



Managing State Medicaid Budgets in a Pandemic

STRATEGIES TO CONSIDER TO MAXIMIZE PROGRAM FINANCING

The COVID-19 pandemic has had a devastating impact on the U.S. economy and it is likely to continue for the foreseeable future. The unemployment rate reached a high of 14.7 percent in April 2020, and is expected to average 9.3 percent for the year.^[i] One of the consequences of job loss is an increase in Medicaid enrollment. At the same time, state tax revenues are decreasing. This situation exacerbates already stressed Medicaid budgets across the nation.

Right now, many states are in the process of projecting budgets and working to address budget cuts and shortfalls. For more than 43 years Myers and Stauffer has assisted states with navigating complex budget challenges. To aid you as you develop budget strategies, we used our formidable experience to gather a few ideas that you may wish to consider. Some of these strategies could lead to a more immediate budget impact, while others may have a longer timeline for impact.

[i] U.S. Bureau of Labor Statistics. "Employment Situation Summary." Accessed July 2, 2020.

[ii] Board of Governors of the Federal Reserve System. "Table 1. Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, Under Their Individual Assumptions of Projected Appropriate Monetary Policy, June 2020." Accessed July 10, 2020.



HOW WE CAN HELP

This list is not exhaustive, and we would be glad to schedule time to discuss these and other ideas as you strategize to address the Medicaid fiscal impact due to COVID-19.

Rate-Setting and Financing

Upper Payment Limit (UPL)

- Introduce or maximize the state's draw down of federal funds through UPL demonstrations.
 - Review existing demonstrations for enhancements to Medicare UPL.
 - Evaluate whether new UPL opportunities exist for services tied to the average commercial rate (ACR).
 - Consider the above for:
 - Physician.
 - ICFs/ID.
 - Nursing facilities.
 - Clinics.
 - In/outpatient hospital.
 - Other practitioner services tied to the ACR.
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Provider Fees/Taxes

- Introduce or maximize provider fees/taxes.
 - Review existing fees/taxes for available room under the federally-required safe harbor threshold.
 - Evaluate new fee/tax opportunities on permissible provider/service classes not currently assessed.
 - Consider the above for:
 - Hospitals.
 - Nursing facilities.
 - MCO.
 - Ambulatory surgical centers.
 - Ground emergency medical transportation.
 - Pharmacy.
 - Radiology.
 - Others.
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Rate Adjustments

- States may have to consider:
 - Temporary rate freeze to pause scheduled rate increases or inflationary adjustments.
 - Temporary rate reductions.
 - Comparison of rates to Medicare or market to identify opportunities for reductions.
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Managed Care

Encounter Data

- Ensure the accuracy and completeness of encounter data to assist managed care actuary's rate setting process.
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Managed Care Expansion

- Expand managed care programs to incorporate other populations and/or services to achieve savings and budget predictability.
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Medical Loss Ratio (MLR)

- Identify penalties due to states if MLR threshold is exceeded.
- Ensure actuaries have access to properly audited MLRs going into rate setting to avoid inflated PMPMs.
- Consider raising the minimum MLR rebate threshold and enforcing performance guarantees.



Benefit/Program Integrity

Member Data Accuracy

- Identify duplicate members and secure match with vital statistics' date of death records to ensure accuracy of PMPM payments.
 - Utilize interstate eligibility match through Public Assistance Reporting Information System (PARIS) to identify individuals enrolled in Medicaid in multiple states.
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Program Integrity

- Revisit provider compliance. 1135 waivers and other state actions relaxed certain program integrity activities during the pandemic.
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Benefit Design and Utilization Management

- Ensure benefit design is consistent with best practices and properly reflected in MMIS and PBM adjudication logic.
 - Enhance system edits and audit to drive proper utilization and billing.
 - Review accuracy of MMIS and PBM edits to accurately reflect policy and benefit design.
 - Institute additional utilization management initiatives.
 - Review optional versus mandatory services offered.
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Other

- Additional waiver opportunities.
- Exploring and maximizing grant opportunities.
- Supplemental cost reporting related to provider COVID expenditures to assist with reimbursement decision making.

WHY MYERS AND STAUFFER

Myers and Stauffer provides professional accounting, consulting, data management and analysis services to state and federal agencies managing government-sponsored health care programs. The firm's health care practice has helped nearly every state Medicaid program address complex reimbursement issues for hospitals, long term care facilities, home health agencies, federally qualified health centers, rural health clinics, pharmacy providers, physicians, and other practitioner providers. In addition, for more than a decade, we have provided Medicare and Medicaid audit, program integrity, managed care audit and consulting, investigative services, and other delivery system consulting services to state Medicaid agencies, state Medicaid Fraud Control Units, and federal health care agencies.

FOR MORE INFORMATION

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