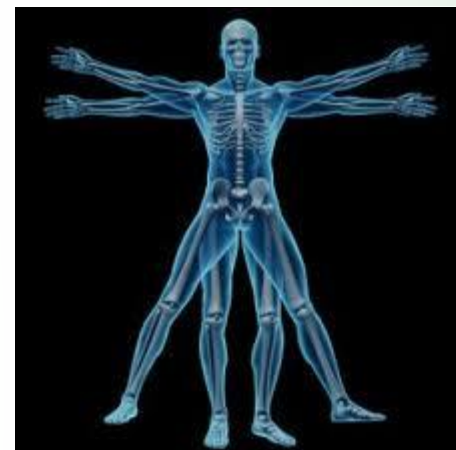
Healthcare Financial Management Association

January 2019

Medicaid Outpatient Hospital Reimbursement Changes

Outpatient Hospital Radiology Reimbursement

- Effective **January 1, 2019,** the MO HealthNet reimbursement for the technical component of the outpatient radiology procedures was reduced from 125 percent to 90 percent of Medicare's physician fee schedule.



- The fee schedule is available on MHD's website at: https://dss.mo.gov/mhd/providers/files/outpatient-hospital-radiology-fee-schedule.pdf

Outpatient Hospital Surgical Procedures Reimbursement

- The MO HealthNet Division fee-for-service reimbursement for 50 spinal, lumbar, joint and bariatric outpatient surgical procedures is now reimbursed based on fee schedule rather than a percentage of billed charges for dates of service on and after **January 1, 2019**.
- The fee schedule is available on MHD's website at:
  - https://dss.mo.gov/mhd/providers/files/outpatient-hospital-surgical-procedure-fee-schedule.pdf

Outpatient Hospital Surgical Procedures Reimbursement

- The rates published in the fee schedule for these outpatient surgical procedures do not include charges for lab, radiology and drugs which should be billed separately.
- Procedure codes that are not included in the outpatient hospital surgical procedure fee schedule will continue to be reimbursed a percentage of billed charges.

Outpatient Hospital Pharmacy Reimbursement

- The MO HealthNet Division reimbursement for outpatient pharmacy claims will now be reimbursed based on a hierarchy methodology rather than a percentage of billed charges for dates of service on and after **April 1, 2019**.
- This is a delay from the original February 1, 2019, implementation date.

Outpatient Hospital Pharmacy Reimbursement

- Reimbursement for pharmacy claims, for outpatient providers, will be determined applying the following hierarchy methodology:
  - National Average Drug Acquisition Cost; if there is no NADAC,
  - Missouri Maximum Allowed Cost (MAC); if there is no NADAC or MAC,
  - Wholesale Acquisition Cost (WAC); or
  - The usual and customary (U&C) charge submitted by the provider if it is lower than the chosen price (NADAC, MAC, or WAC).

Outpatient Hospital Pharmacy Reimbursement

- 340B providers who carve-in for Medicaid will be reimbursed at WAC minus 25 percent.
- All claims for carved-in providers will be paid at the 340B reimbursement rate and excluded from the Medicaid drug rebate program.
- Effective for dates of service on or after **April 30, 2019**, MHD will require 340B health care facilities to submit the National Drug Code (NDC) for all medications administered in the outpatient hospital setting.
- MHD plans to issue a provider bulletin in the next few weeks to address the NDC requirement for 340B health care facilities, including detailed billing instructions.

Medicaid Managed Care 90 Percent Non-Par MCO Reimbursement Cap

- Membership-wide CFO interviews on Medicaid managed care issues and experiences
- "Clear divide based on new termination notices"
  - Universal complaints on utilization review denials and hassle
  - For those getting termination notices, plans aggressively focus on lowering rates.
  - Plans appear to target hospitals with higher Medicaid loads or negotiated payment rates.

