

SPECIAL REPORT: State Budget Summaries FY 2023

Sellers Dorsey analyzed enacted state budgets for fiscal year 2023 (FY 2023) for 23 states. We focused on states' overall budgets and their specific Medicaid expenditures and program changes. Many states reported significant surpluses due to unspent COVID-19 relief



funds, and several are investing in short- and long-term initiatives, such as education and public safety. A handful of states are prioritizing health-related initiatives, such as improving health care in

rural areas and addressing health equity through increased funding and policy changes. [Check out our in-depth summaries here.](#) Stay tuned for Part II of our report.

Key Updates

The Centers for Medicare and Medicaid Services (CMS) released a proposed rule that outlines conditions of participation for facilities in rural areas to become Rural Emergency Hospitals. The rule would allow the hospitals to be compensated 5% more for outpatient care than full-service hospitals while also collecting monthly facility payments ([Modern Healthcare](#), July 1; [Fierce Healthcare](#), July 1; [CMS](#), June 30).

On June 29, the Department of Health and Human Services (HHS) announced it purchased 105 million doses of Pfizer's COVID-19 vaccine for \$3.2 billion. The deal includes both adult and pediatric doses of the vaccine and options to purchase up to 300 million additional doses ([Fierce Healthcare](#), June 29).

The Biden administration [requested](#) Tennessee make fundamental changes to its Medicaid block grant program plan that was originally approved at the end of the Trump administration. During the public comment period, regulators had voiced concerns about whether the program promotes the objectives of Medicaid ([Healthcare Dive](#), July 1).

From June 28 to July 6, CMS approved two Appendix K waivers and eight SPAs, three of which are COVID-19 disaster relief SPAs.

Federal Updates

Beginning October 24, 2022, CMS will use payroll data to ensure nursing homes comply with staffing requirements.

State Updates

Delaware's \$2.3 billion Medicaid contract awards have been delayed for a third time. The awards were originally going to be announced on May 3, but the date was pushed back to June, and then to July 1.

Private Sector Updates

Blue Cross Blue Shield of Michigan is expanding its travel benefits for its group plan members to travel for a wide range of services, including abortion services.

Sellers Dorsey Updates

Sellers Dorsey is always looking for passionate, motivated individuals to join our growing team. If you know someone in your network who is looking for a new career opportunity, direct them to our open positions.

FEDERAL UPDATES

News

- On July 6, CMS released an informational bulletin with tools, templates, and tactics to improve state and federal oversight of managed care programs. The bulletin provides updates on CMS' web-based reporting portal for state agencies, two reporting templates related to Medical Loss Ratio and network adequacy, a toolkit to aid states in Managed Long-Term Services and Supports program oversight, and recommendations for improving payment processes to Indian health care providers. The bulletin builds on a June 2021 [informational bulletin](#), which provided an Annual Managed Care Program Report template for states and announced the launch of the web-based reporting portal ([CMS](#), July 6).

Federal Legislation

- Federal lawmakers urged CMS to expand its existing regulatory authority to provide dental coverage in Medicare as legislative efforts to expand Medicare coverage of vision and dental benefits have stalled in Congress. On June 29, more than 100 House lawmakers sent a letter to CMS outlining how coverage of medically necessary dental care improve patient outcomes, promote greater health equity, and reduce Medicare spending, supporting their request for CMS to expand the definition of "medically necessary" dental care that Medicare can currently cover. Traditional Medicare does not cover dental or vision, but beneficiaries can either buy a supplemental plan or a Medicare Advantage plan to get such benefits ([Fierce Healthcare](#), July 5).

