WISCONSIN DEPARTMENT *of* HEALTH SERVICES

# June 2026
# Medicaid Advisory Hospital Group

## Division of Medicaid Services
## Bureau of Rate Setting

June 12, 2026
Wisconsin Department of Health Services

# Agenda

1. Introduction and Welcome
2. Rate Year 2027 Hospital Payment Updates
3. EAPG 4.0
4. P4P Programs
5. Prior Authorization Changes
6. Hospital Assessment and Access Payments
7. Supplemental Payments and Additional Items
8. Questions

# Introductions

# Rate Year 2027 Hospital Payment Updates

# Rate Year (RY) 2027 Updates

- DHS will conduct annual grouper version updates for RY 2027 to be effective 1/1/2027:
  - Inpatient APR DRG **v43.0** (currently using v42.0)
  - Outpatient EAPG **v3.18.26** (currently using v3.18.25, which is effectively the same grouper algorithm)

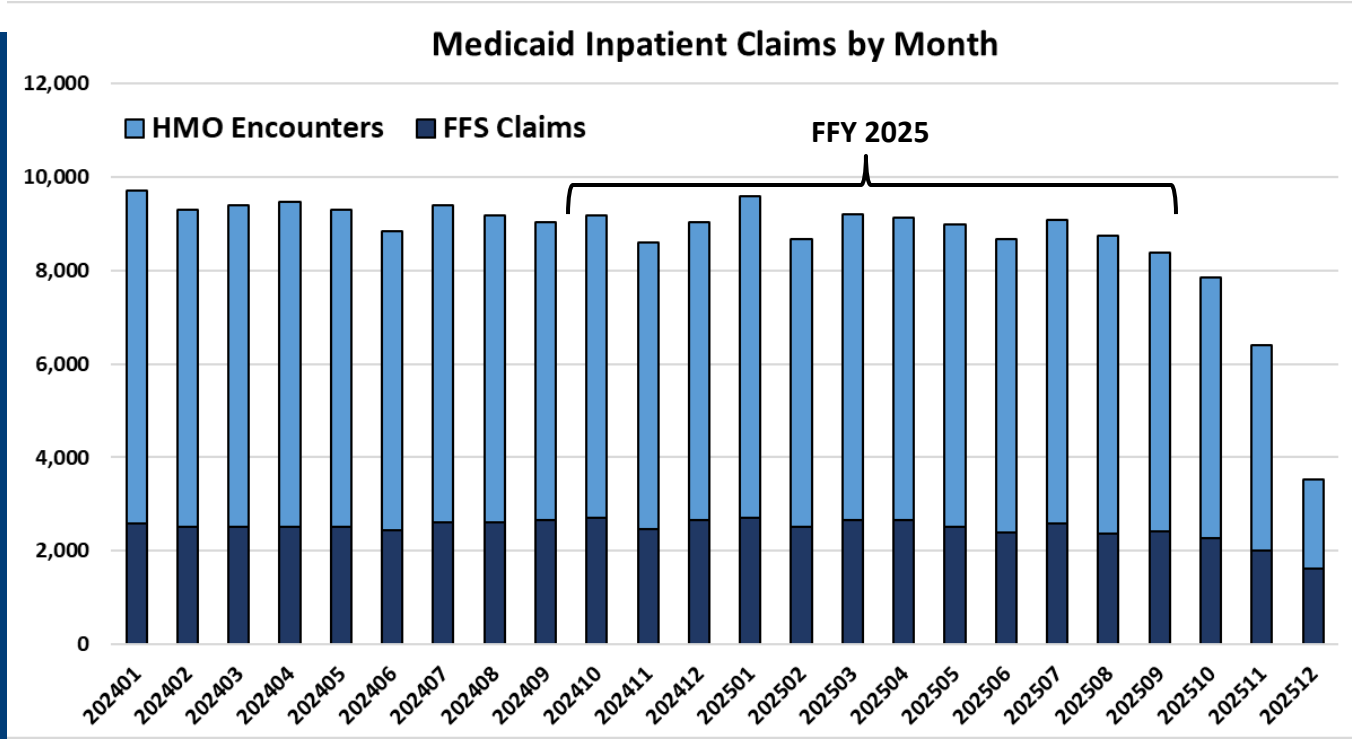
- RY 2027 model data will be based on:
  - Medicaid FFS claims and HMO encounter data with **Federal Fiscal Year (FFY) 2025** service dates (from 10/1/2024 - 9/30/2025) extracted from the MMIS in May of this year
  - Most recently available Medicare cost report data from the 3/31/2026 CMS HCRIS release

# RY 2027 Model Claims Data

- FFY 2025 model claims represent the most recently available 12-month fiscal year of data with sufficient claim runout
  - Follows the traditional FFY model claims data basis, allowing for use of more recent cost report data
- Alternative timeframes would lack sufficient claim runout for a 12-month modeling period (e.g., calendar year 2025)
- Data included in this presentation is preliminary and has shorter claim runout in latter months

