Medicaid Directed Payment Programs

Department of Community Health

April 2026

Agenda

Directed Payment Program (DPP) Overview

Directed Payment Programs were authorized in 2016 by CMS to assist states in achieving quality goals and other Medicaid system reforms. The state directs the payments in the Managed Care program to specific facility/provider types under certain circumstances.

1

Medicaid is jointly funded by the federal government and the state. For Georgia's DPPs, the non-federal share is financed through eligible providers (e.g., IGTs and provider assessments) as permitted under applicable rules.

2

By CMS requirement, payments must be tied to Medicaid CMO utilization and delivery of care and advance at least one of the goals and objectives in the State's Quality Strategy.

3

The payment program is required to include an evaluation plan, which includes quality measures, baselines, and performance targets to measure how the program is improving access and quality of Georgia's Medicaid CMO population.

4

Within CMS' parameters, states have flexibility to design programs that advance the state's goals. Programs are subject to CMS approval and annual re-approval using specified formats.

CMS Submission and Provider Payment Timeline

High level steps of DPP approval and payment process.

CMS 438.6(c) Preprint

Define reimbursement methodology, eligibility, goals, & funding

- Collect pricing data (managed care payments, commercial data, etc.)
- Calculate uniform percentage increases and estimate provider payments
- Submission to CMS + CMS Q&A
- CMS approval

Interim Payment

Issue partial/prorated payments based on proxy utilization data

- Collect proxy managed care utilization data
- Calculate interim payments
- Calculate IGT amounts and associated assessment amounts
- Provider notifications for IGT/assessment collection
- Provider payment

Final Reconciliation

Reconcile reimbursement using utilization from contract period

- Collect contract period utilization and provider data for validation
- Calculate final payment level
- Calculate IGT amounts and associated assessment amounts
- Subtract interim payments already received
- Provider notifications for IGT/assessment collection
- Provider payment/recoupment

Payment Funding

Non-Federal Share

Private - Provider Fee Assessment

A state-imposed fee on eligible providers that generates the non-federal share for DPPs, consistent with federal broad based/uniformity rules and approved waiver. Beginning SFY 2026, Georgia will change the provider fee assessment base to non-Medicare days (replacing the prior IP NPSR assessment base).

Public – Intergovernmental Transfer (IGT)

Publicly owned providers (e.g., state or local government hospitals) send allowable public funds to DCH to supply the non-federal share for approved DPPs.

Federal Share

The federal government matches the non-federal share at Georgia's FMAP (66.40% for FFY 2026) to fund the total DPP payment amounts. Match is available only for approved, Medicaid allowable expenditures and must be tied to Medicaid CMO utilization per CMS approved protocols.

DPP	Non-Federal Funding
AID	IGT
HIP	Public: IGT Private: Assessment
HDPP Private	Assessment
HDPP Public	IGT
Physician	IGT
Rural OB Private	Assessment
Rural OB Public	IGT
STRONG	Public: IGT Private: Assessment

Provider Assessment Changes

Overview of SFY 2026 changes to the provider assessment for private hospitals.

	DPP Assessment Structure	
	Previous Structure	**New Structure Beginning SFY 2026**
Tax Basis	Inpatient Net Patient Revenue	Non-Medicare Bed Days
Rate	Uniform - One Rate	Non-Uniform – Class specific Per-Diem Rates Provider classes include Free-Standing Pediatric General Acute Hospitals, Private PPS Hospitals, Private PPS Teaching Hospitals, Private PPS Rural OB Hospitals
Hospitals Subject to Tax	<u>Private, excluding:</u> • Critical access hospitals • General cancer hospitals • Rehabilitative hospitals • Psychiatric hospitals • Long-term acute hospitals • Rural emergency hospitals • Free-standing children's hospitals	<u>Private, excluding:</u> • Critical access hospitals • General cancer hospitals • Rehabilitative hospitals • Psychiatric hospitals • Long-term acute hospitals • Rural emergency hospitals • Geriatric psychiatric hospitals
Federal Waiver Type	Broad Based (P1/P2 Test)	Broad Based and Uniformity (B1/B2 Test)

Private Assessment Classes

Exhibit 1

Class	Total Per Non- Medicare Day Maximum Assessment	Actual Interim 1 Assessment rates
Free-Standing Pediatric General Acute Hospitals	$ 662.99	$ 153.49
Private PPS Hospitals	$ 904.78	$ 213.93
Teaching Hospitals	$ 754.64	$ 176.40
Rural OB Hospitals	$ 195.48	$ 36.62
Private Geriatric Pysch Hospital	$ 49.01	$ -

B1/B2 Test Results	**1.09444**

SFY 2026 CMS-Approved Directed Payment Programs

Physician DPP

Program Background

Designed to improve the quality of, and access to, primary and specialty care services for Medicaid CMO recipients in Georgia. The directed payment supports increased training opportunities for medical students and interns in order to increase the number of specialty providers throughout the state and thereby improve access to providers in underserved areas of the state.

