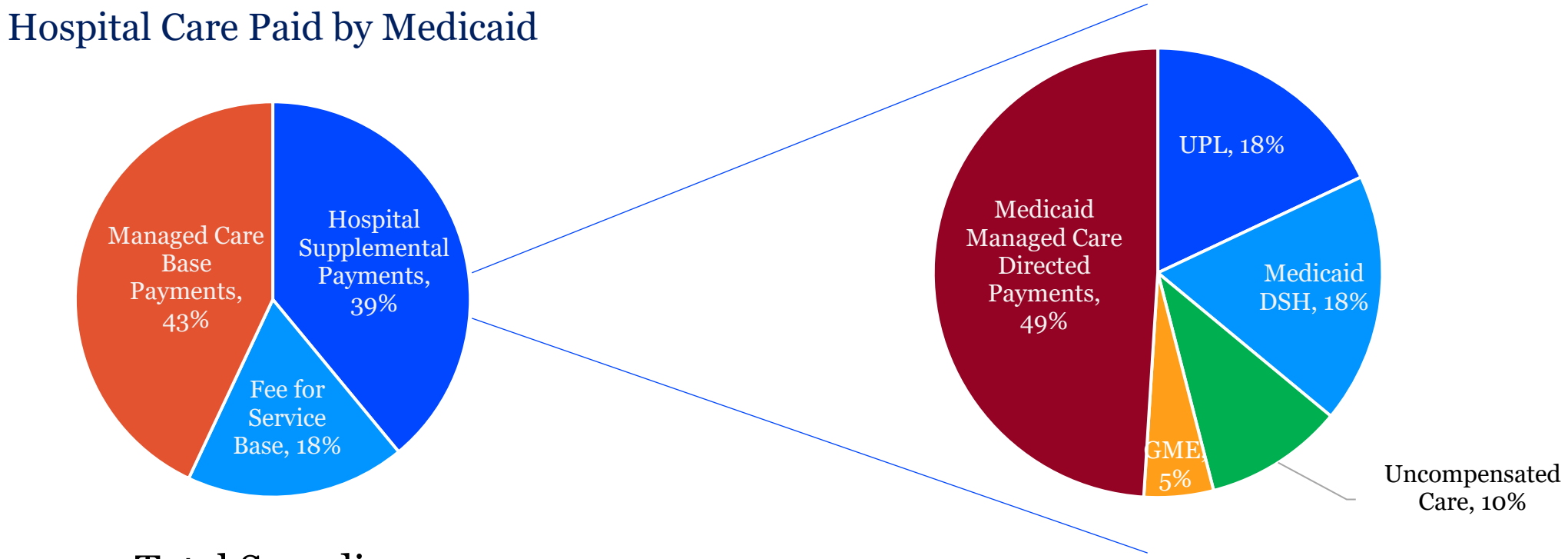
Hospital Medicaid Program Spending



Total Spending
$263 Billion Paid to Hospitals
(33% of Total Medicaid Is Paid to Hospitals)

Hospital Supplemental Payments
$102 Billion

Source: MACPAC May 2024 Analysis of CMS-64 expenditure data.
https://www.macpac.gov/up-content/uploads/2024/05/Medicaid-Base-and-Supplemental-Payments-to-Hospitals.pdf

Directed Payment Programs

Started in 2016 to implement delivery system and payment reform

Addresses the shift to managed care

Implemented through regulation and "preprint" (42 C.F.R. § 438.6)

By 2023 – 250 DPP arrangements

$50B in payments based on services

177 arrangements were uniform rate increases (74 for hospitals)

Linking increased payments to state managed care quality goals

Louisiana Directed Payment Programs

- **Uniform Percentage Increases:**
  - Inpatient/outpatient acute care hospital services ($3B, 2025)
  - LTAC, Psych, Rehab ($54M, 2025).
  - Physician DPP (replaces FMP) (2025 TBD,2026 TBD)
  - Behavioral Health (various, approx. $20M 2024-2025)
  - Non-emergency ambulance ($3M 2025)
  - Pediatric home health ($3.3M, 2026)
- **Value-Based Payments**
- **Alternative Fee Schedules**

