Opportunities and Barriers Associated with IGT's and Provider Fee Programs

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Intergovernmental Transfer Programs

- Limited to public providers (State-owned or Non-state government owned)
- To participate, typically private providers lease their facility to a public hospital but continue to manage the facility
- IGT can draw down federal match on Medicaid covered expenditures not to exceed the Medicare Upper Payment Limit (UPL)
- UPL is essentially the difference between Medicaid rates and Medicare rates (with a few minor tweaks)
- For example, if UPL difference is $100, an IGT of approximately $30 will generate $70 of federal match

Issues Associated with IGT's

- Only those providers making an IGT can receive the federal revenue enhancement
- CMS is unlikely to approve the planned amendment unless the enhancements are primarily tied to quality metrics rather than a provider's cost or Medicaid volume
  1. CMS does not want these payments used to enhance inadequate base rates
  2. Final Medicaid Managed Care Rule eliminates these pass-through payments in five years
- Participation in a quality, value-based purchasing program cannot be conditioned on the provider making an IGT
  - Providers may not be willing to participate if there is uncertainty, whether they will meet performance standards

Impact on Medicaid Managed Care Rule on IGT UPL Programs

- New Rule requires elimination of pass-through payments to providers in five years
- IGT's cannot be used as a mechanism to enhance base rates that may be inadequate
- IGT's can be used to fund supplemental value-based purchasing plan for providers
  1. Provider participation cannot be conditional on an IGT agreement
  2. Same terms of performance for all providers in the class
  3. State may not set amount or frequency of payment terms – MCO must do so
  4. Funding is through capitated payments to MCOs
  5. No recoupment by the State of unspent performance funding

Impact on Medicaid Managed Care Rule on IGT UPL Programs (continued)

- All other supplemental payments are considered pass-through payments requiring elimination on or before 07/01/22
- Need clarification from CMS on whether a state, for the next five years, could establish an IGT UPL program with pass-through payments solely based upon Medicaid cost or volume or some combination of those two elements plus quality
  1. Then over the five year period, develop a methodology and performance plan that meets the requirements of the New Rule.

Provider Tax Program

- Less uncertainty than with IGT UPL program
- 43 states and District of Columbia have a nursing home provider tax program
- In Medicaid managed care states with tax programs, most incorporate the repayment of the Medicaid share of the tax and the rate enhancement into the fee schedule (per diem rates) – therefore, no supplemental payment issues
- Over 20 states have approved provider tax waiver programs, so that classes of facilities with lower Medicaid volumes are either waived from paying a tax or pay lower tax rates
  1. Reduces or eliminates opposition to the tax program from lower volume Medicaid providers
- Provider tax collections are limited to 6% of inpatient revenues of those providers being taxed
- There are ongoing proposals at the federal level to reduce maximum tax rates to anywhere from 3.5% to 5.5% of inpatient revenues – to date, none have gained traction

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