



Fundamentals of Essential Hospital Financing (Continued): Funding the Non-Federal Share of Medicaid Payments

Sarah Mutinsky
Eyman Associates

Continued from March 16, 2015 | Session 1

Financing



Financing the Non-Federal Share of Medicaid Payments

3

- **General Revenues**
- **Intergovernmental Transfers**
- **Certified Public Expenditures**
- **Provider Taxes**



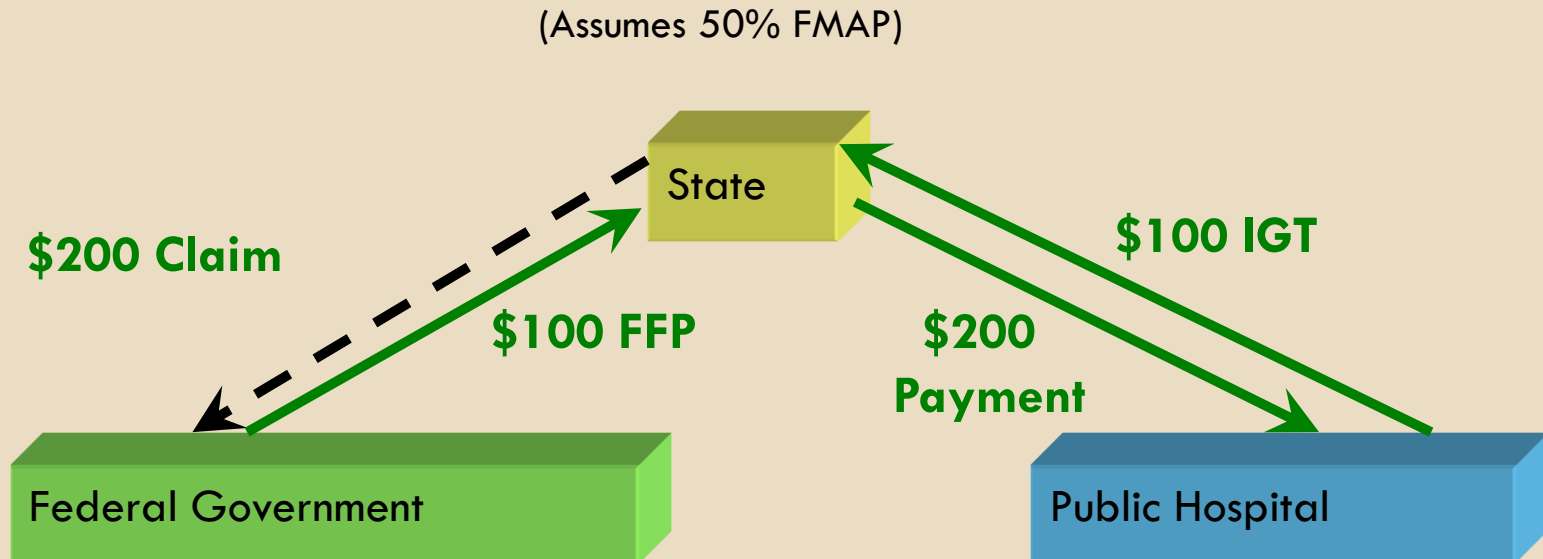
Intergovernmental Transfers (IGTs)

4

- **IGTs Are transfers of funds from a governmental entity to the State Medicaid agency**
 - E.g., funds directly from a public hospital; local tax revenues; etc.
- **State Medicaid agency uses the funds as the non-federal share of Medicaid expenditures**
- ***Note: CMS will not provide federal match if expenditures funded by private provider donations***
 - CMS accountability guidance in May 2014