Emphasis: Quality payments, pay-for-performance, performance improvement, advance policy goals, improve quality, and support provider stability

Source: https://www.medicaid.gov/medicaid/managed-care/guidance/state-directed-payments/approved-state-directed-payment-preprints

Generating the Non-Federal Share

General Revenue (GR) – Common for Base Payments

Public-Private Collaborations

- Lease Arrangements
- Management Arrangements
- LINCCA

Provider Taxes or “Mandatory Assessments”

Compliance concerns all tie back to “self-financing”

Louisiana Approaches to Financing the Non-Federal Share of Medicaid Supplementals

- Provider Taxes/Assessments
  - Statewide assessment (3%-3.5% of net patient revenue)
  - Local Provider Taxes (LPPFs)
- Intergovernmental Transfers (IGT)

Provider Taxes

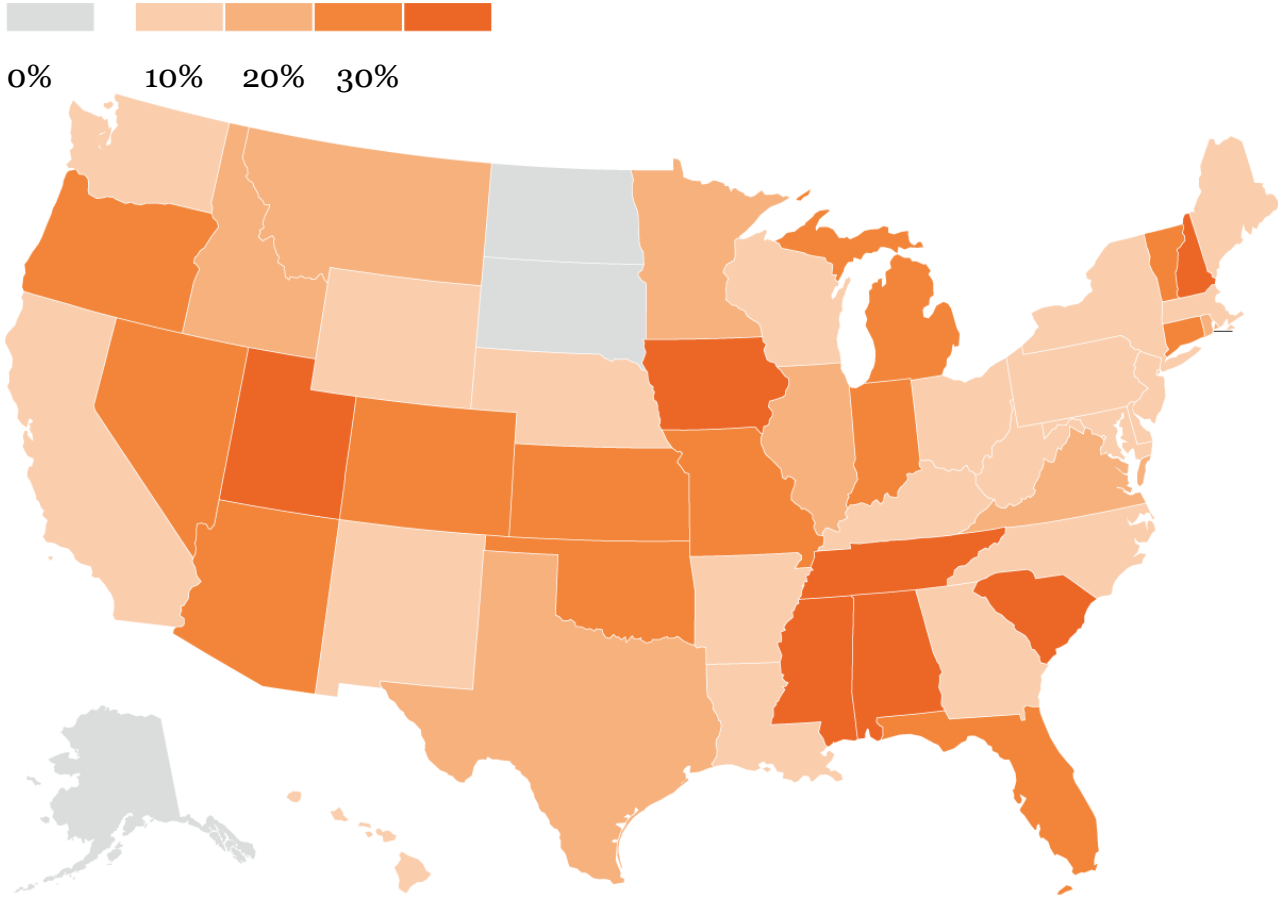
Regulations

- Broad-based and Uniform
- Hold harmless prohibition
- Almost all states have hospital provider taxes

Mitigation

Texas and Florida Litigation

Estimated share of all federal Medicaid funding from hospital and nursing home taxes



Source: The Hilltop Institute - This map underestimates the effect of provider taxes in the Dakotas, which tax other health care providers, and North Carolina, which recently made major policy changes. New York Times, May 6, 2025

Risk Overview

- Recoupments
- Qui Tam / False Claims Act
- CMS / OIG / DOJ
- Risk Management
- Current Landscape

Historical Payment Programs Challenges

Uncompensated Care / Waiver / “UPL”

- Loss of FFS Volume
- Strict CMS control over Waivers

Medicaid Disproportionate Share Hospital Payments (DSH)

- Constant threat of cuts from ACA
- Audit risks
- Non-federal share

Newer Payment Programs Challenges - DPPs

- Annual CMS review through “Preprints”