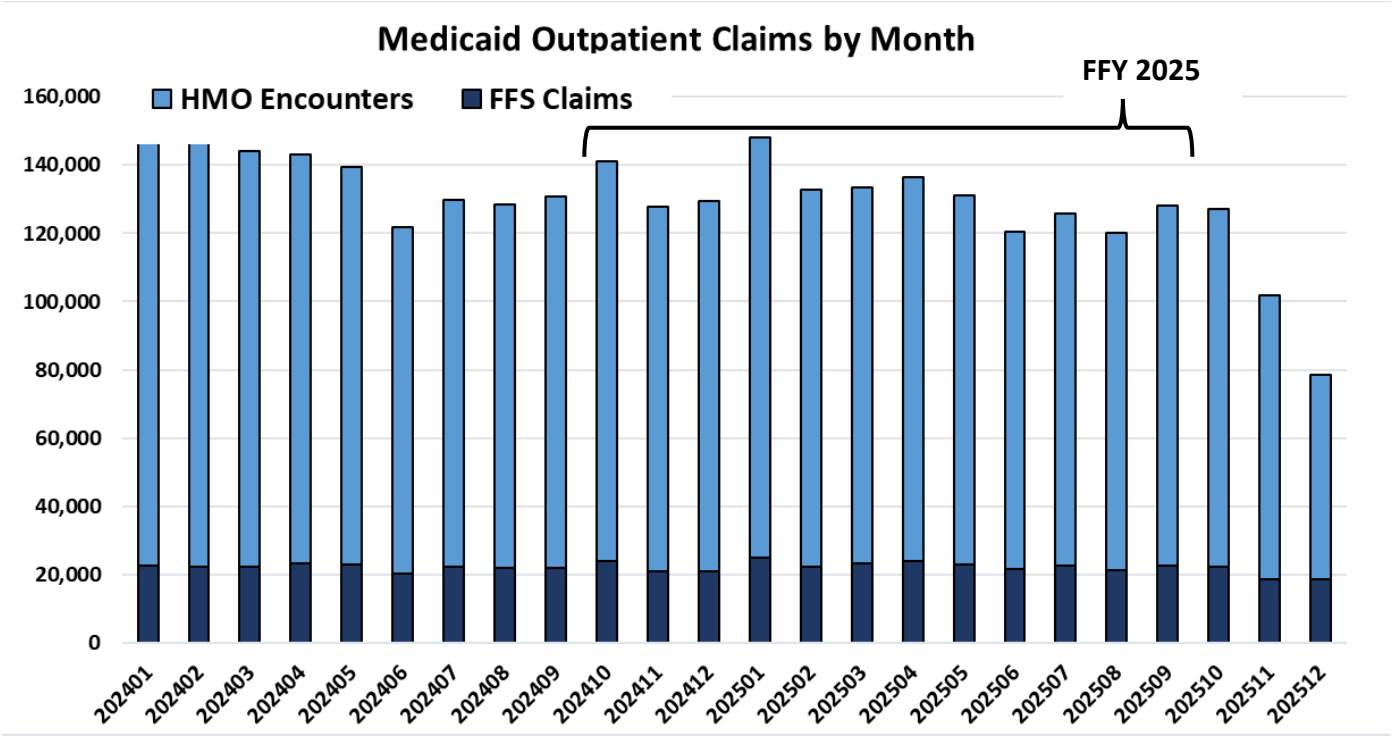
# RY 2027 Model Inpatient Cases

- Preliminary summary based on January 2026 MMIS extract; will be updated using the May 2026 data extract
- Totals exclude claims from dual eligibles



# RY 2027 Model Outpatient Claims

- Preliminary summary based on January 2026 MMIS extract; will be updated using the May 2026 data extract
- Totals exclude claims from dual eligibles



# RY 2027 Inflation Adjustments

- Similar to prior years, DHS plans to apply annual inflation updates to the acute hospital APR DRG and EAPG standardized amounts, subject to evaluation of budget availability and expenditure impacts
  - Approach is subject to change based on the biennial budget outcome
- Preliminary modeled RY 2027 acute hospital standardized amount inflation adjustment factor is **3.09%**
  - Inflation increase will not result in a **3.09%** aggregate inpatient payment increase due to impact of outlier payments, net medical education add-ons, and new wage index factors
  - Based on changes from RY 2026 to RY 2027 in CMS' Hospital Market Basket price index levels published April 2026; values **will be updated based on CMS' next quarterly release in July**
- Basis for cost-based rates will be based on more recent data, with inflation applied to RY 2027

# RY 2027 Wage Index Values

- Per state plan requirements, DHS will adjust the labor portion of RY 2027 acute hospital DRG base rates by each hospital's wage index using values from the FFY 2026 Medicare inpatient prospective payment system (IPPS)
  - For hospitals included in the FFY 2026 Medicare IPPS, RY 2027 wage indices are based on the FFY 2026 Medicare IPPS Final Rule "Wage Index With Quartile and Cap" (which includes reclassifications)
  - For hospitals not included in the FFY 2026 Medicare IPPS, RY 2027 wage indices are imputed based on the average wage index in the hospital's county (weighted based on inpatient model claim payments)
- FFY 2026 Medicare IPPS labor portion percentages are:
  - **66.0%** if hospital wage index **greater than 1.0.**
  - **62.0%** if hospital wage index **less than or equal to 1.0.**
- The RY 2027 66.0% labor portion applicable for wage indices greater than 1.0 (based on the FFY 2026 Medicare IPPS) is a 1.6% decrease from RY 2026 (down from 67.6%, which was based on the FFY 2025 Medicare IPPS)
  - The updated FFY 2026 Medicare IPPS labor portion was the result of CMS incorporating more recent 2023 Medicare cost report data for wages and salaries, employee benefits, and contract labor costs into the IPPS calculations[(1)]