IGT Mechanics

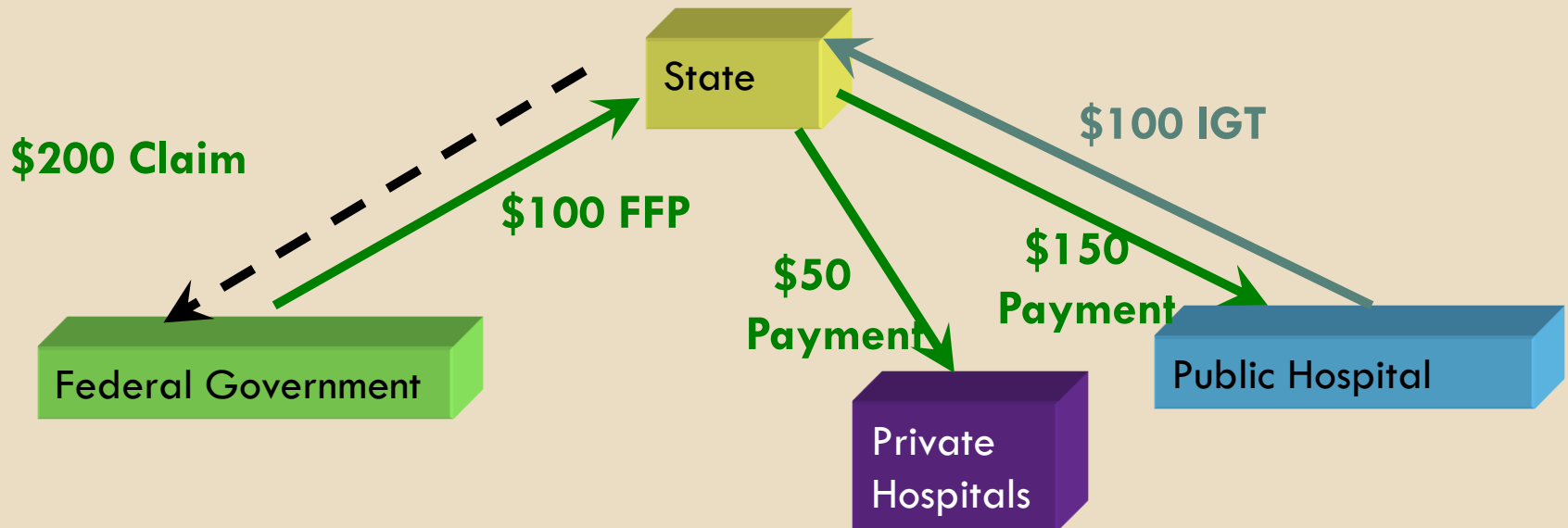


- \$200 Medicaid payment includes \$100 from public hospital and \$100 from CMS
- No state general revenues
- **Public provider nets \$100 (but is credited with receiving \$200)**

Permissible to fund private hospital payments with IGTs

6

(Assumes 50% FMAP)



- \$200 total Medicaid payments include \$100 from public hospital and \$100 from CMS
- No state general revenues
- Private hospitals receive total of \$50
- **Public hospital nets \$50 (but is credited with receiving \$150)**



Certification of Public Expenditures (CPEs)

