



House of Representatives

STATE OF IDAHO

CAPITOL BUILDING

P.O. BOX 83720

BOISE, ID 83720-0038

March 21, 2023

Rep. David M. Cannon, Co-Chair
Sen. Melissa Wintrow, Co-Chair
Joint Legislative Oversight Committee

Dear Co-Chairs,

Starting fiscal year 2022, the Division of Medicaid changed the way it paid for most inpatient hospitalization. Instead of a cost-based reimbursement model, where the division would pay hospitals based on their costs, the division now pays hospitals using a diagnosis-related grouping (DRG) method. Instead of paying for each separate element of a patient's stay, the division makes a single payment based on the DRG of the patient's stay. This method standardizes payment among hospitals.

DRG payment is common among Medicare and state Medicaid programs. According to the Medicaid and CHIP Payment and Access Commission (MACPAC), as of November 2018, 37 states used DRGs.

This standardized categorization and payment method opens up the possibility for meaningful comparisons of Idaho's Medicaid hospital utilization and spending to Medicare and other state Medicaid programs.

We ask the Joint Legislative Oversight Committee to direct the Office of Performance Evaluations to evaluate the following aspects of Idaho's Medicaid hospital payment.

1. How do Idaho's hospital payment rates compare to Medicare and other state Medicaid programs, particularly when adjusting for supplemental payments to hospitals?
2. How does Idaho differ from other states' programs that incorporate DRGs into their payment models? This information could identify opportunities for an improved service array and reduced costs, for example if Idaho has more, preventable, low-severity hospitalizations.
3. The Department of Health and Welfare claimed that the DRG payment method would lower costs. Is this true so far? And if so, where have savings come from?
4. How much is Idaho's aggregate Medicaid spending on outpatient hospital services compared to Medicare and other state Medicaid programs?
5. What is the status of the Division of Medicaid's plans to transition outpatient hospital payment to a system similar to DRG payment? Has the state saved any money?

Thank you for your consideration.

Sincerely,



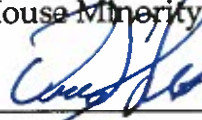
Rep. Mike Moyle
Speaker of the House



Rep. David Cannon



Rep. Ilana Rubel
House Minority Leader



Rep. Douglas Pickett

mm;jh

cc: Mr. Rakesh Mohan, Office of Performance Evaluations