Source: 1. Federal Register / Vol. 90, No. 147. https://www.federalregister.gov/d/2025-14681/p-63

# RY 2027 Wage Index Values Continued

- Preliminary RY 2027 wage indices have been shared for provider review and validation (see handout 3)

**State of Wisconsin**
**Department of Health Services**
**Division of Medicaid Services**
**Preliminary Rate Year (RY) 2027 Inpatient Wage Indices and Outlier Cost-to-Charge Ratios (CCRs)**
**Based on FFY 2026 Medicare Inpatient Prospective Payment System (IPPS) factors**

**Appendix B**
**DRAFT FOR DISCUSSION PURPOSES - NOT FINAL RATES**

| Medicaid ID | Medicare ID | Hospital Name | City | County | State | FFY 2026 Medicare IPPS Geographic CBSA | Preliminary RY 2027 Wage Index | Imputed Wage Index | Preliminary RY 2027 Outlier CCR, Based on IPPS CCRs effective for FFY 2026 | Imputed CCR |
|---|---|---|---|---|---|---|---|---|---|---|
| **In-State Acute Care Hospitals** | | | | | | | | | | |
| 11013700 | 520096 | Ascension - All Saints | Racine | Racine | WI | 39540 | 0.9842 | N | 0.3290 | N |
| 11012400 | 520078 | Ascension - St. Francis Hospital | Milwaukee | Milwaukee | WI | 33340 | 0.9582 | N | 0.4680 | N |
| 100197969 | 520051 | Ascension Columbia St. Mary's - Ozaukee | Glendale | Ozaukee | WI | 33340 | 0.9842 | N | 0.2180 | N |
| 11010300 | 520051 | Ascension Columbia St. Mary's Hospital - Milw. | Glendale | Milwaukee | WI | 33340 | 0.9842 | N | 0.2180 | N |
| 11006700 | 520009 | Ascension NE Wis. - St Elizabeth | Appleton | Outagamie | WI | 11540 | 0.9315 | N | 0.3550 | N |
| 100099167 | 520009 | Ascension NE Wisconsin - Mercy Campus | Oshkosh | Winnebago | WI | 11540 | 0.9315 | N | 0.3550 | N |
| 11019400 | 520136 | Ascension SE Wisconsin - Elmbrook | Brookfield | Waukesha | WI | 33340 | 0.9582 | N | 0.3370 | N |
| 11017100 | 520136 | Ascension SE Wisconsin - St. Joseph's | Milwaukee | Milwaukee | WI | 33340 | 0.9582 | N | 0.3370 | N |
| 100079350 | 520136 | Ascension SE Wisconsin Hospital - Franklin Campus | Franklin | Milwaukee | WI | 33340 | 0.9582 | N | 0.3370 | N |
| 100197924 | 520214 | Ascension Wis. Hospital - Greenfield Campus | Greenfield | Milwaukee | WI | 33340 | 0.9582 | N | 1.0300 | N |

# RY 2027 APR DRG v43.0

APR DRG v43.0 changes from v42.0 (Handout 1)

| APR DRG | APR DRG Description |
|---|---|
| **New APR DRGs Under v43.0 (Three DRGs Total)** | |
| 060 | Head trauma with coma < 1 hour |
| 864 | Hospice and palliative care |
| 891 | HIV with major HIV related condition or multiple HIV significant related conditions |

# RY 2027 APR DRG v43.0

APR DRG v43.0 changes from v42.0 (Handout 1)

| APR DRG | APR DRG Description |
|---|---|
| **Deleted APR DRGs Under v43.0 (Seven DRGs Total)** | |
| 056 | Brain contusion or laceration and complicated skull fracture, coma < 1 hour or no coma |
| 057 | Concussion, closed skull fracture NOS, and uncomplicated intracranial injury, coma < 1 hour or no coma |
| 232 | Gastric fundoplication |
| 512 | Uterine and adnexa procedures for non-ovarian and non-adnexal malignancy |
| 520 | Other GYN procedures for malignancy |
| 892 | HIV with major HIV related condition |
| 893 | HIV with multiple significant HIV related conditions |

# RY 2027 APR DRG v43.0

APR DRG v43.0 revised DRG titles from v42.0 (Handout 1)

| APR DRG | APR DRG Description |
|---|---|
| **Revised APR DRGs Under v43.0 (Seven DRGs Total)** | |
| 180 | Other peripheral vascular and circulatory procedures |
| 181 | Lower vascular procedures |
| 182 | Other upper vascular procedures |
| 444 | Renal dialysis access procedures |
| 511 | Gynecologic procedures for malignancy |
| 513 | Gynecologic procedures without malignancy |
| 519 | Gynecologic procedures for leiomyoma |