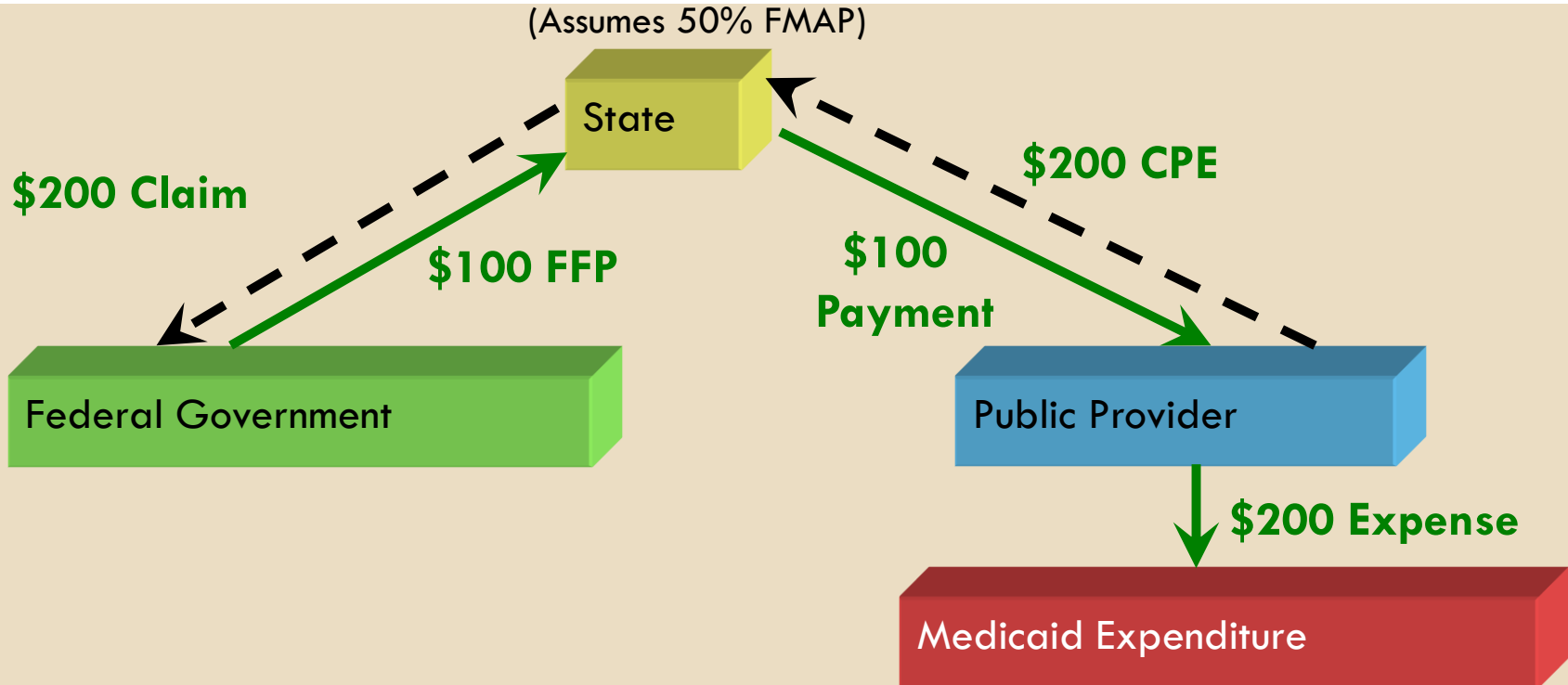
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- ❑ Public Entities Certify That They Have Made Expenditures Eligible for Federal Match Under the Medicaid State Plan
- ❑ Federal Matching Funds are Provided for the Federal Share of Such Certified Expenditures
- ❑ Difference from IGTs:
 - ▣ Payments funded are based on cost
 - ▣ CMS favors(ed)



CPE Mechanics

8



- Public provider incurs \$200 Medicaid expense
- Federal Government provides \$100 FFP
- State passes \$100 FFP to provider
- Public provider nets \$100 (but is credited with receiving \$200)**



Provider Taxes

9

- Medicaid statute permits state or local governments to impose fees on certain categories of health care services/providers of health care services
- CMS approves if meet requirements or waived
 - ▣ Broad-based (but can exclude public)
 - ▣ Uniformly imposed
 - ▣ No hold harmless
 - (“safe harbor” if tax rate **6%** or less of net patient revenues received by taxpayer)
- “Winners” and “Losers”



Trends in Provider Taxes

10

- In 2014, 49 states and DC use some form of tax (NCSL)
 - ▣ 38 hospital taxes (KFF Survey, 2014-2015)
- Seeing some local assessments (city or county level)
- Uses from financing supplemental payments to targeted providers to financing Medicaid expansion
- Challenges with the “T” word
 - ▣ Assessments, fees, etc.



