



# Medicaid Hospital Payment: Policy Issues and Commission Analytic Plan

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Medicaid and CHIP Payment and Access Commission

Robert Nelb

# Overview

- Background
- MACPAC provider payment framework
- Policy questions and analytic questions
  - Documenting payment methods
  - Analyzing payment amounts
  - Considering outcomes related to the payment
  - Evaluating policy options
- Next steps

# Background

- Medicaid spent a total of \$189.8 billion on hospital care in 2016
  - 34 percent of total Medicaid spending
  - 18 percent of all payments to hospitals
- States make a number of different types of Medicaid payments to hospitals and have broad flexibility to design their payment methods
  - Base payments for services
  - Supplemental payments
  - Managed care payments

# Provider Payment Framework

- The framework is based on the statutory principles of Medicaid payment policy
  - Economy: What is spent on provider payments
  - Access and quality: What is obtained as a result of the payment
  - Efficiency: A measure that compares what is spent to what is obtained
- To evaluate whether policies are consistent with statutory principles, we need information on:
  - Payment methods
  - Payment amounts
  - Outcomes related to the payment

# Policy and Analytic Questions

- The proposed hospital payment work plan is organized into three parts
  - Policy questions frame the issue
  - Analytic questions describe the information needed to help inform discussion of policy questions
  - Specific analyses are projects to collect and review available data to inform each analytic question
- We describe analytic work that MACPAC has already completed, planned analyses, and areas for further exploration

# Payment Methods: Questions

## Policy questions

How are Medicaid hospital payment rates determined?  
Why do states choose specific payment approaches and how has financing evolved in relation to policy choices?

## Analytic questions

What are the differences in how states pay hospitals?

How has financing of hospital payments evolved and how does it relate to state policy choices?

What types of hospitals receive special consideration in Medicaid hospital payment policy?

How do different types of hospital payment interact?

# Payment Methods: Analyses

- Prior analyses
  - Compendiums of fee-for-service payment policies for inpatient and outpatient hospital services
  - Review of state policies for targeting disproportionate share hospital (DSH) payments
  - Issue brief on state financing and federal spending
  - Expert roundtable on DSH payments
- Planned analyses
  - Issue brief on payment policies for rural hospitals
  - Review of upper payment limit (UPL) policies
  - Informant interviews with state officials and other stakeholders
- Areas for further exploration
  - Issue briefs on payment policies for other types of hospitals
  - Additional analyses of state financing methods

# Payment Amounts: Questions

## Policy questions

Are Medicaid hospital payments adequate?

What payments and costs should be considered when assessing Medicaid payment adequacy?

How does Medicaid payment compare to other payers?

## Analytic questions

What are net Medicaid payments to hospitals after accounting for supplemental payments and provider contributions to the non-federal share?

How does Medicaid payment compare to Medicare and other payers?

How have Medicaid hospital payments changed over time?



# Payment Amounts: Analyses

- Prior analyses
  - Hospital inpatient payment index (comparison of fee-for-service payments across states and to Medicare)
  - DSH audit analyses (comparison of hospital payments to costs for DSH hospitals)
- Planned analyses
  - Review of state uncompensated care pool evaluations
  - Analysis of variation in Medicaid spending across states
- Areas for further exploration
  - Explore historical data on changes Medicaid hospital payment rates over time

# Payment Outcomes: Questions

## Policy questions

How do Medicaid hospital payments promote the statutory goals of efficiency, economy, quality and access?

To what extent are existing policies consistent or inconsistent with these goals?

## Analytic questions

How are Medicaid payments used in delivery system transformation?

Do existing payment methods create barriers to delivery system transformation?

What are the best measures to assess access and quality for hospital care?

# Payment Outcomes: Analyses

- Prior analyses
  - Site visits of delivery system reform incentive payment (DSRIP) programs
  - Site visits of Medicaid accountable care organizations (ACOs)
  - Site visits with states implementing other value-based payment approaches
- Areas for further exploration
  - Effects of per-diem and cost-based payments on delivery system transformation efforts
  - Review quality measures that states are currently using to measure access and quality of hospital care

# Policy Options: Questions

## Policy questions

## Analytic questions

Would other federal policies better promote statutory goals?

How can policy makers balance state flexibility and accountability?

Are payments targeted to the hospitals that need them the most?

Are current federal oversight processes effective?

# Policy Options: Analyses

- Prior analyses
  - Analysis of the effects of raising the minimum eligibility criteria for DSH payments
- Planned analyses
  - Review of the process for overseeing UPL limits
- Areas for further exploration
  - Examine policy related to directed payments in managed care

# Next Steps

- Based on Commissioner feedback, staff will begin to gather available information and present findings as they are ready
  - This spring, staff plan to present additional analyses of Medicaid shortfall and UPL payment policies
  - This fall, we anticipate we could share findings from informant interviews



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