mahp Michigan Association of Health Plans

Your *Source* for Health Care Information

HOW PROVIDER RATES ARE SET IN MEDICAID

INTRODUCTION

Health care providers (physicians, specialists, hospitals, behavioral health consultants, etc.) are reimbursed for delivering care under Michigan's Medicaid program by negotiating rates with health plans using the state-established fee schedule as the baseline.

WHAT IS THE MEDICAID FEE SCHEDULE?

- The Michigan Department of Health & Human Services (MDHHS) is responsible for establishing and adjusting the Medicaid fee schedule.
- The reimbursement rates set by the fee schedule help guide contract negotiations between providers and health plans.

MDHHS Michigan Department of Health & Human Services

- The fee schedule determines the amount MDHHS will reimburse health plans for providing services to Medicaid enrollees in the managed care program.
- Providers can access the fee schedule and review all reimbursement rates for Medicaid-covered services before participating in the Medicaid program.

MANAGED CARE PROGRAM

Through a competitive bid process, the state of Michigan contracts with health plans to provide a comprehensive package of physical health and mild to moderate mental health services to Medicaid enrollees in exchange for a fixed monetary amount (capitation payment). Medicaid health plans facilitate networks through negotiated contracts where reimbursement rates, quality standards, and enrollee health outcomes are established with providers. The MDHHS fee schedule establishes a baseline for Medicaid-managed care and provider contract negotiations on reimbursement rates.

WHAT ARE CAPITATED PAYMENTS & ACTUARIAL SOUNDNESS?

- Under the managed care program, Medicaid health plans assume all the financial risk associated with providing comprehensive health care services for enrollees in exchange for a fixed monetary payment (capitated payment).
- Capitated payments are audited annually for actuarial soundness by an independent third party (Milliman). The audit is required to assure the financial accuracy and viability of capitation payments.
- A key indicator of actuarial soundness is the industry average margin (profit) for Medicaid health plans. A viable actuarial soundness process yields margins minimally between 2 percent and 3 percent.
- MDHHS incentivizes health plans to meet or exceed quality standards and appropriate management of enrollee health care services.

OIG OVERSIGHT

Michigan's Office of Inspector General (OIG) oversees program integrity activities (42 CFR 438.608), including continuously monitoring actuarial sound-capitated payments. Medicaid health plans must report provider overpayments identified or recovered. A recent Office of Inspector General action identified that some Medicaid health plans had overpaid behavioral health counselors at a rate exceeding their contract terms. While customary and often required by OIG, health plans did not require these behavioral health providers to repay the overages.

CAN HEALTH PLANS PAY PROVIDERS MORE?

A health plan may contract with a provider and set a reimbursement rate greater or lower than the Medicaid fee schedule. Factors such as the number of health plan customers in the area, utilization rates, as well as the scope of practice, and quality of service of the provider help set such rates. However, the state only reimburses the health plans for the fee schedule amount. Financial risk is born by the health plan if they reimburse providers above the fee schedule amount.

