Medicaid Payments and Reference-Based Pricing

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Medicaid Reference-Based Pricing (RBP)

- The Vermont Medicaid program has been benchmarking reimbursement against Medicare for many services and providers for over a decade.
  - Consistent reference point against which to benchmark Medicaid rates over time
  - Ability to ensure consistency in reimbursement across providers participating in the Vermont Medicaid network
  - Ability to incentivize certain types of services with relatively higher reimbursement
- We have maintained an underlying structure of reference-based pricing even as we have implemented broad-based Medicaid payment reforms.

Medicaid Fee Schedule	Current Payment Methodology
Ambulance	100% of Medicare CY23 Rates 100% of Medicare CY24 Rate (A0998)
Anesthesia	94% of Medicare CY25 Rates
Clinical Laboratory Services	97.5% of Medicare Oct 2024 Rates
Dental	75% of NE Delta Dental Premier Gen. Practice CY23 Rates
Durable Medical Equipment, Prosthetics, Orthotics, and Supplies	87.5% of Medicare Oct 2024 Rates
Home Health Services - Skilled	100% of MCR CY25 Final Rule LUPA Equivalent to 67% of Medicare Patient-Driven Groupings Model
Inpatient Services	Based on Medicare DRG reimbursement logic
Outpatient Services	Peer Group % of Medicare CY25 Final Rule Rates In-State Critical Access Hospitals: 104.6% In-State Acute Care Hospitals: 81.8% In-State/Out-of-State Border Academic Medical Centers: 80.5% Out-of-State Border Critical Access Hospitals: 99.3% Out-of-State Border Acute Care Hospitals: 77.6% All other Out-of-State Hospitals: 77.3% Ambulatory Surgical Centers: 77.3%
Physician Administered Drugs	98.5% of Medicare Oct 2024 Rates
Professional Services – Primary Care	115% of Medicare CY25 Final Rule Rates
Professional Services - Non-Primary Care	89.5% of Medicare CY25 Final Rule Rates

Key Considerations for Medicaid RBP

- The percentage of Medicare that Vermont Medicaid uses is typically constrained by available appropriations.
- Some Medicare fee schedules are relatively simple; others are very complex.
  - Implementation needs are based on the complexity.
- Medicaid has maximized alignment where possible, but has also elected to deviate from some Medicare structures:
  - Customize: Medicaid uses hospital "peer groups" to determine levels of payment for different hospitals for inpatient and outpatient services
  - Simplify: Medicaid does not cost-settle with Critical Access Hospitals, and instead pays higher rates (relative to other peer groups) for the same services
  - Customize: Medicaid uses the DRG payment structure for inpatient hospital services, but assigns Vermont-specific DRG weights based on hospital costs
  - Customize: Medicaid uses two conversion factors in the professional fee schedule (Medicare uses only one)

RBP can Support other Policy Goals and Payment Changes

- RBP has allowed Medicaid to support policy goals (e.g., paying a higher percentage of Medicare rates for primary care services and Critical Access Hospitals).
- Having a payment system based on RBP has made it possible for Vermont Medicaid to establish alternative payment methodologies with confidence about the inputs being consistent across provider organizations.