Double-Edged Sword of Medicaid Financing

11

- Medicaid statute permits states to use “local sources” to finance the non-federal share
 - ▣ Aggregate limit 60% of the non-federal share

Payments that providers would not have received at all if had to rely on state funding



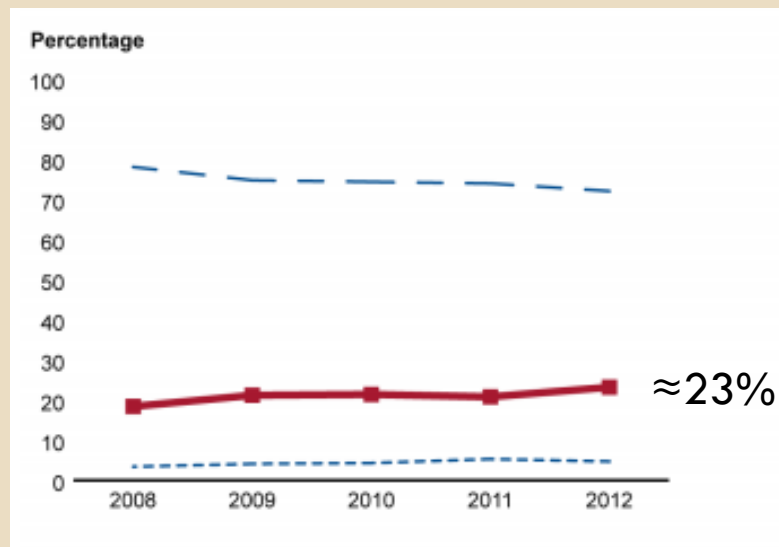
States reduce general revenue funds counting on local sources to fill the hole



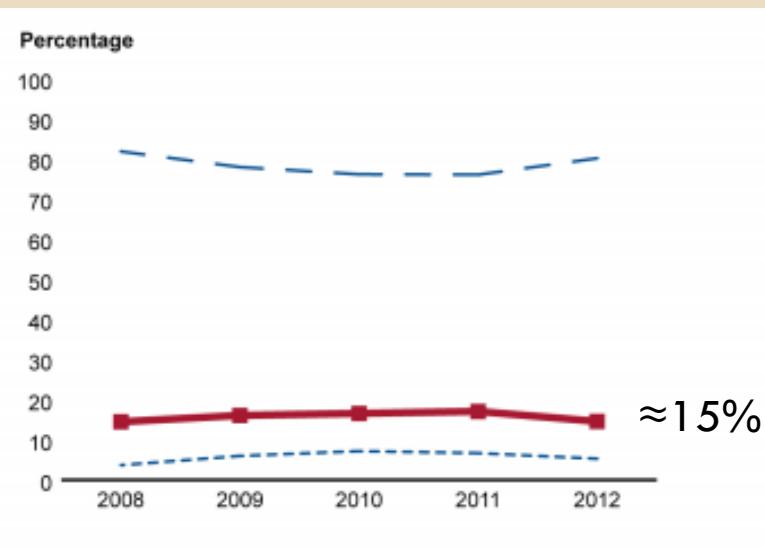
GAO Compared Financing Medicaid Base Rates and MCO Payments vs...

