STRONG Directed Payment Program
Department of Community Health
June 2026 | SFY2027 CMS Submission Overview

STRONG DPP – SFY 2027 Updates

GEORGIA DEPARTMENT OF COMMUNITY HEALTH

Program Background

For SFY 2027, DCH is maintaining the existing STRONG program structure with **one key eligibility update (one new hospital and one hospital shift eligibility tier)** and carrying forward the same underlying financial methodology and data. The grandfathered program amount for STRONG is $868 Million, pending CMS approval.

Payment Level

Increases IP and OP Medicaid payments **above the Medicare equivalent but below ACR**

SFY27 Preprint Estimate
$868M*

Eligibility

The eligible provider classes are defined as:

- teaching hospitals with 5 or more GME FTEs as reported on Schedule E Part A lines 10, 11, and 16 in the **FY 2024** Medicare cost report (**updated from FY 2023 for SFY 2027**)
- teaching hospitals in counties with a population of 50,000 or fewer and between 0.1 and 4.9 GME FTEs as reported on Schedule E Part A lines 10, 11, and 16 in the **FY 2024** Medicare cost report and meeting demographic descriptions

Exclusions

Hospitals eligible for AID

***Estimates are not final and are subject to final actuary, DCH, and CMS review and approval**

Data Assumptions

SFY 2027 data inputs:

- 1. CY 2023 Average Commercial Rate (ACR) – Payment ceiling benchmark. Methodology unchanged from SFY 2026.

- 2. SFY 2024 Medicaid CMO Base Payments – Actual SFY 2024 CMO payment data used for provider-level payments. Medicaid annual trend is 1.4% and 0.4%, or 4.26% and 1.20% (3-year trend for applicable rating period) for inpatient and outpatient hospital services, respectively. Actual trend from SFY24 to SFY25 based on CMO submitted Medicaid eligible payments and for SFY25 to SFY27, the trends for capitation rate development is used.

- 3. SFY 2024 HDPP Add-Ons for Medicare Equivalent – Derived from Hospital UPL data (difference between Medicaid and Medicare rates). Used to set the Medicare equivalent for HDPP.
  - IP add-on: 26.43% (freestanding Children's hospitals), 66.43% (small rural hospitals), 76.43% (non-small rural hospitals)
  - OP add-on: 4.51% (freestanding Children's hospitals), 24.51% (small rural hospitals), 34.51% (non-small rural hospitals)

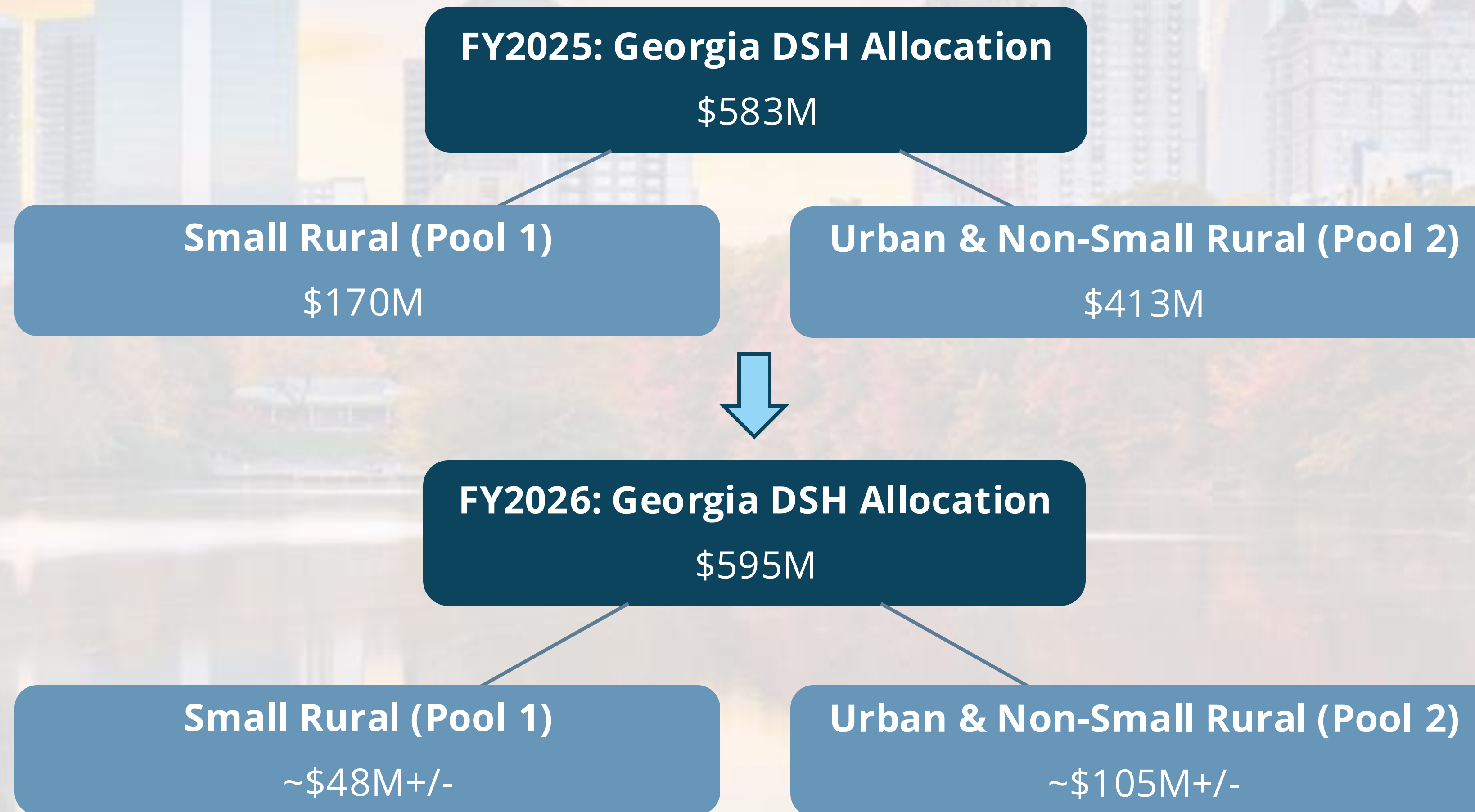
- 4. FY2024 GME FTEs sourced from Medicare cost report for teaching hospital eligibility – most recently available year to advance new qualifying teaching hospitals