Payment Level

Increases physician Medicaid payments to the **average commercial rate (ACR)** for the same services

Uniform percent increases are calculated separately for each physician group

SFY26 Preprint Estimate
$239 Million

Eligibility

Physicians and other eligible professional services practitioners who are affiliated with a governmental teaching hospital enrolled in Georgia Medicaid

Included are PCP and specialist services as well as dentists and other mid-level providers

Hospital DPP for Private Hospitals

Program Background

Designed to improve access and quality in health care for Medicaid recipients in Georgia. This program was developed due to the significant level of care delivered to Georgia's Medicaid enrollees by the providers in this class. This program is estimated to increase provider funding of critical services for the Medicaid population and strengthen Georgia's healthcare workforce.

Payment Level

Uniform increase applied to IP and OP Medicaid payments using Medicare as a benchmark; payment ceilings may be **above, at, or below Medicare** depending on provider class

SFY26 Preprint Estimate
$363 Million

Eligibility

The eligible provider classes are defined as:

- Private rural hospitals with less than 100 beds. A rural hospital is defined as a hospital in a county that is not in a Metropolitan Statistical Area OR is a county having a population of less than 50,000 according to the United States decennial census
- **Private freestanding Children's hospitals** ☆ **New eligible class for SFY 2026**
- All private hospitals that are not defined as small rural or private freestanding Children's hospitals

Exclusions

Critical access hospitals, rural emergency hospitals, general cancer hospitals, rehabilitative/psychiatric/long term acute hospitals, and geriatric psychiatric hospitals

Hospital DPP for Public Hospitals

Program Background

Designed to improve access and quality in health care for Medicaid recipients in Georgia. This program was developed due to the significant level of care delivered to Georgia's Medicaid enrollees by the providers in this class. This program is estimated to increase provider funding of critical services for the Medicaid population and strengthen Georgia's healthcare workforce.

Payment Level

Increases IP and OP Medicaid payments to **110% of Medicare equivalent** for hospitals not defined as small rural and **100% of Medicare equivalent** for rural hospitals with <100 beds

SFY26 Preprint Estimate
$453 Million

Eligibility

The eligible provider classes are defined as:

- state government and non-state government rural hospitals with less than 100 beds. A rural hospital is defined as a hospital in a county that is not in a Metropolitan Statistical Area OR is a county having a population of less than 50,000 according to the United States decennial census
- all state government and non-state government hospitals that are not defined as small rural hospitals

Exclusions

Critical access hospitals and rural emergency hospitals

Strengthening the Reinvestment of a Necessary-workforce in Georgia (STRONG)

Program Background

Designed to address Georgia's healthcare workforce shortage through increased funding for hospitals on the front lines of workforce development. STRONG provides foundational support to the Georgia's teaching hospitals that are central to healthcare workforce redevelopment. The funds delivered through the program will allow these institutions to build on and expand innovative programs specific to their communities.

Payment Level

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

SFY26 Preprint Estimate
$921 Million

Eligibility

The eligible provider classes are defined as:

- teaching hospitals with 5 or more of FTEs as reported on schedule E part A lines 10,11, and 16 in 2023 Medicare cost report
- teaching hospitals in counties with a population of 50,000 or fewer and between 0.1 and 4.9 FTEs as reported on schedule E part A lines 10, 11, and 16 in 2023 Medicare cost report and demographic descriptions

Exclusions

Hospitals eligible for AID

Advancing Innovation and Delivery (AID)

Program Background

Designed to improve quality of care and outcomes for patients served by Georgia's largest providers of Medicaid services. The directed payments fund investments in initiatives designed to improve health outcomes and experiences for the medically underserved.