12

Fee-for-Service Medicaid Payments



Capitation payments to managed care organizations



Providers and Local Governments



State Funds



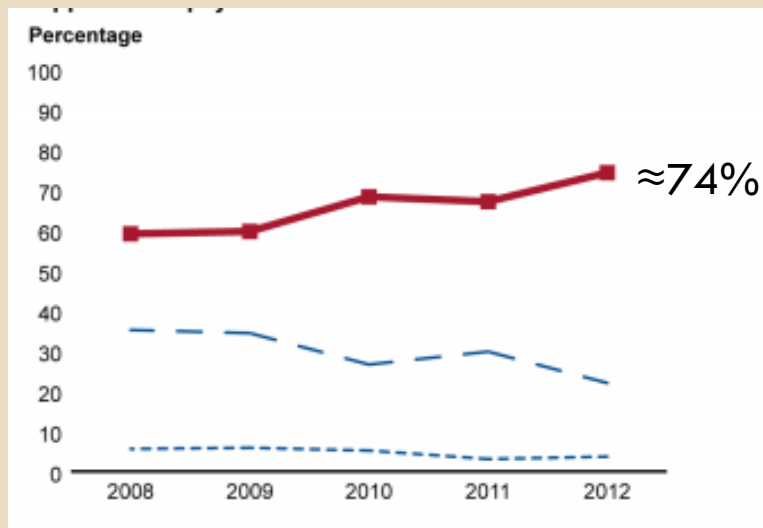
Other Sources of Funds



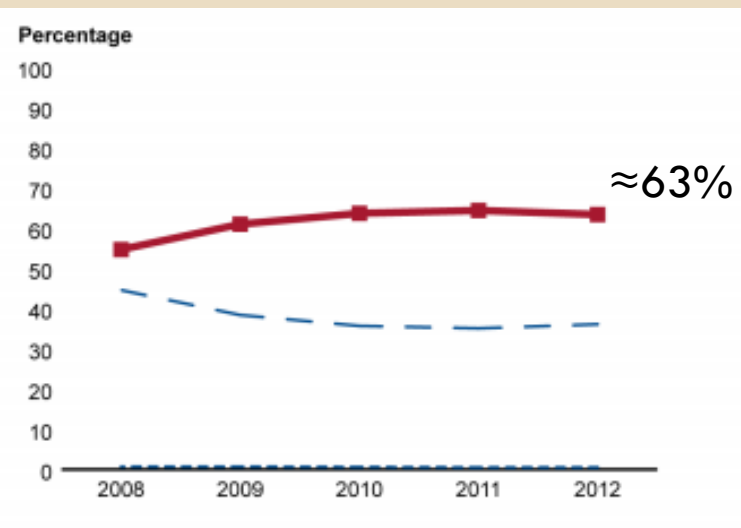
Financing of Supplemental Payments

13

Non-DSH Supplemental Payments



DSH Supplemental Payments



Providers and Local Governments



State Funds

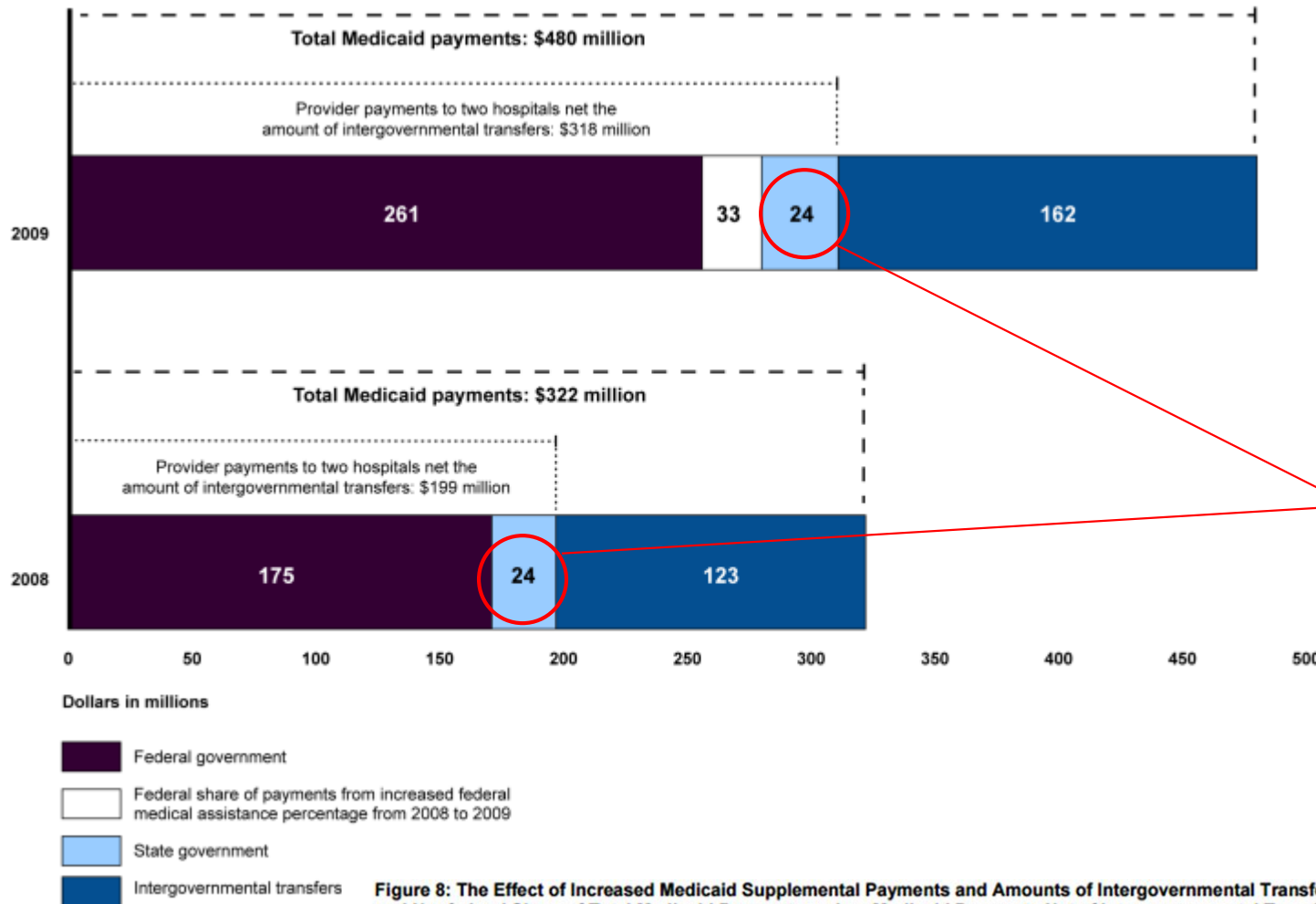


Other Sources of Funds



GAO's "No State Funding" Argument

14



- IGTs increased
- Federal payments increased
- State GR stayed at \$24m

Figure 8: The Effect of Increased Medicaid Supplemental Payments and Amounts of Intergovernmental Transfers on Federal and Nonfederal Share of Total Medicaid Payments and on Medicaid Payments Net of Intergovernmental Transfers for Inpatient Services to Two Hospitals in New York from State Fiscal Years 2008 to 2009



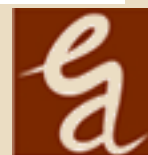
Impact of Medicaid Expansion on Financing

15

