

MEDICAID OUTPATIENT FEE SCHEDULE PROPOSAL

The MO HealthNet Division is proposing to convert its Medicaid outpatient payment system to a fee schedule that would pay 90% of the Medicare outpatient payment rate for most services, with some targeted adjustments.

Missouri hospitals oppose using a “reform” proposal as a pretext for **significant budget cuts**.

- MHD’s proposal **cuts Medicaid outpatient payments by \$60 million in the pending Medicaid budget legislation.**
- Hospitals are the only Medicaid providers targeted for major cuts in the budget.
- MHA supports the premise of a less complex fee schedule system, but not the depth and distribution of the payment cuts of the proposed fee schedule.

MHD claims its proposed payment rate of 90% of Medicare is near the top of state Medicaid outpatient reimbursement rates.

- **MHD’s claims ignore the role of the hospital provider tax — the Federal Reimbursement Allowance** — in funding the state share of Medicaid payments. Considering the substantial FRA funding of outpatient payments, **the net payment rate of the MHD proposal is 77% of the Medicare rate, not 90%.** Medicare already pays well below the audited cost of providing outpatient services.

MHD’s projections of fiscal savings are inconsistent and underestimate the full effect on hospitals.

- The budget legislation projects a \$60 million payment reduction, with \$20 million from Medicaid managed care and \$40 million from fee-for-service payments.
- The anticipated official fiscal estimate for the MHD regulation to implement these cuts is 15% higher, but it appears to ignore any effect on Medicaid managed care payments.
- The projected savings in the budget legislation are understated.
- There is an opportunity to identify these unrecognized savings and reinvest them to **improve the fee schedule payments without affecting the Governor’s budgeted General Revenue savings.**

The MHD proposal targets hospitals for payment cuts in the wake of the daunting challenges of the COVID-19 pandemic response and during the ongoing COVID vaccination effort.

MHD’s proposal harms many hospitals, some disproportionately, but benefits some hospitals.

MHD’s proposed fee schedule ignores some of Medicare’s components designed to promote fairness in reimbursement rates among hospitals. In doing so, it further penalizes certain categories of hospitals such as children’s hospitals.