SFY 2019 MO HealthNet Outpatient Cuts
SFY 2019 Estimated Impact

		SFY 2019 ESTIMATED IMPACT		
		Missouri Hospitals	Out-of-State Hospitals	TOTAL
Outpatient Radiology *Effective 1/1/19*	*Reduced Fee Schedule*	$3,925,633	$130,404	$4,056,037
Outpatient Bariatric & Spinal Surgeries *Effective 1/1/19*	*Change from % of Charge to Fee Schedule*	$156,755	$11,199,756	$11,356,511
Outpatient Pharmacy / 340B* *Effective Delayed to 4/1/19*	*Change from % of Charge to Fee Schedule*	~~$8,052,656~~	~~$31,695~~	~~$8,084,351~~
90% Non-Par MCO Reimbursement Cap *Effective 7/1/18*	*Managed Care Contract Amendment*	*Impact to be determined*	*Impact to be determined*	*Impact to be determined*
TOTAL		$12,135,044	$11,361,855	$23,496,899

*Effective for dates of service on or after April 30, 2019, MHD will require 340B health care facilities to submit the NDC for all medications administered in the outpatient setting. Reimbursement for 340B providers who carve in for Medicaid will be reimbursed at WAC minus 25 percent.

SFY 2019 MO HealthNet Outpatient Cuts
SFY 2020 Estimated Impact

		SFY 2020 ESTIMATED IMPACT		
		Missouri Hospitals	Out-of-State Hospitals	TOTAL
Outpatient Radiology *Effective 1/1/19*	*Reduced Fee Schedule*	$7,851,268	$260,811	$8,112,079
Outpatient Bariatric & Spinal Surgeries *Effective 1/1/19*	*Change from % of Charge to Fee Schedule*	$313,506	$22,399,513	$22,713,019
Outpatient Pharmacy / 340B *Effective 4/1/19 / 4/30/19*	*Change from % of Charge to Fee Schedule*	$19,326,381	$76,070	$19,402,451
90% Non-Par MCO Reimbursement Cap *Effective 7/1/18*	*Managed Care Contract Amendment*	*Impact to be determined*	*Impact to be determined*	*Impact to be determined*
TOTAL		$27,491,155	$22,736,394	$50,227,549

Medicaid Inpatient Upper Payment Limit

Medicaid Upper Payment Limit

- In September 2018, state officials conveyed that CMS now is expecting states to strictly adhere to a new template for doing Upper Payment Limit calculations and reporting on payments.
- The new standard applies to the current fiscal year and later.
- The UPL is a federal payment standard. It caps Medicaid hospital spending at what Medicare would have paid for the services.

Medicaid Upper Payment Limit

- The UPL groups hospitals into three categories: state government owned hospitals, nonstate government owned hospitals and private hospitals.
- Within each category, the UPL payment cap is hospital-specific. However, the hospital-specific caps are triggered only if aggregate payments exceed the aggregate UPL in the category.

Medicaid Upper Payment Limit

- Number of hospitals in each category:
  - State government owned (8)
  - Nonstate government owned (32)
  - Private (100)
- CMS' use of the new reporting/calculation template was optional for SFY 2018. It is mandatory for SFY 2019.

Medicaid Upper Payment Limit

- CMS allows states to use one of four methods for estimating what Medicare would have paid.
- A state can use different UPL calculation methodologies for the different hospital categories.
- The formula generally is consistently applied to each provider within a category; however, some exceptions can be made.

Medicaid Upper Payment Limit

- IP Cost for cost-based demonstrations (e.g., cost-to-charge ratio X Medicaid covered IP charges)
- IP Payment for payment-based demonstrations (e.g., payment to charge ratio X Medicaid covered IP charges)
- IP DRG for DRG-based demonstrations (acuity adjusted price-based demonstration)
- IP Per Diem for alternative methodologies (e.g., cost per diem or payment per diem)

Medicaid Upper Payment Limit

- Different methodologies can yield vastly different results. For example, the cost-based method increases the UPL to account for provider tax costs.
- MHD's preliminary estimate for the SFY 2019 inpatient UPL indicated hospital payments may exceed the UPL cap by as much as $413 million.
- This preliminary analysis was based on an assessment of the statewide application of just two of the four available options.

Upper Payment Limit Advocacy

- MHA challenged both the rationale and amount of the payment reductions, arguing they were based on an incomplete assessment of options for calculating the UPL caps.
- As requested by MHA, MHD engaged Myers & Stauffer, its Medicaid DSH audit contractor, to assess all of the available UPL methodologies.
- According to MHD, the reassessment reduced the potential aggregate $413 million payment cut to approximately $19 million.