Table 1. Enhanced Matching Rates for Parents and Childless Adults, 2014 and Beyond

Year	Newly-Eligible Parents & Childless Adults (up to 138% FPL)	Medicaid-Eligible Childless Adults in “Expansion” States Only (I.e., States that Had Already Expanded to Adults >100% FPL as of March 23, 2010)		
		Transition Percentage used to Calculate Enhanced Match	Example: State with 50% Original FMAP <i>Regular FMAP + [(Newly-Eligible Enhanced Match Rate – Regular FMAP) x Transition Percentage]</i>	Example: State with 60% Original FMAP <i>Regular FMAP + [(Newly-Eligible Enhanced Match Rate – Regular FMAP) x Transition Percentage]</i>
2014	100%	50%	75%	80%
2015	100%	60%	80%	84%
2016	100%	70%	85%	88%
2017	95%	80%	86%	88%
2018	94%	90%	89.6%	90.6%
2019	93%	100%	93%	93%
2020 on	90%	100%	90%	90%

KFF: Financing Medicaid Coverage Under Health Reform:
What is in the Law and the New FMAP Rules



More to Come in 201...

16



Questions?

17

Sarah Mutinsky
smutinsky@eymanlaw.com
(202) 567-6202



Eyman Associates
810 First Street NE
Suite 201
Washington, DC 20002

