

Medicaid Hospital Rates



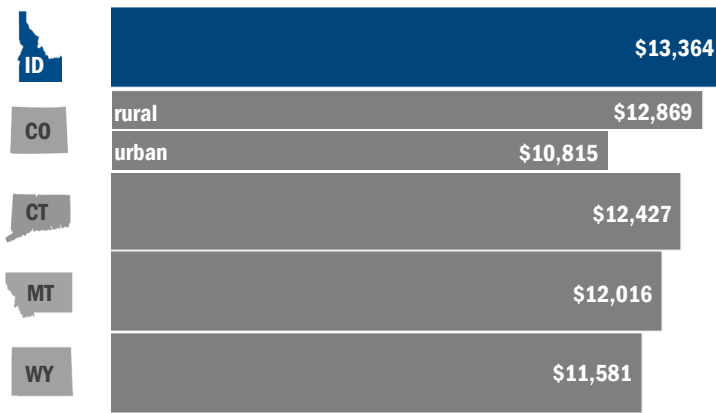
Report highlights

February 2024

Idaho Medicaid paid for inpatient hospital services at a higher rate than comparison states, but not for all service types.

Total Medicaid spending on hospital services has **doubled** over the last decade to more than one billion dollars. Enrollment growth and inflation appear to have driven this increase. After adjusting for inflation, per-member spending **decreased by 10%**.

Medicaid costs per inpatient hospital stay using Idaho's FY 2023 case mix.



Idaho Medicaid used to pay hospitals based on their allowable costs, which encouraged hospitals to provide services but did little to reward cost-effective care.

In 2021, Idaho Medicaid transitioned to paying for inpatient hospital services based on national average resource allocation using diagnosis related grouping (DRG). Adopting the DRG payment model is **one step toward cost containment and paying for value**. Under the new model, hospitals carry more financial risk than they once did because the state pays the same amount regardless of costs reported by the hospital.

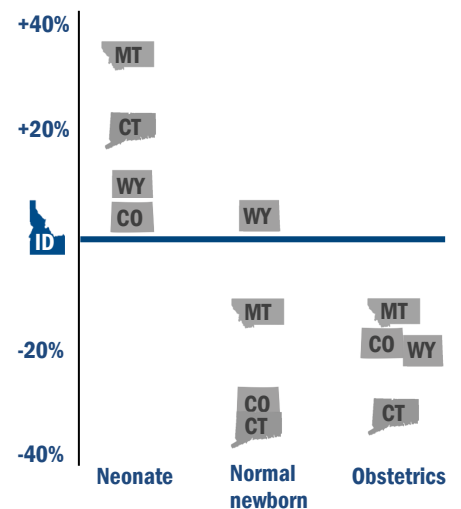
Idaho's new payment model shifted incentives for hospitals and the type of state oversight needed.

While the new model encourages efficient treatment, it may also encourage reducing costs at the expense of patient care. Medicaid **appropriately adjusted oversight** to account for these new incentives by shifting oversight to the clinical team and by doing post-service reviews instead of up-front approvals.

The new payment model provides more policy tools for the Legislature.

State Medicaid programs adjust the DRG payment rates to target resources to services or regions. **The Legislature can influence any of these policy adjustments** made by Medicaid. The Legislature could also fix increases to the base DRG rate to inflation.

Medicaid costs by service per inpatient hospital stay using Idaho's FY 2023 case mix.



Recommendations

The Legislature should consider asking the Department of Health and Welfare to regularly analyze the **drivers of the budgetary changes** for hospital services.

The department **should monitor** its choice to use DRGs to pay for certain services.

The department should also work with stakeholders to **develop hospital-level quality metrics** and report those measures to the public.

View the report: www.legislature.idaho.gov/ope/