- Limited to managed care – leaves out rural providers
- Actuarial soundness for ACR – now limited to Medicare
- Quality goals - auditing

Provider Tax Risks

- Regulations
- Mitigation – Texas Litigation
- Recent CRS Report
- Ongoing Scrutiny – "G.O.P. Targets a Medicaid Loophole Used by 49 States to Grab Federal Money," NYT, May 6, 2025
- Limits on Tax Authority

Federal Medicaid Budget Cuts

One Big Beautiful Bill Act (OBBBA) reduces coverage for beneficiaries, cuts reimbursement for providers, and increases the burden on states to provide additional funding for Medicaid payments.

Beneficiary Issues – work requirements, eligibility checks, etc.

Future provider requirements to verify? (PRWORA)

OBBBA Medicaid Changes

- **Spending Reductions**: Cuts federal Medicaid spending by ~$1 trillion over 2025–2034 (https://www.cbo.gov/publication/61533)
- **Work Requirements**: Non-elderly, non-disabled adults must complete 80 hours/month of work or community engagement.
- **Eligibility Redeterminations**: States must verify eligibility every 6 months (previously annually).
- **Provider Payment Limits**: Caps state-directed provider payments at 100% of Medicaid rates by 2028 (110% for non-exp.).

Monetary Impact of Medicaid Cuts

- Limits on Directed Payment Programs at Medicare Level
- Reduced Provider Tax Availability
- Expansion vs. Non-Expansion States
- Lower number of Medicaid beneficiaries
- More uninsured
- DSH cuts going into effect barring a delay

Future Regulatory Actions / Questions

- How will CMS implement the OBBBA?
- What does “grandfathering” mean?”
- What will be the payment levels?
- How will they police the non-federal share?
- Will mitigation still be prohibited after revisions to the rules?