# APR DRG v43.0 National Weights

- DHS proposes to continue to use Solventum "traditional" national weights for its RY 2027 APR DRG v43.0 relative weights
- Solventum APR DRG v43.0 national relative weights are based on approximately 12 million inpatient claims from the National Inpatient Sample (NIS) Agency 2021 and 2022 research datasets of ICD-10 coded claims data(1)
  - The NIS is drawn from all States participating in the Agency for Healthcare Research and Quality's (AHRQ) Healthcare Cost and Utilization Project (HCUP), including Wisconsin, covering more than 97% of the U.S. population
  - The NIS approximates a 20% stratified sample of discharges from U.S. community hospitals (excluding rehabilitation and long-term acute care hospitals)

Source: 1. Solventum APR DRG v43.0 national weights file "Readme" worksheet.

# APR DRG v43.0 Weight Normalization

- DHS proposes to continue to **normalize** the Solventum APR DRG national weights for RY 2027, consistent with prior years.
  - Per Solventum: "Payers and other users of Solventum relative weights must therefore be careful to scale (up or down) the Solventum relative weights to fit the characteristics of each payer's unique population. In particular, payers should perform a financial simulation to ensure that the combination of APR DRG groups, relative weights, DRG base rates (as set by the payer), and other payment policies align with the payer's target for total spending."(1)
  - Changes in modeled aggregate case mix between v42.0 and v43.0 national weights (when using the same model claims dataset) represent **a change in scale, not actual acuity increases.**
- Normalizing the weights involves the application of a statewide adjustment factor to the v43.0 national weights so that the aggregate modeled case mix is the same as the v42.0 case mix.
- Normalizing the national weights **reduces volatility** in year-over-year changes in APR DRG base rates.

Source: 1. Solventum APR DRG v43.0 national weights file "Readme" worksheet.

# APR DRG v43.0 Weight Normalization

Preliminary RY 2027 APR DRG weight normalization factor calculation:

| | Modeled RY 2026 v42.0 (Normalized) | Preliminary Modeled RY 2027 v43.0 (Unnormalized) | Preliminary Modeled RY 2027 v43.0 (Normalized) |
|---|---|---|---|
| Normalization factor | 1.1892 | 1.0000 | 1.1963 |
| Modeled case mix using FFY 2025 data | 1.0027 | 0.8382 | 1.0027 |

- Normalization calculation note: Preliminary factors based on FFY 2025 FFS claims and HMO encounters paid under APR DRGs for non-CAH hospitals, excluding transfer cases, extracted from the MMIS in January 2026. This analysis will be updated with more recent claim submissions from the May 2026 MMIS extract before finalizing.
- Source: Milliman "Rate Year 2027 Hospital Rate Setting Preliminary Supporting Analyses Report" dated June 11, 2026.

# Other RY 2027 APR DRG Updates

| Component | DHS Proposed Approach |
|---|---|
| **DRG Base Rate Inflation** | ▪ DHS plans to apply an annual inflation update based on changes in CMS input price index levels (subject to budget availability), and will evaluate expenditure impacts |
| **DRG Base Rate Wage Index Adjustments** | ▪ Will update based on the FFY 2026 Medicare IPPS final rule (see handout 3 in Milliman report for validation purposes)<br>▪ Medicare IPPS exempt hospitals' wage index based on the county average (weighted by base payments) |
| **DRG Base Rate GME Add-ons** | ▪ Will update based on most recently available Medicare cost report data from 3/31/2026 HCRIS extract (see handout 3 in Milliman report for validation purposes) |
| **Outlier Payment Parameters** | ▪ Will update outlier cost-to-charge ratios (CCRs) based on the April 2026 Medicare IPPS provider-specific file (see handout 3 in Milliman report for validation purposes)<br>▪ Will evaluate the impact of other current outlier factors to target outlier payments of approximately 15% of total acute care hospital payments |
| **DRG Policy Adjusters** | ▪ No planned methodology changes – will evaluate the impact of current factors<br>▪ Will update list of acute care hospitals with a DHS 61.71 certified inpatient behavioral health unit eligible to receive behavioral health service adjuster and review the adjuster value, currently set at 1.86 |

# RY 2027 EAPG v3.18.26 Updates

- With the release of EAPG 4.0 in August 2025, Solventum has not updated its EAPG v3.18 grouper algorithm for this year
- EAPG version 3.18.26 works with the newest set of ICD-10 codes and contains a new set of EAPG weights without any changes to the underlying EAPG grouping logic or EAPG assignments

| V3.18.26 Changes | Update Description |
|---|---|
| New EAPGs | No new or deleted EAPGs |
| Revised EAPG Descriptions | No revised EAPG descriptions |
| EAPG v3.18.26 Changes from v3.18.25 (Handout 2) | |

- **DHS plans to implement EAPG 4.0 in RY 2028 with no changes for EAPG 4.0 made as part of the RY 2027 development**

# EAPG v3.18.26 National Weights

- DHS proposes to continue using Solventum EAPG national weights for its RY 2027 update to EAPG v3.18.26.
  - Solventum's v3.18.26 EAPG national weights are based on 96 million CY 2024 Medicare OPPS claims.
- DHS proposes to continue **normalizing** the Solventum EAPG national weights for RY 2027
  - Per Solventum: "Care must therefore be taken to scale (up or down) the relative weights provided within the calculation to fit the average spend of the target population…Those using the national weights…should **make sure that the absolute value of relative weights** match the expected pattern for approved local spending and, if need be, **scale relative weights** so as to match that expectation while keeping relative differences constant."(1)
  - Normalizing the weights involves the application of a statewide adjustment factor to the v3.18.26 national weights so that the aggregate modeled case mix is the same as the v3.18.25 case mix.

