

In 2019, the Centers for Medicare & Medicaid Services (CMS) proposed the Medicaid Fiscal Accountability Rule (MFAR), which would have made sweeping changes to long-standing policies and required states to make substantial changes to existing Medicaid financing practices resulting in undue burdens to our nation's healthcare safety net. Even though CMS withdrew MFAR from the Federal Register in January 2021 following overwhelming bipartisan opposition, CMS continues to pursue MFAR policies, most recent through an Informational Bulletin released on February 17, 2023. . The Informational Bulletin specifically revives the agency's attempts to assert its jurisdiction over wholly private, voluntary arrangements between hospitals, lacking any state involvement. Through its ongoing pursuit of the MFAR policy changes, **CMS is threatening at least \$49 Billion in Medicaid financing and access to care for millions of Medicaid beneficiaries who are already facing uncertainty due to the end of the public health emergency.**

**CMS'S RESURRECTION OF MFAR POLICY CHANGES THREATENS
MEDICAID FUNDING SOURCES AND ACCESS TO HEALTHCARE SERVICES**

In a January 29, 2020 letter to CMS Administrator, Manatt Health and the American Hospital Association (AHA), analyzed the potential financial impact of the financing policy changes proposed in MFAR. The AHA predicted MFAR's proposed changes could:

- Cause "total [Medicaid] **funding reductions between \$37 billion and \$49 billion annually** or 5.8% to 7.6% of total program spending."
- Devastate hospitals, causing them to see **reductions in Medicaid payments of \$23 billion to \$31 billion annually**, representing 12.8% to 16.9% of total hospital program payments."
- Put more rural hospitals at risk of closure. At the time, the AHA estimated that 41% of rural hospitals operated at a negative profit margin
- They ultimately concluded that:
 - the MFAR policy changes "could **unquestionably mean cuts in program enrollment and covered services,**" and
 - the **"impact for some states could be catastrophic."**

**\$37-49
BILLION**
IN MEDICAID
FUNDING
REDUCTIONS

**\$23-31
BILLION**
IN MEDICAID
PAYMENT
REDUCTIONS

**29
MILLION**
BLACK OR HISPANIC
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WOULD
BE
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IMPACTED

Notably, CMS has yet to quantify the financial and/or coverage impact of the MFAR policies. However there is reason to believe the impact would be even more significant than the AHA's 2020 projections, particularly given the increases in Medicaid enrollment during the public health emergency.

From November 2019 – December 2020, 64 – 72 million individuals were enrolled in Medicaid. When CMS withdrew MFAR, Medicaid enrollment had already to over 73 million individuals, including approximately 29 million individuals identifying as Black or Hispanic who would have been disproportionately impacted by CMS' proposed policies.

**CMS must withdraw the Bulletin. Now is the time to protect Medicaid,
not create new uncertainties for states and Medicaid beneficiaries.**