

OFFICE OF FISCAL ANALYSIS

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sSB-499

AN ACT CONCERNING MEDICAID RATE INCREASES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Social Services, Dept.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a significant cost to the Department of Social Services due to phasing-in increases to Medicaid provider rates by 6/30/29.

The bill requires that Medicaid rates for various providers be increased to (1) 75% of the Medicare rate for similar services, or (2) to a similar percentage increase based on the five-state benchmark included in the Medicaid rate study supported by PA 23-186. For context, the study reviewed costs to adjust Medicaid rates to 80% of the Medicare fee schedule and five-state rates for Maine, Massachusetts, New Jersey, New York and Oregon. Based on those factors, state costs are estimated at approximately \$150 million when annualized, with additional annual increases incurred to reflect updated fee schedules, benchmarks, or increases in the Medicare Economic Index (MEI).

For purposes of an example, the table below details state costs by fiscal year if each set of rate increases is supported by equal annualized funding.

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Example: Phase-in of Medicaid Provider Rates <i>(state share, \$ in millions)</i>			
	FY 27	FY 28	FY 29
Year 1 Costs	50.0	50.0	50.0
Year 2 Costs	-	50.0	50.0
Year 3 Costs	-	-	50.0
Total	50.0	100.0	150.0
- assumes rate increases are effective July 1 of each year.			

The actual annual cost to increase rates depends on the provider group under review and associated funding necessary to meet the benchmark, within the required timeframe.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the Medicare fee schedule, five-state rate benchmarks, or any percentage increase in MEI.