Note: (1) Solventum Enhanced Ambulatory Patient Groups (EAPG) Summary of Changes, version 3.18.26, 1/1/2026.

# EAPG v3.18.26 Weight Normalization

- Preliminary RY 2027 EAPG weight normalization factor calculation:

| | Modeled RY 2026 v3.18.25 (Normalized) | Preliminary Modeled RY 2027 v3.18.26 (Unnormalized) | Preliminary Modeled RY 2027 v3.18.26 (Normalized) |
|---|---|---|---|
| Normalization factor | 2.0 x 1.0626 = 2.1252 | 2.0000 | 2.0 x 1.1874 = 2.3748 |
| Modeled case mix using FFY 2025 data | 1.8469 | 1.5554 | 1.8469 |

- Normalization calculation note: Preliminary factors based on FFY 2025 outpatient FFS claims and HMO encounters paid under EAPGs for non-CAH hospitals extracted from the MMIS in January 2026 and will be updated with more recent encounter submissions from the May 2026 MMIS extract before finalizing
- Source: Milliman "Rate Year 2027 Hospital Rate Setting Preliminary Supporting Analyses Report" dated June 11, 2026

# Other RY 2027 EAPG Updates

| Component | DHS Proposed Approach |
|---|---|
| **EAPG base rate inflation** | ▪ DHS plans to apply an annual inflation update based on changes in CMS input price index levels and will evaluate expenditure impacts |
| **EAPG base rate GME add-ons** | ▪ Will be updated using most recently available Medicare cost report data from 3/31/2026 HCRIS extract (see handout 3 in Milliman report for validation purposes) |
| **Outpatient dental deep sedation add-on** | ▪ Will review the RY 2026 $1,427 per visit add-on payment and update for RY 2027 as needed to achieve the $1.5M aggregate target spend under 2019 WI Act 9, §9119(9) |

Note: Actual RY 2027 experience will vary from the modeled assumptions used for the preliminary weights

# RY 2027 Cost-Based and other Rate Updates

- DHS will update cost-based rates using FFY 2025 FFS claims, HMO encounter data, and Medicare cost report data with matching cost reporting periods for the following provider types and services:
  - Psychiatric, Rehabilitation, and Long-Term Acute Care (LTAC) inpatient per diems
  - Psychiatric outpatient EAPG base rates
  - Critical Access Hospital (CAH) inpatient DRG and outpatient EAPG base rates
  - Department of Corrections CCR
- No planned cost-based rate methodology changes; DHS will evaluate expenditure impacts
- Brain injury and ventilator service rates will receive inflationary payment adjustment

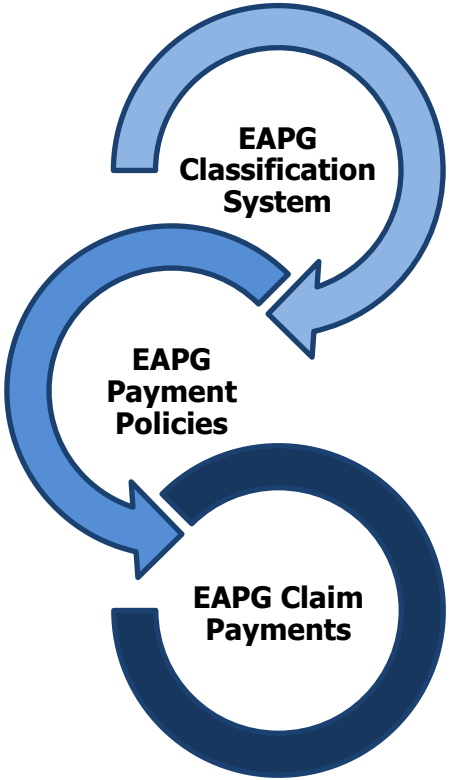
# EAPG 4.0

Solventum redesigned the EAPG grouper logic and payment methodology under **EAPG 4.0**, with the new EAPG 4.0 software released in **August 2025**

- EAPG 4.0 is the first major version update to the EAPG classification system since the release of the EAPG version 3 series starting in 2005
- Solventum undertook a major update to the EAPG classification system to make updates that reflect changes in the practice of healthcare over the past 20 years
- While many aspects of the EAPG classification system remain the same, EAPG 4.0 has added new classification logic and additional outputs assigned during EAPG 4.0 grouping
- DHS is evaluating the EAPG 4.0 classification methodology, including grouping and payment design
- Solventum will no longer be developing new EAPG v3.18 relative weights after the latest EAPG v3.18.26 weight set used for RY 2027

