

## Issue Brief – Non-Core Medicaid Inflation

DEPARTMENT OF HEALTH

DOH-09-21

### SUMMARY

In order to ensure that services are available and accessible, the reimbursement rates paid to Medicaid providers must be sufficiently high to make them partners in the program and to enable them to cover their increased costs. Over the past few years because of the budget constraints, reimbursement rates, for most categories of providers have not been increased, while a few others have increased through additional state appropriations. Medicaid inflation affects Medicaid provider rates. The Executive Appropriations Committee included 50% of the Department's request in the base budget at a cost of \$8,609,200 ongoing General Fund (\$26,298,400 Total Funds), which would provide an average provider rate increase of 2.5% for core Medicaid services. The Analyst recommends a similar funding of 50% of the agency's request for a total of \$341,600 ongoing General Fund for non-core Medicaid provider rate increases. This would provide a 2% increase in rates paid. In order to fund the Department's request for a 4% non-core provider rate increase, an appropriation of \$683,200 ongoing General Fund would need to be made.

Medicaid is the nation's public health insurance program for low-income people. It was initially created to provide medical assistance to individuals and families receiving cash welfare. Over the years, Congress has incrementally expanded the scope of the program. Today, Medicaid is no longer a welfare program; rather, it is a health and long-term program for a broader population of low-income individuals.

### OBJECTIVE

The objective of this funding item is to assure access to all medical services offered to Medicaid clients.

### DISCUSSION AND ANALYSIS

Medicaid inflation adjustments impact provider rates. These are sometimes discussed separately, but the fiscal impact to both the provider and the client are the same. When the rates are too low, the state experiences a challenge with access issues for Medicaid clients. Many medical and dental providers do not take Medicaid patients because of the low reimbursement level. Increasing the General Fund also increases the matching Federal Funds. Medical inflation is usually twice the average consumer inflation rate. The Medicaid program requires some inflation rate adjustments to maintain services at the current level. The recommended adjustments for the inflation rate are not the same for all groups.

The Executive Appropriations Committee included \$8,609,200 ongoing General Fund (\$26,298,400 Total Funds) in the base budget to fund a 2.5% core provider rate increase for FY 2009, as detailed in the table to the right. These increases do not include any increases for non-core providers. The table to the right has the optional service providers highlighted in green that are considered as part of the core provider group. Other optional service providers have their provider rates considered separately. The agency requested \$683,200

<b>Percentage Increases for Medicaid Provider Reimbursement for FY 2009</b>	
<b>Base Budget Funding (Total Funds)</b>	<b>\$26,298,400</b>
<b>Provider Increases</b>	
Community ICFMR	1.7%
Intermediate Care Facility-1 (NF-2)	1.7%
Intermediate Care Facility-2 (NF-3)	1.7%
Skilled Nursing Facility-1 (SUPER SNF)	1.7%
Skilled Nursing Facility-2 (NF-1)	1.7%
Flex Care	1.7%
Inpatient Hospital	2.7%
Inpatient Hospital - Mental Health	2.7%
Ambulatory Surgical	3.3%
Dental Services	2.3%
Federal Qualified Health Centers	2.0%
Outpatient Hospital	3.3%
Pharmacy	8.3%
Physician Services	2.0%
Rural Health	2.0%
Crossovers	2.0%
Health Maintenance Organizations	2.0%
Buy-Out Insurance	2.0%
Medicare Buy-In	2.5%

ongoing General Fund to provide a 4% rate increases to these non-core providers.

The table below details provider rate increases for the last 7 years for core and non-core Medicaid services. The non-core Medicaid services are highlighted in green. The non-core service providers did not receive increases between FY 2002 and FY 2007.

<b>Historical Percentage Increases for Medicaid Provider Reimbursement</b>							
<b>Provider Increases</b>	<b>Approp. FY 2002</b>	<b>Approp. FY 2003</b>	<b>Approp. FY 2004</b>	<b>Approp. FY 2005</b>	<b>Approp. FY 2006</b>	<b>Approp. FY 2007</b>	<b>Approp. FY 2008</b>
Nursing Homes	4.6%	12.0%	0.0%	27.3%	1.0%	2.0%	14.5%
Inpatient Hospital	5.6%	3.2%	0.0%	1.6%	1.5%	2.0%	4.2%
Ambulatory Surgical	5.6%	6.0%	0.0%	0.0%	3.7%	2.0%	2.5%
Dental Services	2.0%	15.0%	0.0%	4.3%	4.8%	2.0%	27.5%
Federal Qualified Health Centers	0.0%	0.0%	0.0%	4.7%	4.2%	4.3%	4.2%
Home Health	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%
Outpatient Hospital	5.6%	6.3%	0.0%	0.0%	1.5%	2.0%	2.5%
Pharmacy	12.0%	12.0%	12.0%	11.0%	11.5%	10.5%	10.4%
Physical Therapy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%
Physician Services	7.0%	3.0%	0.0%	0.0%	4.8%	2.0%	8.5%
Rural Health	0.0%	0.0%	0.0%	4.7%	4.2%	4.3%	4.2%
Speech and Audiology	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%
Crossovers	3.9%	4.6%	0.0%	4.7%	4.2%	4.3%	4.2%
Health Maintenance Organizations	6.0%	8.0%	0.0%	0.0%	3.0%	2.0%	2.5%
Buy-Out Insurance	3.9%	4.6%	0.0%	4.7%	4.2%	4.3%	4.2%
Medicare Buy-In	3.9%	4.6%	0.0%	4.7%	10.8%	12.0%	5.6%
Other Providers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%

### **DISCUSSION AND ANALYSIS**

- The Analyst recommends that the Subcommittee place \$341,600 ongoing General Fund on its priority list for a 2% provider rate increase for non-core Medicaid service providers.