



Nursing Facility Medicaid Rate Advancement and Adequate Interim Rate Increase

1. Increase the interim rate for Fiscal Year 2023 from 2.5% to 4.0% - approximately **\$30 million** gross (\$12 million GF).
2. Make a Medicaid advance payment equating to a 3% rate increase in the first quarter of Fiscal Year 2023 – approximately **\$60 million** gross (\$17 million GF).
3. Begin transition to a new reimbursement system in October of 2023.

FY23 issues and State Plan Amendment (SPA):

- Nursing Facilities are experiencing cash flow problems. The Medicaid rate will increase by 2.5% on October 1, 2022. HCAM estimates that for many providers, costs have increased by 10% to 15% in 2022, and costs will continue to increase into 2023.
- Facilities will eventually be reimbursed for these costs, but this reimbursement will not likely occur until 2024 for FY22 cost reports and 2025 for FY23 once cost reports are audited and settled.
- MDHHS must submit a SPA for FY23 that allows for a greater than 2.5% interim rate increase, as well as the flexibility for the state to issue a Medicaid rate advancement in FY23.

Allocation and Boilerplate language for FY23 supplemental:

FUNDING: \$100 million – that is already planned to be paid to providers under the FY23 approved budget – for the purpose of a rate advancement and interim rate increase.

BOILERPLATE: The department shall submit a state plan amendment for fiscal year 2023 to do the following:

1. **Allow for a Medicaid rate advancement for all Medicaid days of care provided during the fiscal year, including MI Health Link ICO Medicaid days, to be reconciled with the audit and settlement of the fiscal year 2022 cost reports. The department shall ensure hospice and PACE Medicaid days reflect the final Medicaid rate.**
2. **Update the interim Medicaid rate as of September 30, 2022 by at least 4% or more.**
3. **Any Medicaid rate advancement and interim rate increase will be reconciled to actual costs after the audit and settlement of the fiscal year 2023 cost reports and any overpayment of funds will be paid back to the state.**

Transition of Nursing Facility Medicaid Reimbursement from Cost-Based to Acuity-Based:

- HCAM continues work internally and alongside MDHHS to establish a new Medicaid reimbursement system that achieves joint objectives of an acuity-based system that ensures reimbursement supports safety and health of residents, supports strong workforce stability, and elevates quality.
- HCAM continues to model potential system, using experiences/methods from other states and incorporating PDPM. The goal is to have a system prepared for a phase-in beginning October 1, 2023.