# EAPG 4.0 – Common Change Types

- With the update from EAPG v3.18 to EAPG 4.0, EAPG classification changes can be grouped into three common categories:
  - **EAPG Structure Changes** – changes to format and information contained within the individual EAPGs
  - **Grouping Configuration Changes** – changes in the grouper configurations settings, grouper inputs, and grouper outputs for EAPG 4.0
  - **Clinical Logic Changes** – changes in the clinical logic used to classify services, assign EAPGs, and/or apply bundling and discounting logic
- EAPG payment policy updates may be considered in conjunction with EAPG 4.0 classification changes to develop final provider payments



# EAPG 4.0 Update Timing

Implementation of EAPG 4.0 will represent a major change to outpatient classifications and discounting logic and will occur in **RY 2028**

- DHS is carefully evaluating the impact of EAPG 4.0
- DHS plans to provide additional information later this year about EAPG 4.0 based on preliminary EAPG 4.0 modeling
- Discussions of EAPG 4.0 changes, policy considerations, and modeled payment impacts will occur throughout 2026
- **DHS plans to hold an additional MAHG meeting in late 2026 to discuss EAPG 4.0 with hospital stakeholders**

# Pay-for-Performance (P4P) Programs

# MY 2025 Preliminary Readmission Rates

- Measurement Year (MY) 2025 preliminary readmission results based on PPR grouper output have been calculated for each hospital's HMO claim experience
- Provider-specific exhibits will be distributed by end of the month
  - Results are subject to change based on the next quarterly MMIS extract and do not represent the final PPR analyses and withholding impacts for MY 2025
- Final MY 2025 readmission results to be published in September and final MY 2025 P4P FFS payments to be published in October

# Statewide Readmission Rates - FFS

| FFS Amount | Final MY 2021 | Final MY 2022 | Final MY 2023 | Final MY 2024 | Preliminary MY 2025 |
|---|---|---|---|---|---|
| **Readmission Rate** | 8.11% | 7.28% | 7.29% | 7.23% | 7.83% |
| **Full Benchmark (100%)** | 7.66% | 7.69% | 7.68% | 7.16% | 7.69% |
| **Actual to Full Benchmark Ratio** | **1.060** | **0.946** | **0.949** | **1.010** | **1.018** |
| **Target Benchmark (92.5%)** | 7.08% | 7.12% | 7.11% | 6.62% | 7.11% |
| **Actual to Target Benchmark Ratio** | **1.146** | **1.022** | **1.026** | **1.092** | **1.101** |

- Final MY 2025 FFS readmission benchmark percentage for determining P4P payments to be determined by DHS

**Sources:**
Final MY 2021: Milliman September 20, 2022 report "Hospital Measurement Year 2021 Final Readmissions Results"
Final MY 2022: Milliman November 17, 2023 report "Hospital Measurement Year 2022 Final Readmissions Results"
Final MY 2023: Milliman December 6, 2024 report "Hospital Measurement Year 2023 Final Readmissions Results"
Final MY 2024: Milliman August 26, 2025 report "Hospital Measurement Year 2024 Final Readmissions Results"
Preliminary MY 2025: Milliman June 9, 2026 report "Hospital Measurement Year 2025 Preliminary Readmissions Results"

# Statewide Readmission Rates - HMO

| HMO Amount | Final MY 2021 | Final MY 2022 | Final MY 2023 | Final MY 2024 | Preliminary MY 2025 |
|---|---|---|---|---|---|
| **Badger Care Plus Readmission Rate** | 4.45% | 4.45% | 4.79% | 4.57% | 4.74% |
| **SSI Readmission Rate** | 10.73% | 12.12% | 12.49% | 12.85% | 13.48% |

**Sources:**
Final MY 2021: Milliman September 20, 2022 report "Hospital Measurement Year 2021 Final Readmissions Results"
Final MY 2022: Milliman November 17, 2023 report "Hospital Measurement Year 2022 Final Readmissions Results"
Final MY 2023: Milliman December 6, 2024 report "Hospital Measurement Year 2023 Final Readmissions Results"
Final MY 2024: Milliman August 26, 2025 report "Hospital Measurement Year 2024 Final Readmissions Results"
Preliminary MY 2025: Milliman June 9, 2026 report "Hospital Measurement Year 2025 Preliminary Readmissions Results"

# PPR Data and Dashboard

- Milliman maintains an online PPR dashboard using PowerBI
- Interactive dashboard contains:
  - MY 2019 – MY 2024 Final Reports with benchmarks from two years prior
  - MY 2025 Preliminary results with 2023 benchmark are also available
- MY2025 Q4 reports were provided earlier this week
- MY2025 Prelim and MY2026 Q1 reports will be provided in the next few weeks

# PPR Dashboard Access Process

1. Submit request via email to DHS at **DHSDMSBRS@wi.gov** and provide:
   - Full Name
   - Organization Name
   - Email Address
   - Phone Number
   - *Hospital only:* Requested hospital name(s) and Medicaid ID(s)
   - *MCO Only:* Requested MCO name(s) and MCO ID(s)
2. Once approved by DHS, Milliman will provide a temporary password via email (see User Guide)
3. PPR dashboard can be accessed at **https://app.powerbi.com/** (see User Guide)
4. Users must review and accept the user agreement