Payment Level

Increases IP and OP Medicaid payments to hospital-specific **ACR**, with **10% at risk** based on meeting defined targets on quality measures

SFY26 Preprint Estimate
$385 Million

Eligibility

Eligible hospitals include:

- an individual acute care hospital providing more than:
  - 63,000 total Medicaid inpatient days based on the 2020 Medicare cost report, and
  - 100,000 total In-State Medicaid inpatient days as reported in the 2021 DCH Disproportionate Share Hospital (DSH) Final Payment Eligibility Report
- a non-state government-owned hospital designated as both a Sole Community Hospital and a Teaching Hospital on CMS Form 2552-10 for cost reporting period ending 2022

Rural OB DPP for Private Hospitals

Program Background

Designed to provide enhanced financial support to hospitals that face unique challenges in maintaining obstetric care. This targeted investment will help stabilize rural maternity units, support the recruitment and retention of OB providers, and expand access to prenatal and postpartum services.

New for SFY26

Payment Level

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

SFY26 Preprint Estimate
$111 Million

Eligibility

Eligible hospitals include private rural facilities:

- who received a SFY 2024 maternity "kick payment" from at least one of Georgia's CMOs and
- are located in a county that is either outside a Metropolitan Statistical Area OR in a county having a population of less than 50,000 according to the United States decennial census

Exclusions

Hospitals eligible for AID, rural emergency hospitals, free-standing children's hospitals, and rehabilitative/psychiatric/long term acute hospitals. In addition, rural teaching hospitals with 5 or more FTEs from the FY2023 Medicare cost report who are also eligible for STRONG are excluded from this payment arrangement.

Rural OB DPP for Public Hospitals

Program Background

Designed to provide enhanced financial support to hospitals that face unique challenges in maintaining obstetric care. This targeted investment will help stabilize rural maternity units, support the recruitment and retention of OB providers, and expand access to prenatal and postpartum services.

Payment Level

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

SFY26 Preprint Estimate
$155 Million

Eligibility

Eligible hospitals include public rural facilities:

- who received a SFY 2024 maternity "kick payment" from at least one of Georgia's CMOs and
- are located in a county that is either outside a Metropolitan Statistical Area OR in a county having a population of less than 50,000 according to the United States decennial census

Exclusions

Hospitals eligible for AID, specialty hospitals, and rural emergency hospitals

Health ImProvement (HIP) DPP

Program Background

Designed to enhance healthcare access, improve outcomes, and strengthen the state's healthcare workforce by supporting eligible hospitals that serve Medicaid enrollees. The program will also ensure quality by including a 10 percent at-risk provision of participation related to certain quality improvement targets, to be determined by DCH in the first year of the program.

Payment Level

Increases IP and OP Medicaid payments to provider-class-specific **ACR**, with **10% at risk**[1] based on meeting defined targets on quality measures

SFY26 Preprint Estimate
$1.9 Billion

Eligibility

Eligible hospitals include all public and private hospitals that are not defined in the exclusions below

Exclusions

Private: Rural emergency hospitals, general cancer hospitals, rehabilitative/psychiatric/long term acute hospitals, geriatric psychiatric hospitals, critical access hospitals that are not considered Rural OB hospitals based on Rural OB DPP eligibility, hospitals eligible for AID, and free-standing children's hospitals not affiliated with a public hospital

Public: Rural emergency hospitals, critical access hospitals that are not considered Rural OB hospitals based on Rural OB DPP eligibility, and hospitals eligible for AID

1. *DCH to reassess at-risk percentage and quality measures after first year of program implementation*