Upper Payment Limit Advocacy

- MHD has indicated that the approximate $19 million payment cut for SFY 2019 will affect only the state government-owned silo.
- MHD has not yet released the final SFY 2019 inpatient UPL model.

Disproportionate Share Hospital Audit Litigation

Update On DSH Audit Litigation

- As you may recall, MHA filed suit against the Centers for Medicare & Medicaid Services challenging both the methodology used to calculate costs in the 2011 and 2012 DSH audits, as well as the 2017 final rule attempting to codify that methodology.
- Specifically at issue was CMS' requirement that Medicare and third-party payments offset costs in the DSH audits.

Update On DSH Audit Litigation

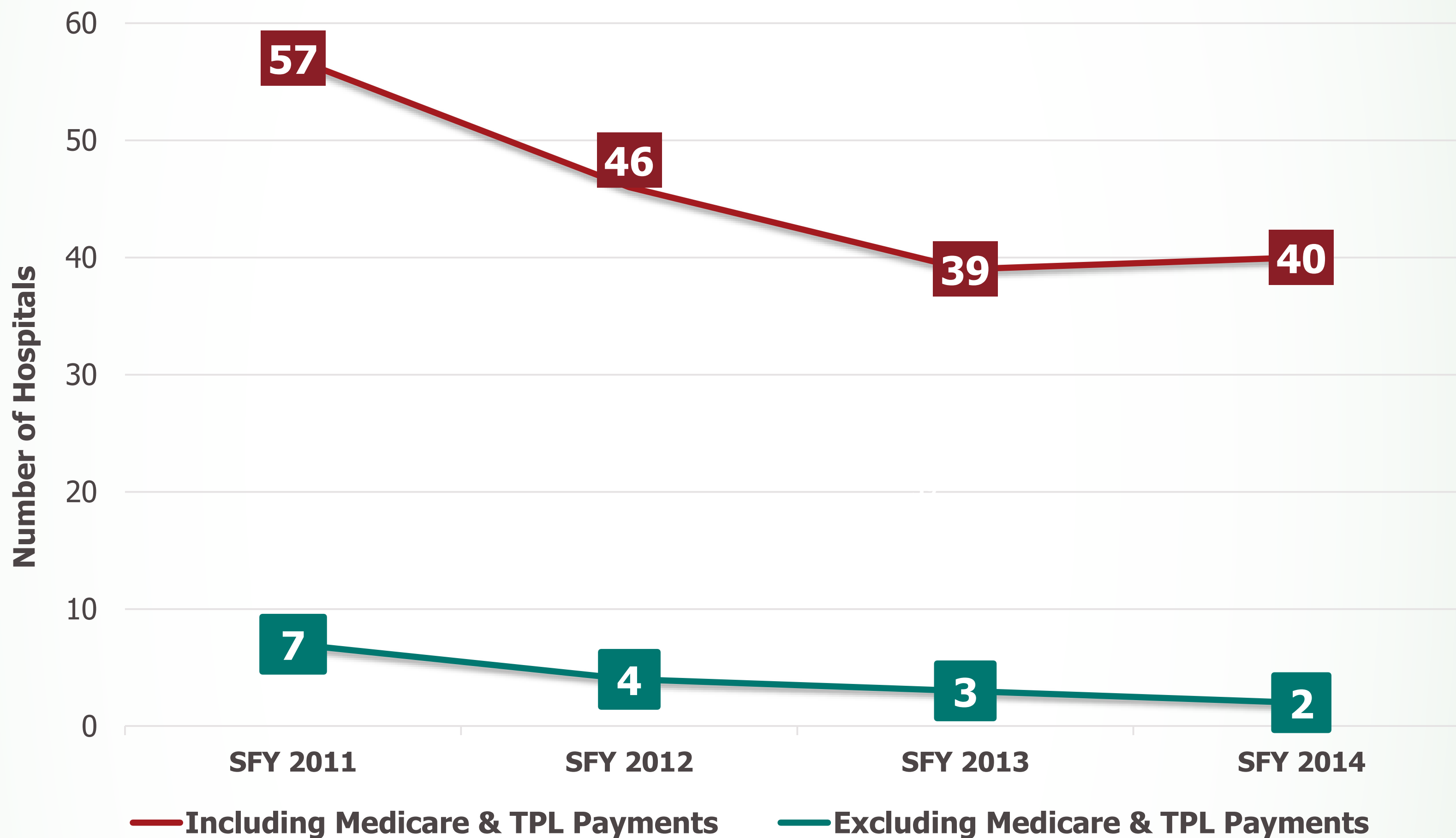
- On December 31, 2018, CMS issued guidance that "in light of four recent appellate court decisions, the Center for Medicare and Medicaid Services (CMS) is withdrawing questions 33 & 34 from the Medicaid Disproportionate Share Hospital (DSH) guidance…"
- As a result, FAQs 33 & 34 are no longer operative.
- States now must decide whether they will file revised DSH audits with CMS that cover hospital services furnished before June 2, 2017.

