

August 2023

New CMS Guidance for Claiming Enhanced Federal Match on Medicaid Managed Care Capitation Payments

Overview

On August 11, 2023, CMS published [State Medicaid Director Letter \(SMDL\) #23-005](#), providing guidance to states on claiming enhanced (or “differential”) federal match on portions of capitation payments. This letter describes the documentation requirements for differential match claiming methodologies and gives states until December 31, 2024, to have appropriate claiming methodologies in place. Mercer Government has developed these enhanced claiming methodologies for our actuarial clients.

What are enhanced (“differential”) match rates?

Medicaid is a joint federal/state program in which the federal government matches certain expenditures by states. While there is a general match rate for each individual state (the Federal Medical Assistance Percentage, or FMAP), some benefits or populations have higher, or enhanced, matching rates. When a state operates a Medicaid managed care program that contains these special benefits or populations, the portion of the capitation rate tied to these benefits or populations is said to be matched at a differential match rate. **States are responsible for identifying and correctly claiming the portion of the capitation payments associated with a differential match rate.**

There are many types of populations and services for which a differential match rate is available. Some examples of populations and benefits for which differential match rates apply include Medicaid expansion enrollees, Breast and Cervical Cancer Treatment Program enrollees, family planning services, preventive services, American Rescue Plan Act home and community-based services, COVID vaccine administration, COVID vaccines (once commercialized), mobile crisis services, and services provided at Indian Health Service facilities.

When all expenditures for a population, such as Medicaid expansion adults, are eligible for enhanced match, differential claiming on capitation is usually facilitated using separate rate categories. However, **when only a portion of a rate is eligible for an enhanced match because special benefits are embedded in that rate, differential claiming must be supported by a methodology to identify the portion of the capitation associated with the special benefits.**

CMS Guidance and Effective Dates: What’s New?

While CMS has always expected states to have differential claiming methodologies, they are formalizing this expectation in the SMDL. The SMDL informs states of the necessary data and information that must

be included in the claiming methodologies and gives states until December 31, 2024, to develop these methodologies and documentation. CMS will not review and approve all methodologies but notes they can request the required documentation when reviewing claiming for federal match.

Examples of new or formalized requirements for claiming methodologies:

- The methodology must describe the process used to determine non-benefit costs, as appropriate, and rationale of why an adjustment for non-benefit costs is appropriate. Not all states include non-benefit costs and this may present a new opportunity for claiming.
- The methodology must contain an assurance that the data and method used in the claiming methodology are consistent with the data and method used for development of capitation rates for the Form CMS-64 reporting period, approved state plan benefits, waivers, and demonstrations under which the applicable benefit or population are authorized, and any relevant guidance provided by CMS.
- The methodology must confirm whether an actuary was involved in developing or reviewing the claiming methodology.

CMS strongly suggests actuarial involvement and review of these claiming methodologies.

Next Steps for States

Mercer Government's ready to work with you to review your managed care claiming for opportunities and compliance. States with SFY rates should consider being compliant by July 1, 2024, to avoid mid-year changes to claims on the same capitation rates. Our teams will coordinate between actuarial, policy, medical coding, and data staff to appropriately create the methodology for our clients.

Caveats and limitations

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Questions for your specific state?

Please contact [Meredith Mayeri](#), [Debbie Anderson](#), [Dianne Heffron](#), or your Mercer consultant to discuss the impact for your specific state programs. You may also email us at: mercergovernment@mercergov.com.

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