



DHS Hospital Spending Overview

**Hospital, Medicaid, and Developmental Disabilities Study
Subcommittee**

March 16, 2026

Secretary Janet Mann

Arkansas Department of Human Services

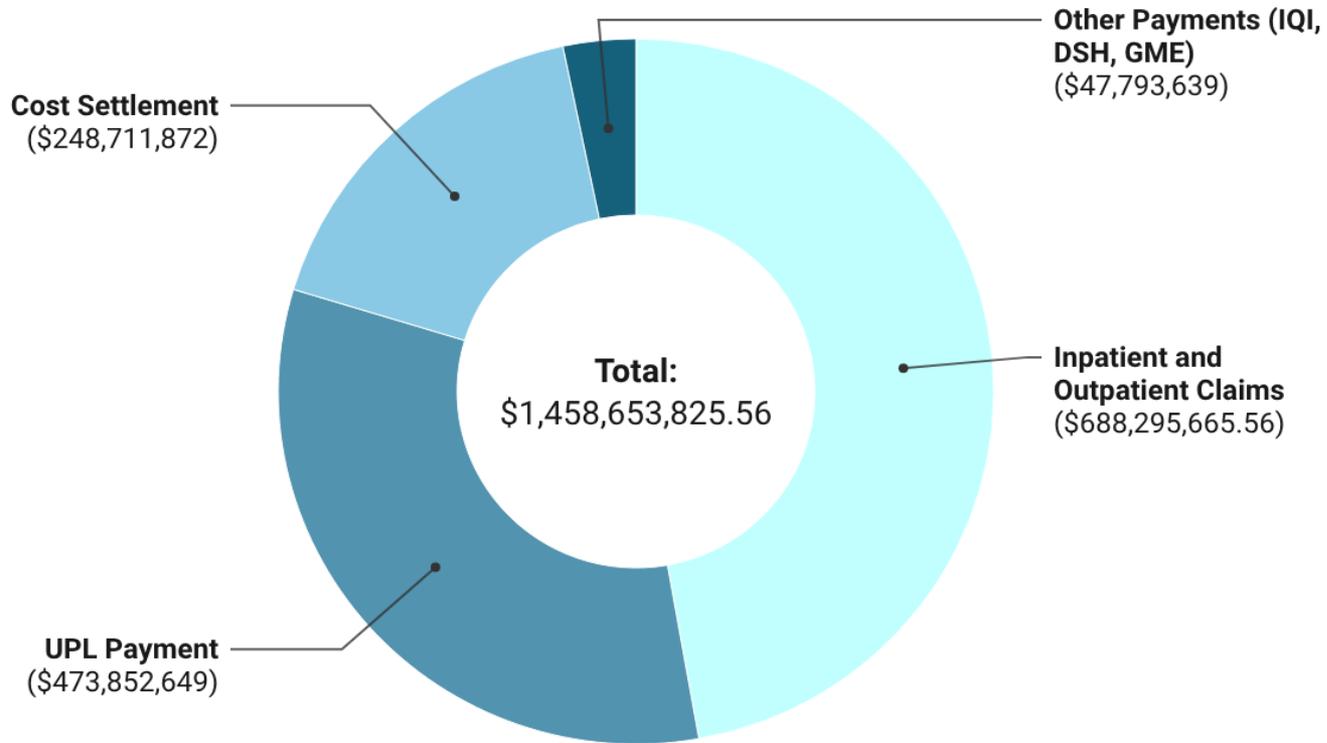


Arkansas Medicaid

- Arkansas Medicaid operates a traditional **fee-for-service (FFS) model**, and an organized care program called the **Provider-led Arkansas Shared Savings Entity (PASSE)** program.
- Arkansas also operates **ARHOME (Arkansas Health and Opportunity for Me)**, which serves the Medicaid expansion population through Qualified Health Plans. ARHOME is provided through the Marketplace, and Qualified Health Plans are paid monthly premiums. Qualified Health Plans reimburse providers using commercial rates higher than Medicaid rates.
- Beneficiaries not enrolled in the PASSE program or ARHOME receive most of their services through the FFS program, and providers are paid based on claims submitted directly to Arkansas Medicaid for services provided.
- In addition, Arkansas Medicaid makes supplemental and non-claims-based payments, which include **hospital access payments** and **cost settlements**.



SFY25 payments to hospitals



Note: Assessment fees, IGTs and other fees totaled \$248,318,570

Cost settlements



- Hospitals are paid per diem rates for FFS Medicaid clients, often equating to far less than 100% of hospital costs.
- DHS currently pays Fee For Service (FFS) inpatient cost settlements to eligible hospital Medicaid providers
- Cost settlements are lump sum payments to a hospital provider to "shore up" the difference between what it costs to provide services to Medicaid FFS beneficiaries versus how much the hospital received from the Medicaid FFS rate payment program.

Cost settlements

- Per the **Arkansas Medicaid State Plan** provisions, DHS is currently required to make cost settlement payments to certain in-state and out-of-state providers.
- The State's general fund appropriation funds these cost settlement payments.

Cost settlements

- In **SFY 2025**, DHS paid **\$72 million** in inpatient cost settlements and **\$176 million** in outpatient cost settlements, for a total of **\$248 million** in inpatient and outpatient cost settlements.
- This equals approximately 17% of total hospital reimbursement for the FFS population.
- The State share required for these payments equates to approximately **\$68 million annually**, which State General Revenue funds entirely.

Assessment fees

- **Hospital assessment fees** are fees charged to all hospitals regardless of how many Medicaid clients they see.
- These fees receive a federal match and are then used to make supplemental payments to hospitals based on their Medicaid days and up to the upper payment limit of what Medicare would have paid.
- Hospital assessment fees totaled **\$119,283,988** in FY25 (not including Arkansas Children's UPL paid through other funds and the public UPL paid through Intergovernmental Transfers to UAMS and 3 other public hospitals), and supplemental payments to hospitals after federal match totaled **\$548,032,795**. No State General Revenue is used.

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