Hospital Liabilities Decrease

- Based on CMS' withdrawal of FAQs 33 and 34, it is estimated that the Medicaid DSH liabilities for Missouri hospitals will fall by approximately $453 million for SFYs 2011 through 2014.
- Missouri hospitals also now will avoid the return of $92.5 million in federal DSH funds to CMS for SFYs 2011 and 2012.
- MHD has not released the final SFY 2015 DSH audit results.

MEDICAID
DSH
AUDIT
REPORT

Number of Hospitals With DSH Liabilities Including and Excluding Medicare and TPL Payments SFY 2011 through SFY 2014*



** These numbers are based on the most recent data available and are subject to change.*

Note: State Institutions of Mental Disease (IMDs) have been excluded from the above figures.

DSH Audit Timing Considerations

- Myers & Stauffer has collected data to redo the completed DSH audits without the FAQ policies.
- As instructed by MHD, some additional audit work may be performed.
- MHD plans to submit revised DSH audits for SFYs 2011 – 2015 to CMS to exclude the Medicare and third-party payments.
- The Medicare and third-party payments will be excluded from DSH audits for SFYs 2016 and 2017 (through June 1, 2017) as well.

DSH Audit Timing Considerations

- MHD is working with Myers & Stauffer and its legal counsel on the process for resubmitting the revised DSH audits.
- Because of the significant impact the withdrawal of FAQs 33 and 34 can have on the hospital-specific UCC calculation, MHD has indicated it will allow hospitals that did not previously participate in one or more of the DSH audits for SFYs 2011 through 2015 to participate.

CMS Pushes Change Via Regulation

- Facing backlash from its FAQs, CMS issued a regulation requiring the new DSH audit standard, effective June 2, 2017.
- The regulation has been blocked by federal court rulings as violating federal Medicaid law. MHA lawsuit was the first to win on this issue. CMS has appealed.
- If the regulation is upheld, CMS' Medicare and third-party payment standards will apply beginning 6/2/17.

CMS Pushes Change Via Regulation

- Hospitals should continue to gather Medicare and third-party payments at the patient detail level and submit to Myers and Stauffer for the SFY 2016 and future audits, until the outcome of the appeal is known.

Board Workgroup Considers Options

- An MHA-board appointed DSH Audit Litigation Redistribution Workgroup was appointed in February 2018.
- It is assessing whether and how to redistribute hospital funds to address concerns about payment equity under DSH audits.

Impact of Federal DSH Allotment Reductions on Missouri

Medicaid DSH Reductions
ACA & Subsequent Legislation

Federal Fiscal Year Ending	Original ACA Law	Bipartisan Budget Act of 2013	H.R. 4203 (4/1/2014)	H.R. 2 (4/15/2015)	Bipartisan Budget Act of 2018 (2-9-2018)
2014	$ 500,000,000				
2015	600,000,000				
2016	600,000,000	$ 1,200,000,000			
2017	1,800,000,000	1,800,000,000	$ 1,800,000,000		
2018	5,000,000,000	5,000,000,000	4,700,000,000	$ 2,000,000,000	
2019	5,600,000,000	5,600,000,000	4,700,000,000	3,000,000,000	
2020	4,000,000,000	4,000,000,000	4,700,000,000	4,000,000,000	$ 4,000,000,000
2021		4,120,000,000	4,800,000,000	5,000,000,000	8,000,000,000
2022		4,243,600,000	5,000,000,000	6,000,000,000	8,000,000,000
2023		4,370,908,000	5,000,000,000	7,000,000,000	8,000,000,000
2024			4,400,000,000	8,000,000,000	8,000,000,000
2025				8,000,000,000	8,000,000,000
	$ 18,100,000,000	$ 30,334,508,000	$ 35,100,000,000	$ 43,000,000,000	$ 44,000,000,000

