

PROGRAM DESCRIPTION

Department: Social Services

HB Section(s): 11.790

Program Name: Federal Reimbursement Allowance (FRA)

Program is found in the following core budget(s): Federal Reimbursement Allowance (FRA)

1a. What strategic priority does this program address?

Quality hospital care and appropriate reimbursement

1b. What does this program do?

The Federal Reimbursement Allowance (FRA) program assesses hospitals in the state of Missouri a fee for the privilege of doing business in the state. The assessment is a general revenue equivalent, and when used to make valid Medicaid payments, earns federal Medicaid matching funds. The assessment collected from the hospital and the federal earnings fund the FRA program. The funds collected by the state are used to supplement inpatient and outpatient hospital services as well as a general revenue equivalent for other MO HealthNet services such as Managed Care and the Children's Health Insurance Program (CHIP).

Reimbursement Methodology

The FRA assessment is a percent of each hospital's inpatient adjusted net revenues and outpatient adjusted net revenues. The assessment rate effective July 1, 2020 is 5.75% which did change from the SFY 2020 assessment rate of 5.60%. The net inpatient and net outpatient revenue are determined from the hospital's cost reports that are filed annually with the MO HealthNet Division. The MO HealthNet Division uses funds generated from the FRA program as the equivalent of general revenue funds.

The FRA funds are distributed to the hospitals through a combination of payments to compensate certain costs as outlined below.

- *Higher Inpatient Per Diems* - Approximately 63.13% of inpatient costs are made through FRA funding. Higher per diems were granted in October 1992 when the FRA program started. In April 1998, hospitals were rebased to the 1995 cost reports.
- *Increased Outpatient Payment* - Approximately 38.67% of outpatient costs are made through FRA funding. An outpatient prospective reimbursement methodology was implemented on July 1, 2002.
- *Direct Medicaid Payments* - The hospital receives additional lump sum payments to cover their unreimbursed costs for providing services to MO HealthNet participants. These payments, along with per diem payments, provide 100% of the allowable Medicaid cost for MO HealthNet participants.
- *Uninsured Add-On* - Payments for the cost of providing services to the uninsured and for uncompensated care costs.
- *Upper Payment Limit* – As funding is available, an annual payment is made to hospitals to recognize costs up to what Medicare payment principles allow.
- *Enhanced GME* - An annual payment to hospitals for Graduate Medical Education (GME) cost inflation not reimbursed in the per diem, Direct Medicaid, or quarterly GME payments.

The FRA program also funds the costs of the the Missouri Gateway to Better Health Medicaid demonstration program, the state share of primary care health home per member per month (PMPM) payments to hospital-based primary care health homes, and federally required independent disproportionate share hospital (DSH) audits. DSH payments are made for Medicaid uncompensated care costs and for uninsured uncompensated care costs. These payments are limited to the federal DSH allotment and are subject to annual DSH audits. *For more information on the Gateway project, see Additional Details.*

Regulations require that the FRA tax be broad-based, uniform, and a maximum tax of 6% due to the structure of the tax.

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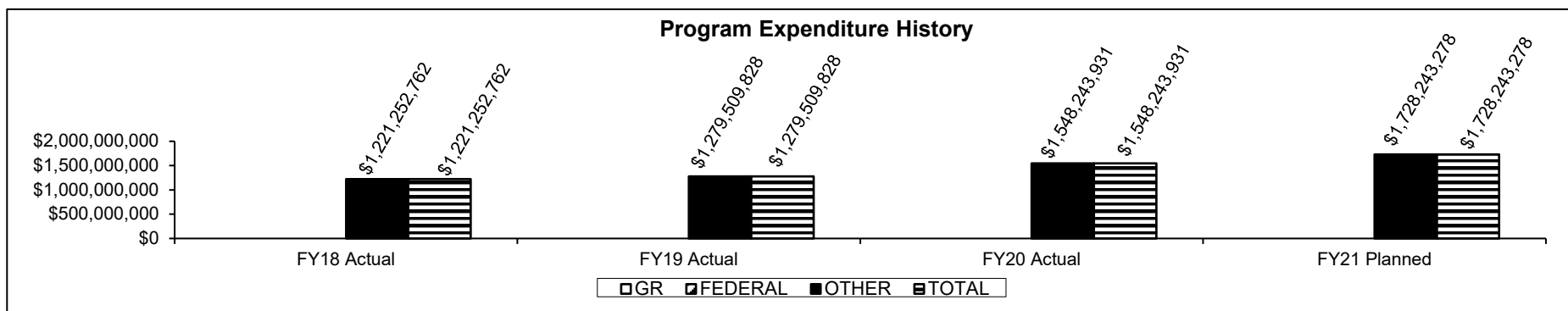
Additional Details

Missouri's Gateway to Better Health Medicaid demonstration project

The State is authorized to spend up to \$30 million (total computable) annually to preserve and improve primary care and specialty care in the St. Louis area in lieu of spending that amount of statutorily authorized funding on payments to DSH, making this demonstration budget-neutral. Under the demonstration, CMS allows the state to continue to use DSH funds to preserve and improve primary and specialty health care services in St. Louis.

This program is exempt from performance measures as it is an accounting mechanism.

3. Provide actual expenditures for the prior three fiscal years; planned expenditures for the current fiscal year. (Note: Amounts do not include fringe benefit costs.)



4. What are the sources of the "Other" funds?

Federal Reimbursement Allowance Fund (0142)

5. What is the authorization for this program, i.e., federal or state statute, etc.? (Include the federal program number, if applicable.)

State statute: Section 208.453, RSMo. Federal law: Social Security Act Section 1903(w). Federal Regulation: 42 CFR 433 Subpart B.

6. Are there federal matching requirements? If yes, please explain.

The FMAP (Federal Medical Assistance Percentage) fluctuates annually based on state and national economic and population data, but generally the state matching requirement is around 35% and the federal match is around 65%.

7. Is this a federally mandated program? If yes, please explain.

No.