Questions and Discussion

Contact Information

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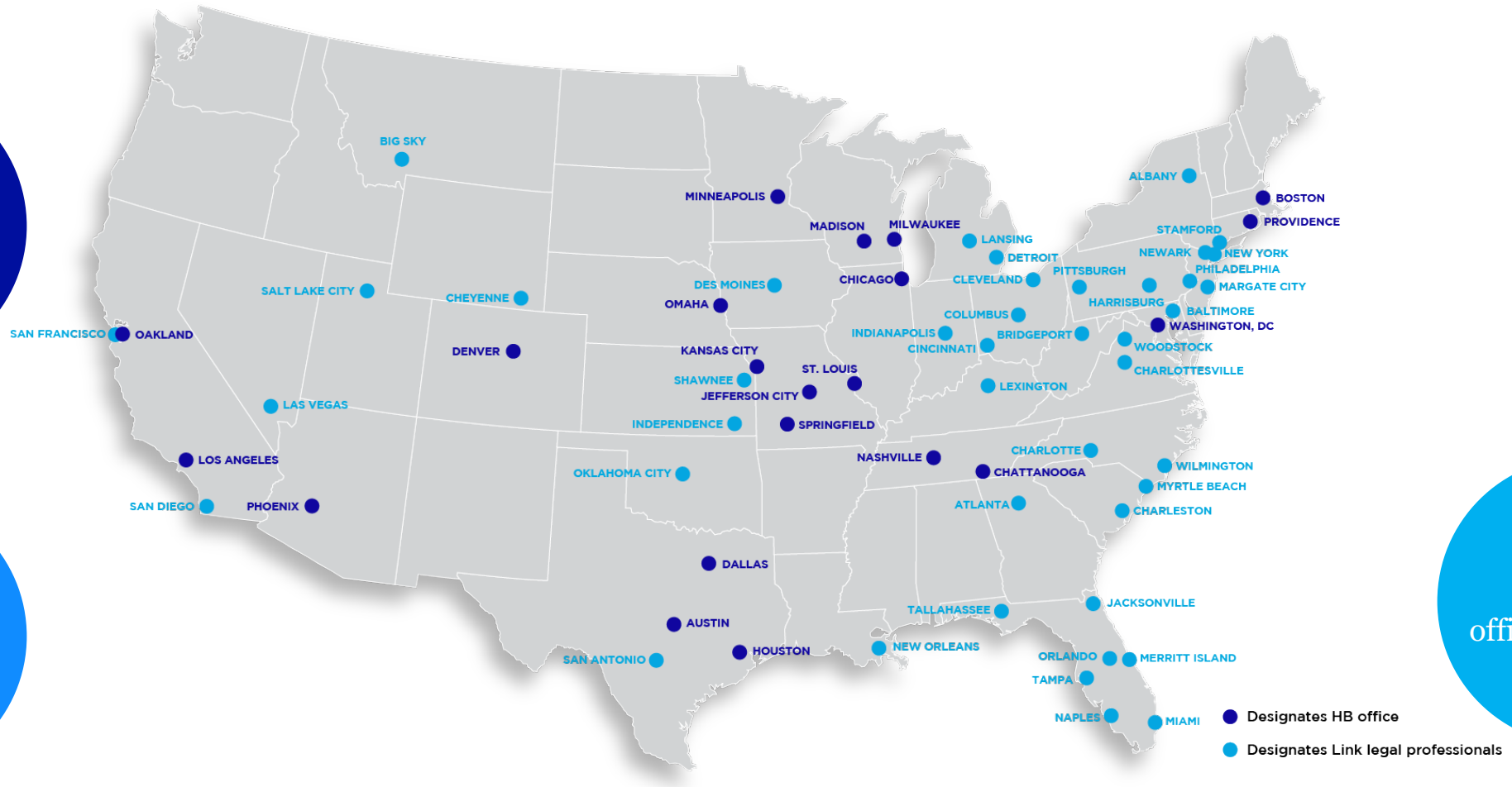

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