- 5. STRONG Add-ons – 200% increase on Medicaid CMO payments, represents ~60% of ACR for 5+ teaching hospitals and ~30% of ACR for rural teaching tier
  - IP add-on: 122% (5+ GME FTEs tier), 0% (rural teaching tier, 0.1 - 4.9 FTEs)
  - OP add-on: 164% (5+ GME FTEs tier), 40% (rural teaching tier, 0.1 - 4.9 FTEs)

DSH Impacts

Disproportionate Share Hospital (DSH) Impact:

Georgia Department of Community Health



Outcome: Newly approved State Directed Payment Program (DPP) expenditures impact the available room within the aggregate DSH limit preventing the full distribution of the 2026 DSH allocation.

Disproportionate Share Hospital (DSH) Update

Georgia Department of Community Health

DPP Growth Impact on DSH Eligibility

The significant growth in DPP payments (from approximately $1.7B in SFY 2025 to $4.3B in SFY 2026) has caused more hospitals to reach their Hospital Specific Limit (HSL) and become ineligible for DSH. As a result, Georgia has been unable to fully utilize its DSH allotment ($365M unallotted). Four STRONG participants will have a positive SFY2026 DSH payment. In total, 37 hospitals will have a positive SFY2026 DSH payments – 28 DSH Pool 1 and 9 DSH Pool 2 hospitals.

DSH Pool 2 Allocation Methodology Update

Prior Methodology: Pool 2 hospitals were capped at 75% of their Hospital Specific Limit (HSL).
Updated Methodology: DCH is removing the 75% HSL cap for Pool 2 hospitals. Eligible hospitals will now receive DSH payments up to 100% of their HSL to maximize utilization of Georgia's DSH allotment.
DSH SPA: DCH will submit a State Plan Amendment to CMS by June 30, 2026 to reflect this change.

Interim DSH Payment Disclaimer

DCH paid interim DSH payments to public and private hospitals based on the assumption that new directed payment programs (including the HIP program) had not been approved. Because these programs were subsequently approved, most hospitals will have a DSH recoupment. **The final DSH payment will be offset against interim amounts already received due to the approval of new DPPs such as HIP.**

Federal DSH: HR 7148 (February 2026) eliminated allotment reductions for 2026-2027. Remaining $8B reduction scheduled for 2028.

Upcoming Changes

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GEORGIA DEPARTMENT OF COMMUNITY HEALTH

CMS-2449-P Proposed Rule (May 20, 2026) – Key Provisions & Impact on STRONG

Grandfathering & STRONG Impact

Proposed rule codifies February 2026 Dear Colleague Letter guidance. Preprints submitted before July 4, 2025 with a rating period covering days from October 11, 2024 to March 27, 2026 qualify. CMS would allow per-service rate adjustments under grandfathered SDPs as long as total payments remain below the ACR and within the grandfathered aggregate amount.

STRONG: grandfathered at $868M (higher of SFY 2025 vs. SFY 2026), pending CMS approval.

Phase Down & Uniform Increase Prohibition

Starting SFY 2029 (rating period on/after January 1, 2028)

CMS proposes a 10-percentage-point annual reduction to the grandfathered aggregate amount each year until the total payment rate reaches the Medicare-based limit (110% of Medicare for Georgia). Separately, CMS proposes to prohibit uniform increase SDPs for rating periods on/after January 1, 2028; grandfathered programs may continue using uniform increases until they reach the Medicare limit. **STRONG impact: Phase-down will require DCH to reduce the aggregate STRONG payment amount beginning SFY 2029, with annual reductions until STRONG reaches 110% of Medicare.**