# MY2024 HMO PPR Results

| Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 | Column 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **HMO** | **Qualifying Admissions in Baseline Year (2022)** | **Share of Qualifying Admissions** | **Potential Incentive** | **Baseline ABR (MY 2022)** | **Tier in Baseline Year (MY 2022)** | **MY 2024 ABR** | **% Reduction in ABR from Baseline** | **Proportion of Incentive Earned** | **Incentive Earned** | **15% HMO share** |
| Anthem | 9,515 | 14.5% | $ 1,307,404.58 | 0.82 | High | 1.19 | -45.49% | 0% | $ - | $ - |
| CCHP | 9,062 | 13.8% | $ 1,245,160.31 | 0.92 | High | 1.20 | -30.43% | 0% | $ - | $ - |
| Dean | 3,048 | 4.7% | $ 418,809.16 | 0.97 | Middle | 1.19 | -22.58% | 0% | $ - | $ - |
| GHC - EauClaire | 2,849 | 4.3% | $ 391,465.65 | 1.00 | Middle | 0.91 | 8.76% | 100% | $ 391,466 | $ 58,720 |
| GHC - SouthCentral | 488 | 0.7% | $ 67,053.44 | 0.85 | High | 1.08 | -26.32% | 0% | $ - | $ - |
| iCare | 2,272 | 3.5% | $ 312,183.21 | 0.96 | Middle | 1.31 | -35.86% | 0% | $ - | $ - |
| MercyCare | 1,278 | 2.0% | $ 175,603.05 | 1.33 | Low | 1.34 | -0.71% | 0% | $ - | $ - |
| MHS | 3,952 | 6.0% | $ 543,022.90 | 0.76 | High | 0.98 | -28.25% | 0% | $ - | $ - |
| Molina | 3,999 | 6.1% | $ 549,480.92 | 0.76 | High | 1.04 | -37.00% | 0% | $ - | $ - |
| MyChoice | 1,583 | 2.4% | $ 217,511.45 | 0.74 | High | 1.29 | -74.43% | 0% | $ - | $ - |
| NHP | 3,740 | 5.7% | $ 513,893.13 | 0.82 | High | 0.95 | -16.37% | 0% | $ - | $ - |
| Quartz | 3,327 | 5.1% | $ 457,145.04 | 0.96 | Middle | 1.12 | -17.44% | 0% | $ - | $ - |
| Security | 4,643 | 7.1% | $ 637,969.47 | 0.94 | High | 0.99 | -5.52% | 0% | $ - | $ - |
| United HC | 15,744 | 24.0% | $ 2,163,297.71 | 0.88 | High | 1.20 | -35.36% | 0% | $ - | $ - |
| **State-wide** | **65,500** | **100.00%** | **$ 9,000,000.00** | | | | | **4%** | **$ 391,466** | **$ 58,720** |

Note: HMOs who have an ABR of <= 0.85 in both the baseline year and measurement year automatically receive 100% of their potential incentive.

# HIE P4P Program

- CY 2025
  - First year of withhold-based program
    - 1.5% withhold applied to all IP and OP FFS claims for most hospitals
    - 1% withhold for psychiatric hospitals
    - Withheld funds received per interface by obtaining "Live" status
    - "Live" status in all interfaces will earn an incentive payment
  - Payments will be made in September 2026
- CY 2026
  - Hospitals are encouraged to contact WISHIN by July 1, 2026 to ensure compliance

# Prior Authorization Changes

# Hospital Assessment and Access Payments

# CMS Approvals

- CMS has confirmed that Wisconsin's $1.5 billion hospital assessment qualified for grandfathering status under the OBBBA
- CMS also recently approved the FFS access SPA and 2026 hospital access payment preprint
- CMS previously approved the 2025 hospital access payment preprint and broad-based tax waiver

# CMS Approvals

- These approvals provide certainty that Wisconsin may continue to tax at current, increased rate, and continue to make increased access payments

# CMS Proposed Rulemaking

- CMS released a proposed managed care rule on 5/20 with provisions that impact hospital access payments, including guidance on implementation of an annual 10% payment decrease starting in 2028
- DHS and WHA are reviewing this proposed rule
- Expecting another proposed rule on provider taxes (CMS has confirmed Wisconsin's provider tax will be grandfathered)

# SFY 26 Hospital Assessments

- The SFY 2026 Q3 invoice was distributed 3/2
- DHS distributed a Q1 – Q3 “catch up” invoice 3/10. This invoice consisted of the additional amount owed for SFY 2026 Q1, Q2 and Q3 (July 2025 – March 2026)
- All assessments for SFY 2026 Q1 – Q3 (including Q3 "catch-up") have been paid ($1.13 billion in total)
- The SFY 2026 Q4 invoice was distributed 6/1 at the full quarterly amount. Payment is due 6/30.

