# Idaho State Legislature

**700 West Jefferson Street**
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**Boise, Idaho 83720**


March 5, 2026

Rep. Jordan Redman, Co-Chair
Sen. Melissa Wintrow, Co-Chair
Joint Legislative Oversight Committee

Dear Co-Chairs and JLOC Members,

Idaho taxpayers spend more than $3.5 billion a year on Medicaid. Hospital inpatient care is one of the largest categories of that spending, and since 2021, every dollar the state pays for a hospital stay has been determined by the diagnosis codes the hospital assigns. Higher-severity codes mean higher payments. Federal researchers have found that hospitals across the country have been assigning higher codes at rapidly increasing rates — even though patients are not actually getting sicker. A 2024 study in Health Affairs estimated that this practice, known as upcoding, was present in up to 14.5% of hospital stays, nationally. The HHS Inspector General found that by 2019, 40% of all Medicare inpatient stays were billed at the highest severity level, with over half of those reaching that level based on a single added diagnosis code. No one has looked at whether the same thing is happening in Idaho.

This matters right now because Idaho is preparing to move Medicaid into managed care by 2029. When that happens, the state will pay managed care organizations a fixed monthly rate for each enrollee — and that rate will be based on our current claims data. If hospitals have been upcoding, those inflated costs will be baked into what we pay managed care organizations going forward. We will not get a second chance to set those rates correctly.

Hospital billing also affects the premiums Idahoans pay on the Your Health Idaho exchange. National research identifies hospital price growth as the primary driver of commercial premium increases. Several states use their oversight of insurance rate filings to monitor hospital pricing trends. Idaho has no comparable mechanism.

We, the undersigned, respectfully request that the Joint Legislative Oversight Committee (JLOC) direct the Office of Performance Evaluations (OPE) to evaluate the integrity of hospital billing in Idaho Medicaid and the state's readiness to ensure accurate data as it transitions to managed care. The evaluation should include an examination of the degree to which "upcoding" may be occurring in Medicaid billings, and whether the state has adequate tools to monitor hospital billing trends that affect insurance premiums. Specifically:

1. Have hospital billing patterns in Idaho Medicaid changed since the state switched to diagnosis-based payments in 2021? Are hospitals billing at higher severity levels than patient conditions would support? Break this statewide data out to determine the variability of diagnosis rates, treatment area rates, and costs by region of Idaho, by hospital, and by major medical system.
2. What is the Department of Health & Welfare doing to catch billing errors or inflated coding in Medicaid claims? How does that compare to what other states or federal agencies have done successfully?
3. How does the Department plan to set managed care payment rates, and what is it doing to ensure the claims data those rates are based on is accurate?
4. What visibility does the state have into whether hospital billing and pricing trends are driving up premiums on the Your Health Idaho exchange? What tools do other states use, and could they work here?

This evaluation will provide the Idaho Legislature with valuable information on Medicaid cost drivers and billing practices as the state transitions to a new, managed care model. Thank you for your consideration.

Sincerely,

Name - Mike Moyle

Name -

Name - Jordan Redman

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