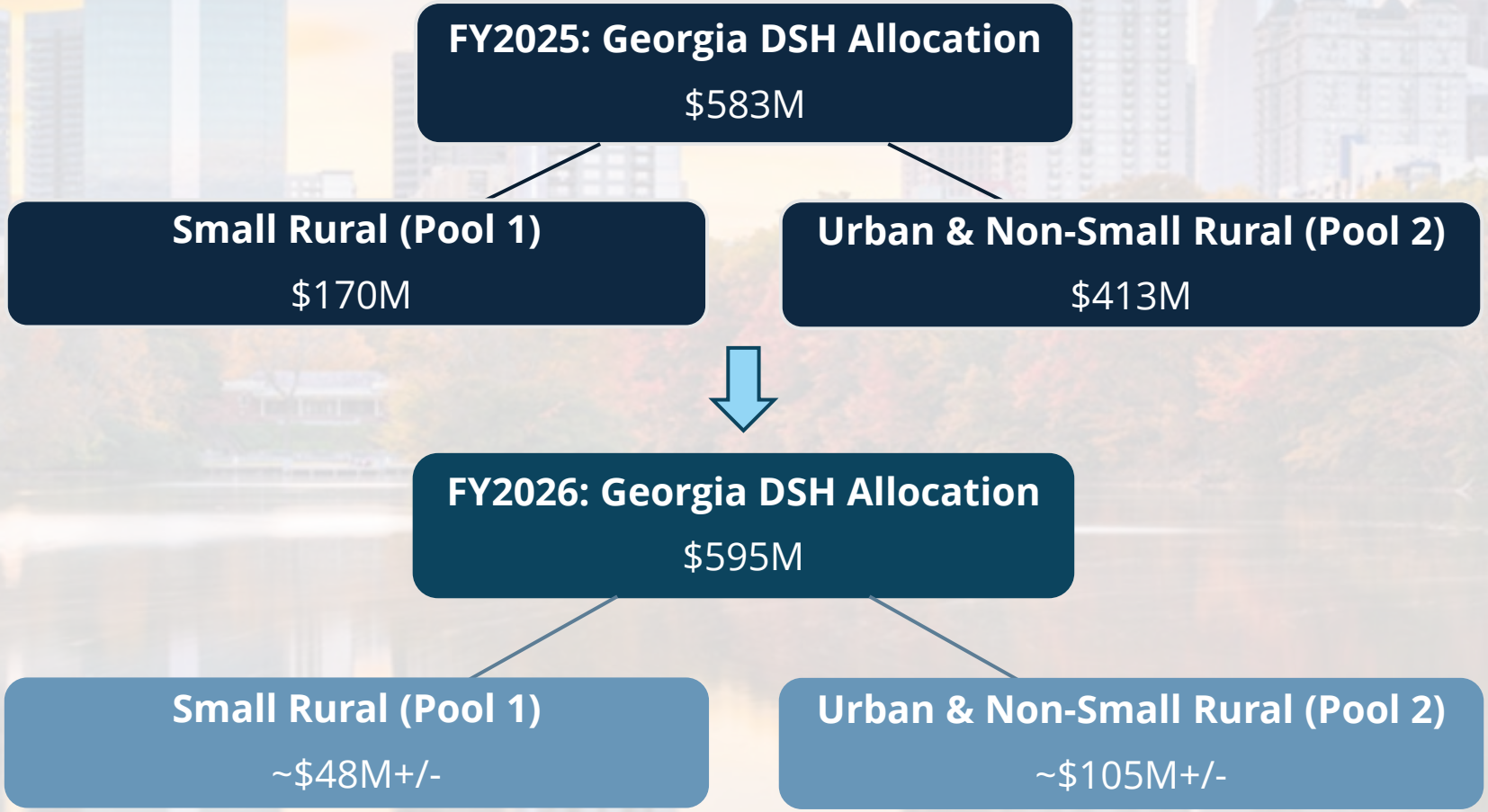
SFY 2026 DPP Tentative Payment Timeline

Program	DCH to send materials out to the hospital/physician groups by	IGT, NOI, and LOA due from providers to DCH by	CMOs to send payments to listed Hospitals/Providers by
Physician	Payments completed		
AID	Payments completed		
Rural OB – Public	Payments completed		
HDPP – Public	March 18	April 1	May 8
STRONG – Public	April 1	April 15	May 22
HIP – Public	April 15	April 29	June 5
All Private DPP Programs	April 22	May 6	June 12

Notes:
1. DPP payments are calculated using SFY 2024 eligible Medicaid claims data submitted by the care management organizations (CMOs).
2. Interim 1 payments reflect a 50% withhold.
3. All DPP payments will be directed through the CMOs, not DCH.
4. The distribution of private DPP payments are contingent on DCH receiving assessments from all eligible hospitals.

DSH Impacts

Disproportionate Share Hospital (DSH) Impact:



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.

DSH/UCC FAQs

What is the total change in DPP between 2025 & 2026 with the addition of the two new SDPs?

Answer: The total DPP payments in 2025 were approximately $1.7B. In FY 2026, the total DPP payments increased approximately $2.6B with the addition of the two new SDPS for a total of $4.3B.