# SFY 27 Hospital Assessments

- The annual upcoming hospital tax assessment re-calculation will commence in August
- Annual hospital SFY assessment calculation verification email will be sent to MAHG contact list in August.
- Hospital assessment questions can be directed to Randy.McElhose@dhs.Wisconsin.gov

# 2025 HMO Access Payments

- DHS made a manual payment to HMOs for the total amount to be paid out, along with a report of hospital-specific amounts the HMOs must distribute
- DHS anticipates three rounds of payments using encounter data, with the third round (reconciliation) occurring after timely filing window has closed

# Reconciliation

- DHS will retrospectively change the flat add-on amounts for all eligible claims/discharges after the contract year and timely filing periods are over
  - DHS will calculate how much each HMO needs to pay/recoup from each hospital so that the hospital effectively received only the final add-on amounts for each claim/discharge
  - DHS will pay/recoup from each HMO so that the total hospital access payment funding that the HMO received for a given year is equal to the total amount that the HMO needed to pay to eligible hospitals under the final add-on amounts

# 2026 HMO Access Payments

- January and February access capitation payments issued with February 6 capitation cycle and monthly thereafter
- For 2026, HMOs can make access payments to hospitals separate from claim payments
  - By 2027 HMOs will apply the add-on increase directly to claims
- Each month, HMOs pay access payments on any new claims with 2026 DOS processed in the previous month
- HMOs are required to report access payment details to hospitals at the same time as payments are made

# FFS Access Payment Changes

- Eligible FFS claims have started receiving higher access payment rates
- CLA claims are now eligible, LTAC claims are now ineligible
- DHS has adjusted most eligible FFS claims back to 7/1/2025

| Hospital/Claim Category | SFY 26 Rate |
|---|---|
| **IP ACH** | $7,489 |
| **OP ACH** | $481 |
| **IP CAH** | $1,312 |
| **OP CAH** | $28 |

# SFY 2025 JFC Report

- The SFY 2025 Access Payment Reconciliation process will serve to close out access payments paid under the legacy methodology
  - Payments and recoupments are processing today
- DHS will submit the SFY 2025 JFC report for approval by 6/30/2026
  - Upon approval, the final report will be available on the Wisconsin Department of Health Services website here

# Supplemental Payments and Additional Items

# DSH Updates

- Supplemental DSH Elimination
  - Per 2025 WI Act 15, DHS will submit a State Plan Amendment to CMS by the end of June to discontinue Supplemental DSH payments. Once approved by CMS, this will be retroactive back to SFY 2026.
- SFY 2022 Reallocation
  - Recoupments/payments pending further review of a small selection of HMO encounters.
  - Reallocation amounts will be posted on ForwardHealth portal when complete.

# DSH Updates

- SFY 2023 Examination results will be communicated to providers in August
- SFY 2027 payment limit calculation in progress
  - Results will be provided to DHS in September.
- SFY 2024 Examination Timeline
  - MSLC possesses documentation for most providers. Examination on course to begin in first quarter (Jan. - Mar.) of CY 2027.
- SFY 2025 Examination
  - Plan to send out surveys and data between October and December.

# Graduate Medical Education (GME) Grant Opportunities

## GME Residency Expansion

- **Purpose:** Expand residency positions in existing GME programs.
- **Priority specialties** include primary care, general surgery and psychiatry. Other specialties may also be considered.
- **Grant period:** length of residency or fellowship grants, dependent on proposal. *Note: These are renewable grants, i.e., not just "one-time."*
- **Funding:** Up to $150,000 per new annual resident position, with a maximum of five full-time grant positions at any one time (i.e., $750,000annual max)
- Annual DHS Request for Applications **(RFA) to be released July 2026.**

# Graduate Medical Education (GME) Grant Opportunities

## GME Program Development

- **Purpose:** Assist hospitals in developing accredited GME programs in medical specialties in rural and underserved areas of Wisconsin
- **Grants** may also be used to establish new fellowship programs or to develop rural tracks.
- **Grant Period:** Up to five years, dependent on proposal.
- **Funding:** Up to a cumulative (multi-year) total of $1,000,000, per grantee.
- Annual DHS GME Program Development Request for Applications **(RFA) to be released in January 2027.**
- GME grant questions can be directed to Randy.McElhose@dhs.Wisconsin.gov

# Resources for Hospitals

- Solventum resources, including APR DRG resources, are available to hospitals through WI's license
- "Resources for Hospital Providers" ForwardHealth page
- Covered Codes Report
  - A quarterly updated report that features codes that are covered on outpatient non-crossover claims by Wisconsin Medicaid as of the effective date of the report.

# Questions

Questions on today's presentation and comments from review of preliminary RY 2027 model inputs shown in handouts can be sent by email to: DHSDMSBRS@dhs.Wisconsin.gov

# Caveats and Limitations

The terms of Milliman's contract #4435505-S26-FAF1870-01 with the Wisconsin Department of Health Services (DHS) apply to this presentation and its use. The results shown in these analyses are preliminary for discussion purposes only, and do not represent final rate year (RY) 2027 model rates, weights, or other factors. The RY 2027 hospital rate-setting work is still ongoing and DHS has not made any final policy decisions.

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Milliman has developed certain models to estimate the values included in this presentation. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose.