



August 1, 2024

Memorandum

Erik Elkins

Assistant Director – Program and Policy

Medical Services Division

North Dakota Department of Health & Human Services

600 E. Boulevard Ave, Department 325

Bismarck, ND 58505-0250

Subject: 2023-24 Medicaid Expansion Interim Human Services Committee Report

Dear Erik:

This memo delivers to you the Inpatient, Outpatient, and Professional Medicare and Medicaid rate comparisons leveraging a calendar year (CY) 2022 data period in addition to the assumptions and methodologies taken to develop this comparison.

The centers for Medicare and Medicaid services (CMS) offers states significant flexibility when developing these rate comparisons between Medicaid and Medicare to calculate a Medicare equivalent amount based on Medicaid utilization, as outlined in state Medicaid director letter 13-003¹. Allowable Medicare data sources include CMS 2552-10 cost reports, Medicare prospective payment systems (PPS), and Medicare severity diagnosis related groups (MS-DRG). Optumas primarily leveraged various aspects of the CMS 2552-10 cost reports for all North Dakota hospitals including, cost to charge ratios (CCR), payment to charge ratios (PCR), and inpatient per diems. The specific approach for each service category is described in further detail below:

- Inpatient – Leveraging the year ending in (YE) 2022 CMS facility cost reports, Optumas extracted the payments and days for covered inpatient services to calculate a Medicare per diem amount. This was then compared against the Medicaid per diems developed from the CY 2022 encounter data covering inpatient payments and days. These comparisons were then aggregated across all North Dakota hospitals to develop the percentages of Medicare shown on the table below. This approach was based on the inpatient Medicaid upper payment limit (UPL) calculation template².
- Outpatient – Also leveraging the YE 2022 CMS facility cost reports, Optumas extracted the reported CCRs by cost center for covered outpatient services. Using actual Medicaid payments from the CY 2022 encounter data, a Medicare UPL was calculated by multiplying these payments by the CCR for each revenue code. Then, using the actual charges (CCR denominator) from the cost reports, the CCR



CBIZ Optumas, LLC
7400 East McDonald Dr., Suite 101
Scottsdale, AZ 85250
480-588-2499

was aggregated to the facility level. The percentage of Medicare is then calculated through dividing Medicaid payments by this UPL. These percentages were then aggregated across all North Dakota hospitals to develop the percentages of Medicare shown on the table below. This approach was based on the outpatient Medicaid UPL calculation template³.

- Professional – Leveraging the Medicare fee schedules for professional services, Optumas repriced the actual CY 2022 Medicaid encounter data to Medicare unit costs. This was then compared against the Medicaid unit costs calculated from the same dataset to arrive at a percentage of Medicare for each claim. These percentages were then aggregated across all of the CY 2022 claims data to develop the aggregate percentage of Medicare shown on the table below.

Service Category	Optumas CY 2018 % of Medicare	Optumas CY 2022 % of Medicare
Inpatient	166.0%	151.9%
Outpatient	169.5%	124.2%
Professional	174.5%	144.3%
Total	169.7%	140.3%

Comparing these results to the prior analysis done in CY 2018, the percentage of Medicare shrank approximately 30% in total. We want to continue to emphasize that our analysis was done at a very high level. There persist opportunities for further improvement and investigation, and a more rigorous approach such as MS-DRG repricing could yield materially changes to the figures above.

Blue Cross Blue Shield of North Dakota (BCBS) shared with the State and Optumas the results of their initial comparison of Inpatient and Outpatient rates to Medicare which utilized a 3M tool that repriced claims with CMS pricers, and the results are shown in the table below:

Service Category	Optumas CY 2018 % of Medicare	BCBS CY 2022 % of Medicare
Inpatient	166.0%	160.5%
Outpatient	169.5%	159.6%

This information was limited to PPS hospitals which account for a majority of Inpatient and Outpatient claims but do not account for other hospital types which compose a small, albeit material portion of claims. Despite this limitation, the results for Inpatient and Outpatient compare better with the prior CY 2018 results than Optumas’ CY 2022 results, indicating that perhaps this methodology is more refined and consistent with the prior approach. Therefore, it is Optumas’ opinion that these benchmarks should be used in the interim while our more detailed analysis is being performed over the next few months.