* The Bipartisan Budget Act of 2013 didn't specify dollar cut for 2021-2023, but instead said DSH payments are to be updated from 2020 level, after 2020 cut, by consumer price index (CPI). Assume 3% CPI impact on 2020 base cuts over following three years.

Impact of Federal DSH Allotment Reductions on Missouri

- Under current federal law, reductions in states' Medicaid DSH allotments will become effective October 1, 2019.
- Unless Congress repeals or delays the future DSH allotment reductions, hospitals can expect a reduction in DSH payments for SFY 2020.
- CMS has not released the formula that will be used to calculate the state specific DSH allotment reductions.

Impact of Federal DSH Allotment Reductions on Missouri

- The DSH allotment reductions have been delayed four times already. It is very likely they will be delayed yet again.
- There are several federal proposals that may change the distribution of the DSH allotments between states.

State Legislation for 2019

State Legislation for 2019

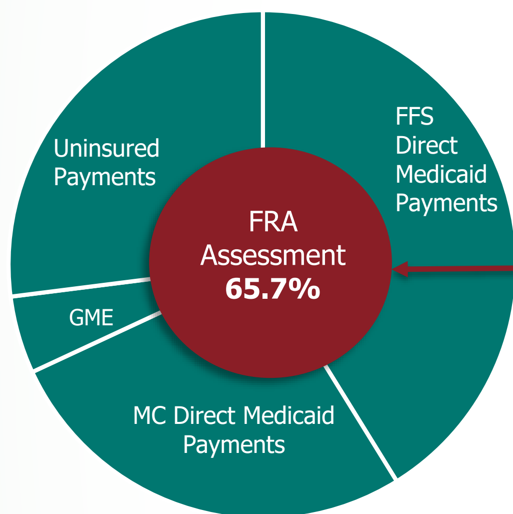
- State budget and appropriations
- State investment in revamping Medicaid payment structures
- FRA reauthorization
- Protecting and implementing new FRA safeguards
- Medicaid managed care reform

FRA Payment Safeguard

- Updating a 2001 FRA payment safeguard in law:
  - Former “85 percent test” for FRA tax versus specified hospital payments was obsolete.
  - New standard: Tax cannot exceed 45 percent of all FRA-funded payments.
  - Compels better state tracking of managed care funds and hospital payments. Biggest value is not in protection but process.
  - Advocacy message: State government should be accountable for how it spends public money.

Former FRA Safeguard

FRA assessment cannot exceed **85%** of FRA-funded hospital **Direct Medicaid** payments