Federal Regulation

- CMS released a proposed rule that outlines conditions of participation for facilities in rural areas to become Rural Emergency Hospitals. This designation allows facilities to provide emergency care, observation, and other outpatient services in an effort for the facilities to remain financially stable and promote equity for those living in rural areas. The new model, which requires hospitals to accept Medicare, keeps average per patient per day lengths-of-stay below 24 hours, eliminates acute care inpatient services, has transfer agreements with Level I or Level II trauma centers, and meets federal employee training and certification. This model is expected to keep more rural hospitals open, even with low inpatient occupancy. The rule would allow Rural Emergency Hospitals to be compensated 5% more for outpatient care than full-service hospitals while also allowing the collection of monthly facility payments. Additional payment guidelines and quality conditions will be included in future regulations ([Modern Healthcare](#), July 1; [Fierce Healthcare](#), July 1; [CMS](#), June 30).
- On June 29, HHS released [guidance](#) on the application of the Health Insurance Portability and Accountability Act (HIPAA) in the wake of the Supreme Court's decision overturning *Roe v. Wade*. HHS indicated providers should not use HIPAA to justify disclosing a patient's intention to obtain an abortion to law enforcement, calling such disclosures inconsistent with both HIPAA's intended purpose and medical ethics standards. HHS also released [guidance](#) on how patients can protect the health information stored in their smartphones, which some are concerned may be used to track whether an individual has sought an abortion ([Modern Healthcare](#), June 30).
- CMS will begin to use payroll data to ensure nursing homes comply with staffing requirements. Beginning October 24, 2022, surveyors will use the Payroll Based Journal staffing data for inspections to ensure staffing requirements are met. The Biden administration identified the nursing home industry in need of quality and safety changes after seeing the toll the pandemic took on residents in facilities across the country. Many stakeholders believe this is a first step toward establishing minimum staffing requirements in the industry within the year ([Modern Healthcare](#), July 1).

COVID-19

- The Food and Drug Administration (FDA) believes COVID-19 vaccine makers should update their booster shots to include Omicron BA.4 and BA.5 spike protein components that would be ready by this fall to

protect against potential variants. Pfizer and BioNTech are currently working on two Omicron BA.1 adapted vaccines that may work against the BA.4 and BA.5 subvariants ([Inside Health Policy](#), July 5).

- On June 29, HHS announced its purchase of 105 million doses of Pfizer's COVID-19 vaccine for \$3.2 billion. The doses will be delivered this fall. The deal includes both adult and pediatric doses of the vaccine and options to purchase up to 300 million additional doses. The Biden administration reallocated funding from other COVID-19 response efforts to purchase additional doses, as its proposed \$10 billion supplemental COVID-19 spending package is currently stalled in the Senate ([Fierce Healthcare](#), June 29).

Studies and Reports

- The Urban Institute released a [report](#) that found the rate of uninsured children fell from 5% in 2019 to 4% in 2021. The report utilized data from the National Health Interview Survey (NIHS), the Current Population Survey Annual Social and Economic Supplements, and children's enrollment in Medicaid, CHIP, and Affordable Care Act (ACA) marketplaces through early 2022. Policies established under federal laws such as the Families First Coronavirus Response Act (FFCRA) and the American Rescue Plan Act (ARP) have helped protect children's insurance coverage, but once these protections expire, it is expected that uninsurance rates could increase again ([Fierce Healthcare](#), June 30).

STATE UPDATES

Waivers

- Section 1915(c) Appendix K
 - [District of Columbia](#)
 - Extends the date to pay one-time supplemental payments available to eligible waiver providers employing Direct Support Professionals (DSPs).
 - Increases payment rates for DSP, registered nursing, and licensed practical nursing services and per diem reimbursement rates to Individuals with Intellectual and Developmental Disabilities waiver providers of Supported Living Daily (with or without transportation) and Residential Habilitation.
 - Modifies the service limitations for Elderly and Persons with Physical Disabilities Waiver beneficiaries currently enrolled in the Service My Way program who self-direct their Personal Care Aide services.
 - [Texas](#)
 - Requires Home- and Community-Based Services (HCBS) providers and provider agencies to use at least 90% of designated ARP funds for time-limited financial compensation for their direct care workforce, including lump sum bonuses, longevity bonuses, and paid time off for a COVID-19 vaccination, effectuated as a rate add on.
 - Disregards the impact of the temporary provider bonus payments on the cost limits for entry and continued participation in HCBS waivers.

SPAs

- Administrative SPAs
 - California ([CA-22-0018](#), effective July 1, 2022): Clarifies the Department of Health Care Services' third-party liability practices for prenatal services and child support enforcement services and amends exceptions for recovery practices and updates Medicare thresholds.
 - Connecticut ([CT-21-0037](#), effective October 1, 2021): Removes federally optional liens and recoveries, updates third-party liability section to reflect current law and practice with respect to the Bipartisan Budget Act of 2018, and removes the language regarding the cost effectiveness premium purchase program for group health insurance that is authorized under section 1906 of the Social Security Act (SSA).

