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# Proposed Recommendations for Improving the Transparency of Medicaid Financing

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# Overview

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# Background

- The Medicaid statute permits states to finance the non-federal share of Medicaid spending from a variety of sources, including:
  - State general funds
  - Health care-related taxes (often referred to as provider taxes)
  - Intergovernmental transfers (IGTs)
  - Certified public expenditures (CPEs)
- MACPAC has previously recommended more transparency of provider contributions to the non-federal share to enable analyses of net payments to hospitals and nursing facilities
- The proposed recommendations expand on prior recommendations by:
  - Specifying how data should be collected
  - Expanding reporting to all types of Medicaid services
  - Including state-level data to validate provider-level data and provide more context

# Gaps in Existing Transparency Requirements

- Financing methods
  - States answer five funding questions when they make changes to payment methodologies in their Medicaid state plan or managed care directed payments
  - These responses are not publicly available
  - Some taxes require additional documentation when they are initially approved
- State-level financing amounts
  - States are statutorily required to submit tax amounts on Form 64.11
  - Data are for informational purposes and appear to be incomplete
- Provider-level financing amounts
  - No existing requirements
  - States can choose to account for some provider taxes in upper payment limit demonstrations
  - Centers for Medicare & Medicaid Services (CMS) occasionally collects more detailed financing information during financial management reviews

# Proposed Medicaid Recommendation

*In order to improve transparency and enable analyses of net Medicaid payments, Congress should amend Section 1903(d)(6) of the Social Security Act to require states to submit an annual, comprehensive report on their Medicaid financing methods and the amounts of the non-federal share of Medicaid spending derived from specific providers. The report should include:*

- a description of the methods used to finance the non-federal share of Medicaid payments, including the parameters of any health care-related taxes;*
- a state-level summary of the amounts of Medicaid spending derived from each source of non-federal share, including state general funds, health care-related taxes, intergovernmental transfers, and certified public expenditures; and,*
- a provider-level database of the costs of financing the non-federal share of Medicaid spending, including administrative fees and other costs that are not used to finance payments to the provider contributing the non-federal share.*

*This report should be made publicly available in a format that enables analysis.*

# Rationale

- Analyses of Medicaid payment policy require complete data on the costs of financing necessary to calculate net payments to providers
- The data that CMS currently collects is fragmented and incomplete
  - Section 1903(d)(6) of the Social Security Act currently only includes requirements related to the transparency of health care-related taxes and donations
  - We combined the three options presented at the January 2024 public meeting into one consolidated recommendation to discourage partial implementation
- Many states already collect financing data in the aggregate
  - It would be administratively burdensome to track financing by category of service
  - Texas is currently successfully reporting of provider-level financing
- Public reporting can enable analyses by all stakeholders

# Design Considerations

- The proposed comprehensive description of state financing methods can include information on tax parameters, administrative fees, and other descriptive information to inform analyses of net payments
- CMS should establish process controls to review accuracy of the data submitted
- Provider level financing data would be most useful if:
  - Data could be easily linked with Medicare cost reports and other identifiers
  - The report clarifies any differences between the date of transfer and the date of payment
  - States could provide information about whether financing is allocated to specific supplemental payment programs or used for overall program finances
  - Administrative fees are clearly identified

# Implications

- Federal spending
  - Increase administrative burden but no expected increases in federal spending
  - Administrative burden could be reduced in the long term if CMS aligns existing systems and requirements
- States
  - Increased administrative burden which could increase administrative spending
  - States can offset costs by retaining additional administrative fees for financing
- Providers and health plans
  - No direct effect but some potential administrative burden if the state does not already collect financing data
- Enrollees
  - No direct effect



# Proposed CHIP Recommendation

*In order to provide complete and consistent information on the financing of Medicaid and CHIP, Congress should amend Section 2107(e) of the Social Security Act to apply the Medicaid financing transparency requirements of Section 1903(d)(6) of the Social Security Act to CHIP.*

# Rationale and Implications

- States are permitted to financing the non-federal share of CHIP spending using the same methods that are permissible in Medicaid
- Little information is available about how states finance CHIP
- As of July 2023, 39 states operate a separate CHIP or combination program
  - These states are subject the Medicaid requirements cross-referenced in Section 2107(e) of the Social Security Act and financing regulations in 42 CFR 457.628
- A statutory change would apply consistent transparency requirements in Medicaid and separate CHIP without adding substantial administrative burden
  - The implications are similar to the proposed Medicaid recommendation

## Next Steps

- Staff welcome any feedback on the proposed recommendations and the rationale
- At MACPAC's April 2024 meeting, Commissioners will review a draft chapter on Medicaid financing and vote on recommendations

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