MEDICAID RATES ARE LOW

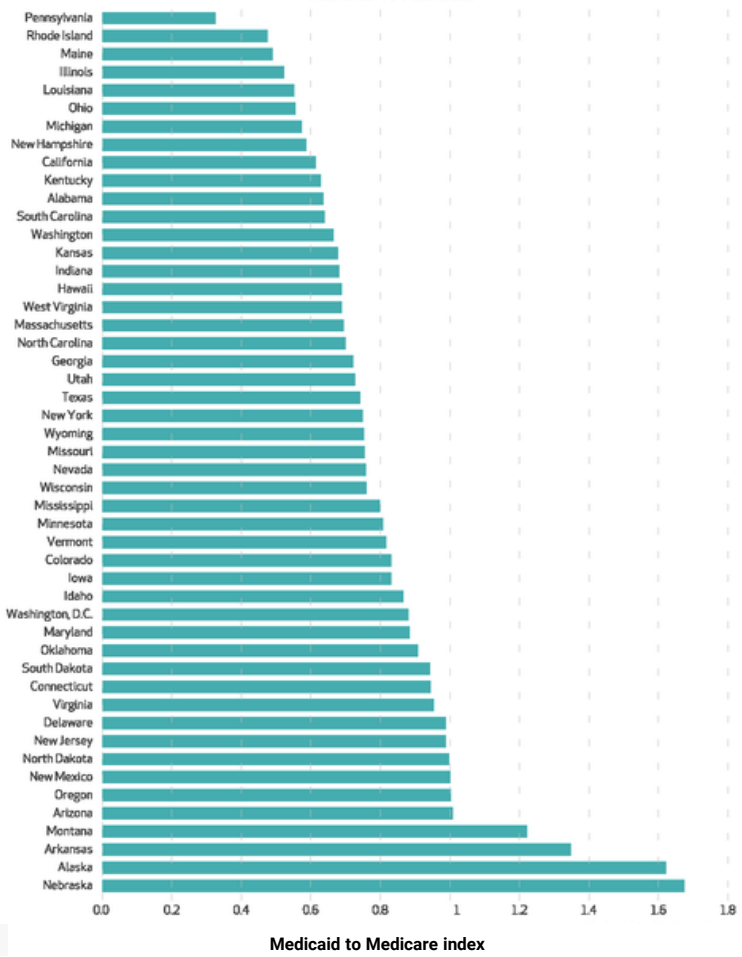
Medicaid reimbursement rates are lower than commercial insurance or Medicare rates. The growing rate disparities between Medicaid and Medicare programs continue to erode the number of providers willing to serve Medicaid enrollees. A 2019 national study by The Commonwealth Fund found that Medicaid providers' rates were nearly 30% lower across the board for all services than Medicare. Lower reimbursement rates contribute to fewer providers servicing Medicaid enrollees and exacerbate problems associated with access and utilization of health care services. Health care advocacy groups continue to advocate for increasing Michigan's fee schedule to help address disparities and increase access to essential healthcare needs like behavioral health.

BEHAVIORAL HEALTH

Medicaid is now the country's single largest payer for mental health services. However, fewer behavioral health providers are participating in Medicaid because Michigan's fee schedule reimbursement rates are significantly lower than in other states. Last year, an evaluation of state Medicaid rates was published in Health Affairs to glean information on reimbursement rates for mental health services and psychiatrists across the country. Michigan ranks 7th lowest nationally byways of Medicaid reimbursement rates for psychiatrists and behavioral health services at 58% of the Medicare rate.

PROVIDERS IN DEMAND

As recently highlighted in a Citizens Research Council (CRC) of Michigan study, behavioral health providers are in short supply in our state. Meanwhile, Medicaid enrollees disproportionately face behavioral health needs. According to a study conducted by Altarum and funded by the Michigan Health Endowment Fund, Medicaid enrollees are the most likely to remain untreated for a mental illness across all payer types. Roughly one-half of Medicaid enrollees do not receive the behavioral health care they need. The CRC of Michigan recommended increasing the Medicaid fee schedule for behavioral health providers.



SOLUTIONS

The Legislature has routinely appropriated budgetary resources for MDHHS to increase the Medicaid fee schedule. In last year's budget (FY 23-24), the Legislature earmarked $80 million to increase the Medicaid dental provider fee schedule. Historically, the appropriations process has forced MDHHS to increase specific rates for essential health care services to boost provider participation and customer utilization. From ambulatory services to pediatricians and OBGYNs, the Legislature has adjusted fee schedules for providers over the years.

Lifting the state's fee schedule will increase provider participation and enrollee access to essential health care services in Michigan's Medicaid program. These budget resources are dedicated to specific reimbursement rate increases that positively affect all providers participating in fee-for-service and managed care programs. This is a fair and equitable way to support the needs of Medicaid enrollees with access to the most necessary and underutilized health care services. For reference, Oregon approved boosting Medicaid reimbursement rates for behavioral health services by a third this year.