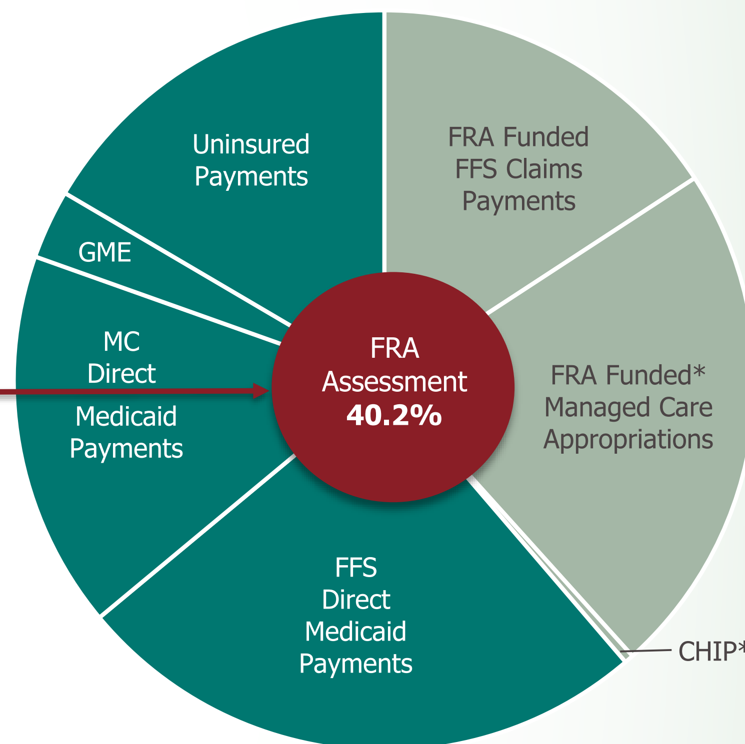


SFY 18 Hospital Direct Medicaid Payments $1.664 Billion

SFY 18 FRA Assessment **$1.093 Billion**

New FRA Safeguard

FRA assessment cannot exceed **45%** of **ALL** FRA-funded hospital payments



SFY 18 Total Estimated Hospital Payments $2.716 Billion

*Assumes hospitals receive 50 percent of managed care and CHIP

Data Source: MO HealthNet Division

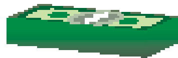
FRA Tutorial

How The FRA Funds Are Used

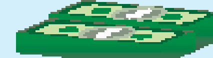
STATE FISCAL YEAR 2018 ACTUAL EXPENDITURES

TIP: Navigate this PDF with the links. Learn more with pop-ups.

Hospitals pay an assessment[1] of **$1.1 billion.**



The state **receives** and **spends** the assessment of **$1.1 billion.**



The state earns a federal match of **$1.978 billion.**

The total to be spent by Medicaid is **$3.078 billion.**

$295,452,971 of the assessment is retained by the state to fund its Medicaid program

$530,808,002 is the amount of federal match on the assessment retained by the state to fund its Medicaid program

$804,560,293 of the assessment is used to fund hospital payments

$1,447,385,501 is the federal match on the assessment used to fund hospital payments

	Disproportionate Share Hospital Payments	Direct Payments and GME[2]	Hospital Care	Managed Care (including FMP)	CHIP	Administrative[3]
Federal Share (retained)	$8,785,209	N/A	$264,049,621	$243,285,194	$13,879,016	$808,963
State Share (retained)	$4,886,140	N/A	$146,858,597	$135,309,879	$7,719,204	$679,151
Federal Share (hospital payments)	$358,217,549	$497,529,940	$310,658,700	$280,979,311	N/A	N/A
State Share (hospital payments)	$199,232,730	$276,271,501	$172,781,543	$291,584,398	N/A	N/A
Total	$571.1 million	$773.8 million	$894.3 million	$815.8 million	$21.6 million	$1.5 million

View your hospital-specific forms.
(A password is required. Email Kathy Hasenbeck or call 573/893-3700, ext. 1344.)

Learn about MSC's role in the administration of the FRA ►

Note: Based on tax of 5.7% for July-Sept. and 5.6% for Oct. - June. State Share is 35.74%. Federal Match Rate is 64.26%.

[1] includes assessment on the Institutions of Mental Disease

[2] includes fee-for-service add-on payments only

[3] includes the cost of the independent DSH audit

Source: Missouri MO HealthNet Division

Access to the FRA Tutorial

- An FRA Tutorial is available on the MHA website. To access the tutorial, follow these steps:
  - Visit www.mhanet.com
  - Hover Over Advocacy in the Navigation Menu
  - In the Dropdown Box, Click on FRA
  - Click on the Second Tab, Entitled "FRA Tutorial"
  - Click on "Start the FRA Tutorial"

Access to the FRA Website

- You can access your hospital-specific forms and the MHA Management Services Corporation pooling policies and procedures by visiting the FRA Tutorial or the following website:

  https://www.mhanet.com/docshare

  - Enter Username and Password
  - Click on Download
  - Click on FRA for Hospital-Specific Forms
  - Click on Info for Pooling Policies and Procedures
  - For assistance contact khasenbeck@mhanet.com