It is also important to note, provider payments made through Alternative Payment Models (APMs) starting in 2022 are not factored into the analysis. APMs, which include models such as Accountable Care Organizations (ACOs), represent a significant shift from traditional fee-for-service reimbursement towards value-based

1. [SMD-13-003-02.pdf \(medicaid.gov\)](#)
2. [inpatient-hospital-upl-guidnce-2022.pdf \(medicaid.gov\)](#)
3. [outpatient-hospital-upl-guidnce-2022.pdf \(medicaid.gov\)](#)

care. APMs focus on aligning incentives to improve care quality and achieving better health outcomes for patients.

Service Category	CY 2018 % of Medicare	CY 2018 % of Medicaid	Ratio	CY 2022 % of Medicare	Implied % of Medicaid
Inpatient	166.0%	165.8%	99.9%	160.5%	160.3%
Outpatient	170.1%	208.0%	122.3%	159.6%	195.1%
Professional*	175.2%	168.2%	96.0%	144.3%	138.6%
Total	170.1%	177.8%	104.5%	155.5%	165.9%

*Leverages the Optumas CY 2022 % of Medicare since BCBS did not analyze this service category.

Lastly, as requested, Optumas has developed a high-level estimate of the CY 2022 percent of Medicaid which is based on the ratio between the percent of Medicare and Medicaid from the prior CY 2018 analysis. Given the general closeness of the percentages of Medicare and Medicaid, Optumas believes application of these ratios to the CY 2022 percent of Medicare is a reasonable method of approximation. However, it is important to note that this did not involve the actual repricing of any claims to the Medicaid fee schedule and these results are likely to change materially when employing a more refined methodology.

As discussed, Optumas will continue to investigate and refine this methodology in conjunction with CY 2025 capitation rate development. We look forward to discussing these results with you further.

Tim Doyle, FSA, MAAA
Managing Director

Benjamin Jackson, ASA, MAAA
Manager

CC:

Seth Adamson, ASA, MAAA, Director
Amy Filler, Senior Manager

-
1. [SMD-13-003-02.pdf \(medicaid.gov\)](#)
 2. [inpatient-hospital-upl-guidnce-2022.pdf \(medicaid.gov\)](#)
 3. [outpatient-hospital-upl-guidnce-2022.pdf \(medicaid.gov\)](#)



Medicaid Expansion Provider Rates

Interim Human Services Committee | September 25, 2024 | Sarah Aker
Representative Ruby, Chair



Health & Human Services

Medicaid Expansion Provider Rate Analysis

- Utilized actuary to conduct a high-level analysis and comparison of Inpatient, Outpatient, and Professional Medicare & Medicaid rate comparisons using the CY 2022 data period.
 - CY 2022 was the latest data period available when the analysis was initiated.
 - Utilized Medicaid & Medicaid rate data, 2022 Provider Cost Reports, and Medicaid Upper Payment Limit data for the analysis.
- Reviewed Blue Cross Blue Shield of North Dakota data comparison of inpatient and outpatient results to Medicare.
- Compared results to prior analysis done in CY 2018.

Medicaid Expansion Provider Rates

Service Category	CY 2018 % of Medicare	CY 2018 % of ND Medicaid	CY 2022 % of Medicare	Implied % of ND Medicaid
Inpatient ¹	166.0%	165.8%	160.5%	160.3%
Outpatient ¹	170.1%	208.0%	159.6%	195.1%
Professional ²	175.2%	168.2%	144.3%	138.6%
Total	170.1%	177.8%	155.5%	165.9%

Notes:

¹ Inpatient & Outpatient Service Comparisons utilized the Blue Cross Blue Shield of ND Medicare Analysis.

² Professional Service Comparisons utilized the Optumas Actuarial Analysis.

Uniform Payment System

- Section 35 of [SB 2012](#) of 2023 amended Subsection 5 of [Section 50-24.1-37](#) of the North Dakota Century Code to make provider and managed care organization reimbursement rate information received or held by the department an open record.
- ND HHS publishes the Uniform Payment Schedule for Medicaid Expansion [online](#).
 - Contains the payment methodology used for the service and information about the basis of the rate.

