



# State of Louisiana

## Louisiana Department of Health Bureau of Health Services Financing

July 30, 2021

The Honorable Mack “Bodi” White, Chairman  
Joint Legislative Committee on the Budget  
P.O. Box 44294  
Baton Rouge, LA 70804

The Honorable Jerome Zeringue, Vice Chairman  
Joint Legislative Committee on the Budget  
423 Goode Street  
Houma, LA 70360

Re: SCR 27 Report – Louisiana Department of Health Directed Payment Options Analysis

In response to Senate Concurrent Resolution (SCR) 27 of the 2020 First Extraordinary Legislative Session, the Louisiana Department of Health (LDH) submits the enclosed report. This report can be viewed on LDH’s website at <https://ldh.la.gov/index.cfm/newsroom/category/55?pn=1>.

SCR 27 urged LDH to seek independent consultant opinions and alternative options for the submission of the Managed Care Section 438.6(c) Preprint to the Centers for Medicare and Medicaid Services (CMS) for Fiscal Year 2022 and submit a report containing the alternative options to the Joint Legislative Committee on the Budget (JLCB). To comply with this legislation, the Department issued public notice for a Request for Information (RFI) on July 17, 2020. After internal review and an entrance conference with RFI respondents, Milliman was selected as the contractor to develop recommendations directed by the resolution. Milliman has extensive experience in creating alternative payment models in Medicaid. Given the complexity of developing directed payment options that address the guardrails surrounding the current payment, LDH worked extensively with Milliman and our hospital stakeholders to develop recommendations as directed by the resolution and present the options finalized in the enclosed report for your consideration.

LDH recommends the following based on the Milliman report:

- Consensus on the Tiered Approach in Methodology 1.
- Rebalance funding mechanisms through legislative statutory action in the 2022 Regular Session that allows LDH authority to institute an assessment to fund the directed payment program via the rulemaking process.
- Appropriate total funding at \$2.64 billion (\$900 million additional dollars).
- Submit the plan to CMS by April 2022 (preprint application would need to be submitted no later than April 1, 2022, to achieve an effective date of July 1, 2022).
- Provide recommended value based payment direction to industry for year 2 implementation.

Next steps to implement these recommendations are detailed below and contain actions needed from the Legislature, Administration and LDH:

- Review of the options with LDH, the Louisiana State Legislature, and the Administration.
- Begin discussions with federal partners on model and extension request.

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- Evaluate options provided including continued and increasing investment in value-based purchasing methodologies.
- Establish final funding amount for the state directed payment program and financing options to fund the program.
- Continue stakeholder engagement with the hospital community on directed payment arrangement parameters and quality metrics.
- Schedule informal discussion with CMS to review proposed directed payment arrangement parameters prior to preprint submission.
- Develop final directed payment model, approach, quality metrics, and evaluation plan, and summarize in the preprint application and supporting documentation for submission to CMS.
- Review and evaluate actuarial rate-setting implications related to documenting and incorporating state directed payments into the managed care capitation rates, consistent with CMS requirements outlined in the 2020-2021 Medicaid Managed Care Rate Development Guide.
- Monitor ongoing issues related to financing the non-federal share of Medicaid costs. As we begin a new Administration and a new Congress, with new leaders in the Department of Health and Human Services and CMS, it is vitally important to evaluate the interpretations of the new Administration and Congress and its impact on states, particularly with financing mechanisms.

The Department is committed to determining the most suitable hospital payment option for the state of Louisiana and to keeping the legislature updated throughout the process. As always, please do not hesitate to contact me with any questions or concerns.

Sincerely,



Ruth Johnson  
Undersecretary

Enclosure