

Proposed Medicaid Outpatient Fee Schedule

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State Rationale for a Fee Schedule

- Simplifies the current complex methodology based on cost-to-charge ratios, regression analysis and payment ceilings and floors
- Current system is vulnerable to manipulation
- Current system does not promote efficiency
- Fee schedule minimizes variance among hospitals in Medicaid outpatient payment rates.
- Aligns Medicaid with Medicare and other payers



Design of the Proposed Fee Schedule

- Pay for Medicaid outpatient services at a rate of 90% of the Medicare Ambulatory Payment Classification (APC) payment.
- Federally deemed critical access hospitals will receive a 25% add-on payment to supplement the fee schedule amount.

Design of the Proposed Fee Schedule

- For outpatient procedures or services with no comparable Medicare APC, MO HealthNet Division will pay 90% of other Medicare fee schedules:
 - physician services
 - clinical laboratories
 - medical equipment
- Remaining codes will pay using a Medicaid-defined fee.

Design of the Proposed Fee Schedule

- The Medicare wage index adjustment for Jefferson City (.8494) will be used in determining Medicare payment rates.
- Because of state system limitations, some procedures will be bundled and paid differently than for Medicare.
- "Payment will be the lower of the provider's charge or the payment as calculated under the OSFS payment methodology."

Rationale for Using Medicare APCs

- Familiar to hospitals
- Easier for the state to implement than other models
- Proposal differs from APCs in some areas:
 - “Medicare payment policy is not always appropriate for Medicaid”
 - “MHD’s goal is to avoid some of the complexities of the Medicare method”

Projected Fiscal Effect

- MO HealthNet Division budget data states the fee schedule will reduce Medicaid outpatient payments by \$60 million from current rates.
 - \$20 million Medicaid managed care payments
 - \$40 million for fee-for-service payments
- MHA staff believes this is understated.
- An official regulatory cost estimate is pending.
- In a reversal, MHD now won't be releasing hospital-specific estimates of the effects.

Projected Fiscal Effect

- Staff worked with Milliman, Inc., to compile an integrated set of analytical tools and Medicaid and Medicare data needed to do hospital-specific financial modeling of reform proposals.
- The MHA board endorsed modeling of the outpatient fee schedule as a priority.
- Milliman projects delivery of hospital-specific data by Friday, February 21st.

Projected Fiscal Effect

- Projected savings will come from both Medicaid fee-for-service and managed care sectors.
- Medicaid managed care plans already are pressing for payment cuts, reflecting the expected reduction in their state payment.
- Hospital-plan contracts often tie managed care payment rates to fee-for-service. Examine your contracts.

Modeling Details

- Staff attached a template for assessing hospital-specific effects, if a hospital wishes to do so.
- The state has not released its fee schedule amounts.
- State caveat on its FAQs: *"Please note that details of the payment method shown in this document remain subject to change before the implementation date. If so, an update will be available on the MO HealthNet Division's website."*

State's Rationale for Budget Cuts

- According to MO HealthNet Director Todd Richardson, the payment rate of 90% of Medicare was chosen after assessing other states' Medicaid outpatient payment rates.
- Ninety percent of Medicare was “at the high end” of the range of payments among the comparison states.



Timeline for Implementation

- Proposed rule filed with the Secretary of State around February 18, with publication March 1
- Regular regulatory review requires 6-8 months
- MHD target date is July 1, 2020. It acknowledges a likely delay until August at the earliest.



Billing Requirements

- Medicaid outpatient claims will be paid based on line-level procedures codes (CPT/HCPCS).
- CPT/HCPCS codes currently are expected, but are not now used in paying CAHs.
- The accuracy of CPT/HCPCS coding and charging will become more important.
- Hospitals should bill for all services provided to a patient on the same day on the same claim.

Advocacy Initiative

- Milliman's hospital-specific projections will enhance MHA's plan for coordinated advocacy with legislators and the Governor's office.
- A previous MHA-MHD workgroup explored and generally favored moving to Medicare as a basis for Medicaid outpatient payments.
- The initiative was dropped for lack of state technology capacity.
- MHA has never favored using a methodology change to cut overall spending.

Advocacy Initiative

- Challenge “reform” as budget cutting exercise
- Challenge interstate payment comparisons, with FRA funding about 35% of Missouri’s share of outpatient spending
- Challenge accuracy of MHD fiscal estimates
- Challenge timeline for implementation
- Highlight local effects of spending cuts

Questions/Discussion