2024 Uniform Payment Schedule

Payment Category	Specialty Type	Methodology	Groupers Version	Base Rate / % of CMS
Inpatient	PPS Hospitals (Urban)	APR-DRG	40	Base Rate = \$16,013
Inpatient	Sole Community Hospitals (SCH)	APR-DRG	40	Base Rate = \$16,016
Inpatient	Long Term Acute Care (LTAC)	Per Diem		165% of Modified 2022 CMS DRG Avg Rate
Inpatient	Rehabilitation	Per Diem		BCBSND 7/1/2021 Commercial Rate
Inpatient	Transitional Care Unit (TCU)	Per Diem		BCBSND 7/1/2021 Commercial Rate
Inpatient	Residential Treatment Center (RTC)	Per Diem		90% of BCBSND 7/1/2021 Commercial Rate
Inpatient	Critical Access Hospitals (CAH)	Per Diem		150% of CMS Interim Rate
Outpatient	PPS Hospitals (Urban)	EAPG	3.17	Base Rate = \$628.85
Outpatient	Sole Community Hospitals	EAPG	3.17	Base Rate = \$631.20
Outpatient	Behavioral Health	EAPG	3.17	Base Rate = \$504.50
Outpatient	Ambulatory Surgical Centers	EAPG	3.17	Base Rate = \$503.95
Outpatient	All Other (Default)	EAPG	3.17	Base Rate = \$628.85
Outpatient	Critical Access Hospitals (CAH)	% of Charge		150% of CMS Interim Rate
Outpatient	Home Health	Fee Schedule		150% of CMS 2022 Proposed Rate
Outpatient	Hospice	Fee Schedule		115% of 2022 CMS Rate
Professional & Outpatient	Ambulance - Air & Ground	Fee Schedule		150% of CMS 2021 Rural Rate
Professional & Outpatient	Injectables	Fee Schedule		BCBSND Commercial Rates - updated quarterly
Professional & Outpatient	Specialty Pharmacy	Fee Schedule		

2024 Uniform Payment Schedule Continued

Payment Category	Specialty Type	Methodology	grouper Version	Base Rate / % of CMS
Professional	All (RVU based)	Fee Schedule		162.5% of CMS 2022 CF
Professional	Clinical Lab	Fee Schedule		150% of 2021 CMS CLFS
Professional	Blood and Blood Products	Fee Schedule		113% of 2021 CMS APC Rate
Professional	Durable Medical Equipment	Fee Schedule		BCBSND 7/1/2021 Commercial Rates
Professional	1915(i) Related Services	Fee Schedule		100% of ND Medicaid
Professional	Non-Emergency Transportation (NEMT)	Fee Schedule		100% of ND Medicaid or contracted rate
Professional	Medication Assisted Treatment (MAT)	Fee Schedule		100% of ND Medicaid
Professional	ND Human Service Centers	% of Charge		100% of Charge
Encounter	Indian/Tribal 638 Providers	Fee Schedule		Reconciled to State Provided Per Visit Rate
Encounter	Federally Qualified Health Center (FQHC)	Fee Schedule		
Encounter	Rural Health Clinic (RHC)	Fee Schedule		

2025 Capitation Rates

CY2025 capitation rates are in development by our actuary in conjunction with HHS and BCBSND.

- CY2025 capitation rates will implement Senate Bill 2012 provision.
- Rate calculation will assume that BCBS rates will not exceed 145% of Medicare reimbursement, except for services noted in the bill.

- 2023 Senate Bill 2012 Section 22:
 - Except for the provisions in subsection 4, managed care organization premium payments must be built using the assumption that rates paid to providers under the medical assistance expansion program may not exceed one hundred forty-five percent of Medicare reimbursement. This subsection applies to any medical assistance expansion program provider fee schedule that becomes effective on or after January 1, 2025.
 - Behavioral health services involving partial hospitalization, intensive outpatient, professional services, and residential behavioral health services provided in facilities that are not institutions for mental diseases are not subject to the provisions in subsection 6.

Contact Information

Sarah Aker

Executive Director, Medical Services
saker@nd.gov

hhs.nd.gov

