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# IDAHO DEPARTMENT OF HEALTH & WELFARE

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## **MEDICAID INFORMATION RELEASE MA25-17**

**To:** All Medicaid Providers

**From:** Juliet Charron, Deputy Director

A handwritten signature in blue ink, appearing to read 'Juliet Charron', is placed next to the 'From:' field.

**Subject:** Medicaid Provider Rate Adjustment

Healthcare expenses nationally continue to outpace inflation, and Medicaid is no exception. When the Joint Finance and Appropriations Committee set the agency's budget, it projected eight percent (8%) General Fund growth from the FY 2025 original appropriation. Based on the most recent forecast, we are now projecting it to grow nineteen percent (19%) this year unless action is taken. Consistent with what other states have already done and what more states will soon be doing, the Department of Health and Welfare (DHW) will be taking immediate steps to stabilize the Medicaid budget.

Medicaid is reviewing its operating expenditures and contracts to identify potential internal savings and will take appropriate actions. However, since trustee and benefit (T&B) costs make up more than ninety-six percent (96%) of Medicaid's budget, it is not possible to offset budget increases through internal actions alone.

DHW must take action to reduce the T&B trendline, which is driving the budget growth. DHW will continue to evaluate the need for additional actions over the coming months and will keep providers and stakeholders apprised of any next steps.

We appreciate the early course correction from the Governor's Office and the Division of Financial Management to allow for as minimal impact as possible to provider rates and covered services. While we continue to monitor budget needs, it is clear that waiting until the legislative session to make changes could have yielded steeper rate changes and service reductions.

Medicaid's revenue forecast is like any other forecast – it may go up or down, and we will continue to adjust where possible to mitigate the impact to beneficiaries and providers. We will also continue to look at the recently created Rural Health Transformation Program and other options to support rural Idaho providers and further minimize impacts. To that end,

you will see a Request for Information soon on how best to leverage this newly created federal fund.

DHW will continue to communicate with providers through information releases as we evaluate the impact of budget and forecast adjustments. We encourage you to subscribe to our monthly transparency reports on the DHW website to see how the budget is performing relative to forecast.

**Effective September 1, 2025, all Idaho Medicaid provider rates will be reduced by four percent (4%).**

#### *Overview*

Rates will be reduced by four percent (4%) across all provider types and services. These rates include, but are not limited to, hospitals (inpatient and outpatient); home and community-based services (HCBS); nursing facilities; hospice; school-based services; ambulatory surgical centers; intermediate care facilities; swing beds; some out-of-state facilities; and interim rates for federally qualified health centers.

Drafts of these rate adjustments can be found here: [Provider Rate Reductions](#)

#### *Managed Care Capitation Rates*

Capitation rates for managed care organizations will also be reduced by four percent (4%). Federal rules require changes to managed care rates to be actuarially sound. DHW will work with managed care organizations to identify a corresponding reduction to their costs as required. This may be through provider rate reductions or changes to optional covered services.

#### *Pharmacy Benefit Rates*

Pharmacy reimbursement for claims being paid at Wholesale Acquisition Cost, State Maximum Allowable Cost, or the Federal Upper Limit as established by the Centers for Medicare and Medicaid Services (CMS) will decrease by four percent (4%). Professional dispensing fees will decrease by four percent (4%). Claims reimbursed at actual acquisition cost (AAC) will not be affected due to the nature of AAC being calculated from the invoice cost.

#### *Provider Rates Not Impacted Due to Federal Requirements*

Payments to tribal providers (Indian Health Services or other tribal facilities) will not be impacted by the four percent (4%) reduction as these providers are reimbursed entirely with federal funds when serving tribal members.

Encounter rate payments to Federally Qualified Health Centers and Rural Health Centers will not be reduced by four percent (4%) due to federal requirements to reimburse at the

established encounter rate. Interim rate changes for these provider groups will be reduced by four percent (4%) at this time.

*Public Comment and Federal Authority Updates*

These changes will be reflected through both Idaho Medicaid State Plan Amendments and waiver amendments for HCBS services and managed care. DHW will post information for public comment the week of August 26, 2025. Should providers or stakeholders wish to submit input regarding these changes, we respectfully request this is provided through this formal comment process.

Thank you for your continued partnership and for serving Idahoans covered by the Medicaid program.

JC/so

*The content of this guidance document is not new law but is an interpretation or application of existing law prepared by the Idaho Department of Health and Welfare to supply clarity to the public about existing requirements under the law. This document does not bind the public, except as authorized by law or as incorporated into a contract. For additional information or to provide input on this document, contact the Division of Medicaid by emailing [MCPT@dhw.idaho.gov](mailto:MCPT@dhw.idaho.gov) or by calling 888-528-5861.*