What if the fully reconciled DPP amounts differ from the amounts included in the SFY 2026 payment calculation?

Answer: The final preliminary SFY 2026 payment calculation will be updated after the final reconciliation of the DPP amounts are determined which will involve a reallocation of the SFY 2026 DSH to incorporate the final DPP amounts. The impact of the final DPP reconciliation will affect each hospital's DSH payment differently depending on the final DPP reconciliation results. Hospitals may receive additional DSH funds or DSH funds may be recouped from hospitals.

DSH Payment Considerations

Federal

1. DCH follows the federal budget closely as the government has discussed automatic decreases in the federal DSH allotment for states.
2. In recent years, the federal government has not proceeded with the DCH allotment decreases, having no impact on Georgia's DSH allocation.
3. HR7148, passed on February 3, 2026, eliminated the allotment reductions for 2026 and 2027. The remaining reduction is $8 Billion for 2028.

State

1. The non-federal share for eligible private hospitals in DSH is funded by state appropriations, which requires annual legislative approval. DCH holds DSH payment distributions to the private hospitals until the amended budget has passed.
2. The governor signed the FY 2026 Amended budget on March 3, 2026.
3. SFY 2026 interim payments were paid to hospitals prior to DCH receiving approval for the new directed payment programs. Therefore, interim DSH funds may need to be recouped from hospitals due to lower DSH payments calculated or not qualifying for a SFY 2026 DSH payment.

Upcoming Changes

Upcoming Changes

Overview of Federal Legislative Impacts on Directed Payments.

New Federal Payment Caps

For rating periods beginning on/after enactment, directed payment rates for a service are limited to no more than 110% of the published Medicare rate (or, if no Medicare rate exists, the Medicaid State Plan/waiver rate).

Grandfathering

Certain directed payments may be temporarily grandfathered for an initial transition period.

CMS has indicated that all Georgia DPPs “likely qualify for the temporary grandfathering period in accordance with section 71116”

Phase Down

Starting July 1, 2028 (SFY 2029)

Starting with rating periods on/after January 1, 2028, grandfathered directed payments are reduced each year by 10% until the total payment rate aligns with the new federal payment cap.

Upcoming Changes – Grandfathered Amounts by DPP

Overview of DPP payment limits prior to phase down which begins on the rating period beginning on or after January 1, 2028 (SFY 2029 for Georgia).

Program	Grandfathered Amount Pending CMS Approval
Physician	$239 Million
HDPP – Private	$363 Million
HDPP – Public	$427 Million[1]
STRONG – Private and Public	$868 Million[1]
AID	$586 Million[2]
Rural OB – Private	$111 Million
Rural OB – Public	$155 Million
HIP – Private and Public	$1.9 Billion

Notes:

1. CMS approval is limited to the specific rating period covered in the approved submission. CMS has indicated that the version submitted before the statutory cutoff date (July 4, 2025) may be eligible for the temporary grandfathering provision under the Working Families Tax Cut (WFTC) legislation (Section 71116).
2. If a state's SDP qualifies for the grandfathering period under more than one rating period (e.g., SFY 2025 and SFY 2026), CMS will permit the SDP with the higher total dollar amount to be grandfathered.

DSH/UCC FAQs – Parking Lot for reference

Which hospitals are eligible for DSH Pool 1?

Answer: Eligible hospitals for DSH Pool 1 include rural hospitals with less than 100 beds, and state-owned and operated acute care hospitals. For federal DSH criteria, a hospital will be considered a rural hospital if a hospital's county is not in a Metropolitan Statistical Area or is a county having a population of less than 50,000. All other DSH-eligible hospitals will be in Pool 2.

What is the difference between Georgia DSH Pool 1 (Small Rural Pool) vs. DSH Pool 2 (Urban & Non-Small Rural Pool)?

Answer: DSH Pool 1 eligible providers receive DSH funds up to their full HSL. The remaining DSH funds are allocated proportionally to the other DSH-eligible hospitals in DSH Pool 2.

How much Medicaid and uninsured UCC was remaining in Pool 2 (Urban & Non-Small Rural Pool) after FY 2023 DSH Payments?

Answer: The remaining Medicaid and uninsured UCC in Pool 2 is approximately $362.9M. In FY 2023, Pool 2 hospitals received $313.6M in DSH payments; however, the combined HSL across Pool 2 hospitals was $676.5M.