

# Managed care rate reductions

## Guidance and FAQ

The [2025-27 operating budget](#) directs the Health Care Authority (HCA) to reduce managed care organization (MCO) rates by 1% (approximately \$90 million) in calendar year (CY) 2026. Federal rules require changes to MCO rates to be data informed and specific. Reducing capitation revenue must be tied to an identifiable corresponding reduction in MCO costs.

To fulfill this directive, HCA is implementing several specific reductions that combined will result in \$90 million in reduced expenditure. The following table summarizes the various changes that HCA is making, **which each take effect January 1, 2026.**

### Impacts on managed care (MC) and fee-for-service (FFS)

Item	Description	Impact
ABA Rate Reduction	Partial elimination of CY 2024 rate increase (2%–15%)	MC and FFS
Behavioral Health Screening Rate Reduction	Elimination of CY 2025 rate increase (100%–200%)	MC and FFS
Kidney Dialysis Rate Reduction	Elimination of CY 2024 rate increase (30%)	MC and FFS
Low-level mental health (MH) rates (services provided outside of BHAs)	Eliminate CY 24 rate increase (7%)	MC and FFS
Urine Drug Tests	Reduce rates for definitive drug tests, limit number of allowed tests to 12 per client per year.	MC and FFS
Cell Free DNA	Restrict to high-risk pregnancies.	MC – current policy in FFS
Home Infusion	Allow home infusion of medication and prenatal nutrition. Encourage infusion in lower cost home setting rather than a facility when appropriate.	MC and FFS
Hospital Outlier Threshold	Increase outlier threshold from \$40K to \$50K.	MC and FFS
GME payments in Academic Medical Centers	Remove GME payments from hospital rates, increase total GME payments. Leverage local rather the state funds for the non-federal share of match.	MC
MCO Admin Reduction*	Exploring adjusting admin component of rates. This could result in plan-specific admin levels.	MC
BH Non-Claims Efficiency Adjustment*	Evaluating several options to incentivize more efficient MCO to BH provider contracting.	MC

\* Detailed guidance still being finalized.

## Applied behavioral analysis (ABA) rate reduction

HCA will decrease the following FFS fee schedules by 2%:

- 97151
- 97153
- 97154
- 97155
- 97156
- 97157
- 95158

0362T and 0373T will be reduced by 20%. H2020 will be reduced by 15%. These changes roll back a portion of the CY 2024 15%–20% rate increase. There are no changes to other ABA codes not listed above.

## Behavioral health screening rate reduction

HCA will decrease the FFS fee schedules:

- 96127 by 100%
- 96161 by 175%
- 96160 by 200%

These changes roll back all of the CY 2025 100%–200% rate increase. There are no changes to other behavioral health screening codes not listed above.

## Kidney dialysis rate reduction

HCA will decrease the FFS fee schedules by 30% for the following revenue codes:

- 0821
- 0831
- 0841
- 0851

These changes roll back all of the CY 2024 rate increase.

## Low-level MH rates (services provided outside of BHAs)

HCA will decrease the following FFS fee schedules by 7%:

- |         |         |         |         |
|---------|---------|---------|---------|
| • 90785 | • 90837 | • 90853 | • 96167 |
| • 90791 | • 90838 | • 96165 | • 96168 |
| • 90832 | • 90845 | • 96164 | • 96170 |
| • 90833 | • 90846 | • 96156 | • 96171 |
| • 90834 | • 90847 | • 96158 |         |
| • 90836 | • 90849 | • 96159 |         |

These changes roll back the CY 2024 rate increase. There are no changes to other MH codes not listed above.

## Urine drug tests

HCA will require the MCOs to pay no more than the published FFS fee schedule for:

- G0480
- G0481
- G0482
- G0483

All four codes will be set to \$80.98. HCA will also limit the number of tests per year per client to 12.

## Cell-free DNA

HCA will direct the plans to restrict Cell Free DNA tests to high-risk pregnancies. This is consistent with HCA's policy for clients enrolled in FFS. There are no rate changes. Savings result from restricting the population eligible for this test.

## Home infusion

HCA is allowing home infusion of medication and prenatal nutrition. Historically these services have been provided in a facility setting. Home infusion is often more convenient for the client and a cost savings for the state. HCA will encourage infusion in lower cost home settings rather than a facility when appropriate. There are no changes to infusion rates. Savings results from encouraging a shift from facility to home settings.

## Hospital outlier threshold

HCA is increasing the hospital outlier threshold from \$40,000 to \$50,000. This change does not impact hospitals paid based on a cost-based reimbursement model. HCA last rebased inpatient and outpatient hospital rates in 2022. As part of that rebase, the target for the portion of total paid dollars that are outlier payments was 18%. Since 2022, that percentage has increased to 21%. Increasing the outlier threshold to \$50,000 will bring payments back to the original 18% refreshing and updating the methodology.

## GME payments in Academic Medical Centers (AMC)

HCA is removing GME from hospital rates for AMCs. Total GME payments will be increased but paid outside of the MC rates as a direct payment. HCA will leverage local funds rather than state funds for the required non-federal share of match. This will result in a net increase in GME payments. Savings result from the shift to local rather than state funds for the required non-federal match.

## MCO admin reduction – plan-specific admin rates

HCA is exploring adjusting the administrative portion of the MC rates to better align administrative expenditures to funding levels. This could result in plan specific administrative rates or administrative rates for a few categories (Example – large vs small market share plans).

## BH non-claims efficiency adjustment

HCA is evaluating several options to incentivize more efficient MCO to BH provider contracting. This change may be similar to the current professional services and hospital benchmarking adjustment that is currently built into rate development.

## Frequently asked questions

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### Why is HCA changing the FFS fee schedules if this reduction was directed as an MCO cut?

HCA expects changes requiring MCOs to recontract with providers will take more than 6 months to implement. Given the way many providers structure their contracts with MCOs, HCA's understanding is that changing the FFS fee schedules will result in changes to MCO provider reimbursement levels without requiring recontacting. This is the only option to ensure that the reductions identified above are possible within the time frame directed in the Operating Budget.

## What issues did HCA consider when developing this package of reductions?

HCA considered a variety of issues while working to develop the list of reduction items. These included:

- Compliance with federal rules and actuarial standards of practice related to MCO rate setting
- Conflicts with agreements in place with the federal government – for example the various special terms and conditions that are part of the state’s Medicaid Transformation Waiver
- Budget provisos directing HCA to maintain rates for certain services (e.g., primary care rate increase) – there were rates that HCA could not then reduce in order to meet the \$90 million target.
- Overlap with other Legislatively directed reductions
- Time frame – these changes must go into effect January 1, 2026
- Conflicts with state statutes
- Implementation and technical challenges
- Impacts on provider groups or services
- Ensure that rate reduction was spread among various provider types to limit disproportionate impact to one provider group

After accounting for the many constraints above, the list of possible options was relatively limited.

## How did HCA develop this list?

HCA develop a list of various options after the 2025-27 Operating Budget directed the agency to reduce MCO rates. That list was further refined based on the considerations identified above. HCA solicited feedback from various stakeholders including the Office of Financial Management, the Governor’s Office, MCOs and certain provider organizations.

## How long will these reductions remain in place?

Changes will remain in effect on an on-going basis, absent legislative adjustments or further direction.