WVHA LEGISLATIVE UPDATE

October 8, 2025

The West Virginia Legislature convened in Charleston this week for interim meetings and below is a summary of the key action important to WVHA member hospitals and health systems.

Joint Finance Committee hears update on DPP, other Medicaid program changes

Cindy Beane, Commissioner of the West Virginia Bureau for Medical Services, provided an update to the Joint Standing Committee on Finance on the Directed Payment Program (DPP). The program has expanded significantly in the current fiscal year, growing from $335 million to $1.3 billion annually. Thanks to legislation passed in 2024, participation now includes most hospitals across the state, including Critical Access Hospitals and Specialty Hospitals.

According to Beane, payments are currently being distributed to hospitals, and recent cash flow issues that occurred a few weeks ago have been fully resolved. Earlier in the year, payment delays were caused by CMS approval delays and to the Bureau's knowledge, no hospitals are currently waiting on payments for Quarter 1 or Quarter 2

Beane also reported the quality withhold percentage has increased from 3% to 20% to reflect the program's growth and ensure accountability with the larger payment amounts. If hospitals don't meet quality thresholds, approximately $50 million in total funds ($7-10 million in state share after federal match) will revert to Medicaid's general services medical fund.

The Bureau plans to submit the annual preprint application to CMS by the end of 2025. This application will outline quality measures and program details for next year. Last year's approval process took longer than expected as the program reached average commercial rate levels.

Provider Tax Changes Under Federal Legislation

The Commissioner also provided a series of updates stemming from the "One Big Beautiful Bill." She noted the bill includes provisions that will significantly impact future hospital funding through required reductions in provider taxes. These changes will begin affecting the DPP in 2028 and will result in substantial revenue losses over the following years. The state share reductions are projected as follows:

- $35.6 million in 2028;
- $71 million in 2029;

- $107 million in 2030;
- $142 million in 2031; and
- $178 million in 2032.

When accounting for the federal match at West Virginia's blended rate of approximately 80%, the total impact is roughly 180% higher than these state share amounts, meaning significantly less funding will be flowing to West Virginia hospitals.

Beane noted that West Virginia has been conservative with provider taxes through the years, keeping most below the 3.5% threshold. The hospital provider tax specifically will need to decrease starting in 2028 to comply with federal requirements.

Additionally, the federal bill requires uniform provider taxes, eliminating tiered structures. Beane noted the state's Managed Care Organization (MCO) tax must be converted from its current tiered system to a uniform rate. While designed to maintain the same level of overall revenue, this change will increase the tax liability for at least one MCO in the state. The Bureau will be running legislation in January to make the current MCO tax uniform as required.

Other Relevant Medicaid Program Changes

West Virginia's Medicaid enrollment currently stands at approximately 504,000 members, down from a pandemic peak of around 670,000. Of these, roughly 160,000 are in the expansion population. The Bureau anticipates enrollment reductions starting January 2027 when community engagement requirements take effect for the expansion population. Preliminary estimates suggest 20,000-40,000 individuals may not currently meet the new workforce participation requirements, though about 60% of the expansion population already has earned income.

Beginning January 2027, adult Medicaid members will need to renew eligibility every six months instead of annually, which will require system updates and member outreach efforts.

On the compliance front, the federal payment error rate (PERM) threshold drops to 3% in 2029, and states will lose waiver protection from financial penalties. West Virginia has significantly improved its error rate from 15% to 3.43%, but Commissioner Beane stressed the need for ongoing vigilance. Even small errors can be extrapolated into hundreds of millions of dollars in federal penalties if the state exceeds the 3% threshold.

Governor's Office updates lawmakers on Rural Health Transformation Program

Curtis Capehart, Director of Policy for Governor Morrisey's administration, briefed the Legislative Oversight Commission on Health and Human Resources Accountability (LOCHHRA) on West Virginia's application for the Rural Health Transformation Program. The state is working under a compressed timeline to submit the application by November 5, 2025 – a

funding opportunity that could bring approximately $100 million annually to West Virginia over five years to strengthen rural healthcare infrastructure and services.

Created under the "One Big Beautiful Bill," the Program will distribute $50 billion over five years across all 50 states. Of this total, $25 billion will be evenly divided among all states, while additional discretionary dollars will be awarded through a competitive application process administered by CMS. Awards will be based on the quality of state-proposed strategies, rural characteristics, and other policy factors.

The state has engaged McKinsey & Company to support application development. According to Capehart, the consulting firm's expertise has been essential to meeting the tight deadline. The application will focus on key priority areas including: improving healthcare outcomes, disease prevention and chronic disease management (particularly diabetes and cardiovascular disease), behavioral health and substance use disorder treatment, care quality tracking, access to care and transportation solutions, workforce shortages and provider capacity expansion, emergency medical services strengthening, virtual care expansion, and financial stability for rural providers.

The Governor's Office is requesting letters of support from healthcare stakeholders to demonstrate broad buy-in. Capehart emphasized the application must show support beyond the Governor's Office and executive branch. Some legislators expressed interest in reviewing the application before providing support letters. Capehart acknowledged this is reasonable but noted the tight deadline may make advance review challenging, though the administration is committed to sharing application details with stakeholders before the November 5 submission.

Please contact me if you have any questions.

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