- Illinois ([IL-21-0015](#), effective December 1, 2021): Allows licensed clinical professional counselors and licensed marriage and family therapists to enroll in Medicaid and bill fee-for-service.
- COVID-19 SPAs
 - Arizona ([AZ-22-0005](#), effective March 11, 2021): Assures the state's coverage of COVID-19 vaccines and administration of vaccines, as required by section 1905(a)(4)(E) of the SSA. This time-limited COVID-19 SPA terminates at the end of the public health emergency (PHE).
 - Massachusetts ([MA-22-0012](#), effective January 1, 2022): Provides temporary rate increases for providers (Adult Day Health, Day Habilitation, Adult Foster Care, Children's Behavioral Health Initiatives, Private Duty Nursing, Durable Medical Equipment, Home Health, and Personal Care Attendants) in accordance with Massachusetts' approved Initial Spending Plan for HCBS under the ARP. This time-limited COVID-19 SPA terminates at the end of the PHE.
 - New Hampshire ([NH-22-0035](#), effective April 1, 2021 – March 31, 2022): Allows provider payments to be used for workforce investment for direct care HCBS workers as a component of New Hampshire's HCBS Spending Plan.
- Service SPAs
 - New Hampshire ([NH-21-0027](#), effective July 1, 2022 – June 30, 2027): Implements the following optional 1915(i) HCBS benefit of Housing Stabilization Services – Transition, Housing Stabilization Services – Sustaining, and Housing Consultation Services for elderly and disabled individuals.
 - Washington ([WA-22-0012](#), effective April 1, 2022): Adopts the statutory option to provide 12 months of extended postpartum coverage to individuals who were eligible and enrolled under the Medicaid state plan during their pregnancies (including during a period of retroactive eligibility).

News

- The Biden administration sent a [letter](#) to Tennessee asking the state to make fundamental changes to its Medicaid block grant program plan that was originally approved at the end of the Trump administration. After the CMS comment period ended, there were substantial questions surrounding whether the program promotes the objectives of Medicaid. In the letter, the Biden administration requests Tennessee to make the following changes to its plan:
 - Submit an updated financing and budget neutrality model based on the per member per month limit rather than the aggregate cap.
 - Modify the state's Medicaid terms and conditions to clarify that the state cannot cut benefits or coverage without amending the waiver demonstration.
 - Remove expenditure authority for pharmacy and pharmacy flexibilities.
 - Add a request for expenditure authority for state reinvestments to support with any savings, such as adult dental care and enhanced home services.

CMS stated these changes would significantly alleviate the agency's concerns ([Healthcare Dive](#), July 1).

- Delaware's \$2.3 billion Medicaid contract awards have been delayed for a third time. The awards were originally going to be announced on May 3, but the date was pushed back to June, and then to July 1 because of competing priorities of the Division of Medicaid and Medical Assistance (DMMA) staff. DMMA stated the agency was still in negotiations and did not provide a new timetable for the award announcement ([Health Payer Specialist](#), July 6).
- Bids for Nebraska's \$1.8 billion Medicaid program, Heritage Health, were due July 1. Nebraska is an expansion state as of October 2021 and currently has 340,000 Medicaid enrollees. The state currently contracts with three managed care organizations (MCOs) and expects to award contracts to two or three bidders. MCOs that bid on the contract will be required to provide dental benefits. The contract is anticipated to start on July 1, 2023, and run for at least five years, with the possibility of two one-year renewal periods ([Health Payer Specialist](#), July 1).

PRIVATE SECTOR UPDATES

- Blue Cross Blue Shield of Michigan (BCBS MI) is expanding its travel benefits for its group plan members to travel for a wide range of services. The expanded travel benefits include abortion, behavioral health services, cardiac services, maternity and reproductive health services, treatment of rare conditions, and transgender services including gender affirmation treatment. BCBS MI travel benefits will cover travel expenses like transportation and lodging. CVS Health, Cigna, Blue Shield of California and BCBS MA have stated that they will continue to cover abortions, even if it involves out-of-state care ([Health Payer Specialist](#), July 5).

SELLERS DORSEY UPDATES

- Looking to support hospitals in Medicaid? Check out our [recent article to learn more about financing solutions that can bridge funding gaps for hospitals](#). Our experts lay out the basics for designing a successful program that improves access and quality in health care.
- Sellers Dorsey is proud to have a talented and diverse team. We are always looking for passionate, motivated individuals to join our growing team. If you know someone in your network who is looking for an exciting new career opportunity, please direct them to our [open positions to learn more](#).
- Our team members are excited to attend the USAging Conference this week. Our colleagues look forward to connecting and discussing the importance of aging services and health equity.

