#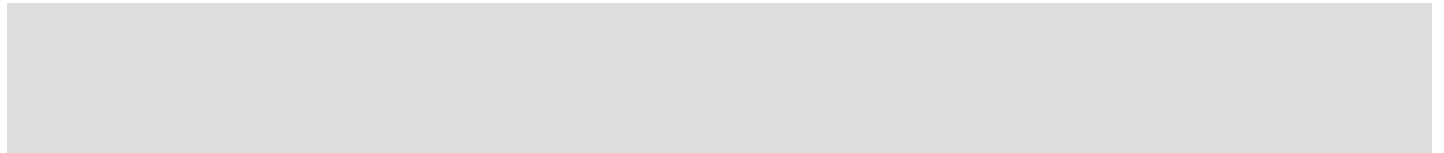 THE MEDICAID TRANSFORMATION WAIVER AND LEGISLATIVE BUDGET BOARD RECOMMENDATIONS ON MAXIMIZING FEDERAL FUNDS TO TEXAS HOSPITALS RECEIVING MEDICAID SUPPLEMENTAL PAYMENTS

Legislative Budget Board

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Primary and Supplemental Medicaid Payments to Hospitals

PRIMARY PAYMENTS include:

- Fee-for-service (FFS) payments
- Managed care payments

SUPPLEMENTAL PAYMENTS include:

- Disproportionate Share Hospital (DSH) payments
- Upper Payment Limit (UPL) payments
- Medicaid Transformation Waiver (Waiver) payments

UPL, Managed Care Expansion, and the Waiver

- The UPL program is premised on a FFS model because its payments are the difference between the higher Medicare reimbursement and the Medicaid reimbursement for specific inpatient and outpatient services.

- The 82nd Legislature charged the Health and Human Services Commission (HHSC) with statewide expansion of managed care and simultaneous protection of Texas' substantial UPL funding stream.

- As a result of this directive, HHSC worked with the Centers for Medicaid and Medicaid Services (CMS) to replace the Texas UPL Program with a waiver allowing statewide managed care expansion while preserving supplemental funding.

Medicaid Transformation Waiver

☐ The Waiver is a five year project that began September 1, 2011. It replaces the UPL program with two supplemental payment pools: Uncompensated Care (UC) and Delivery System Reform Incentive Payments (DSRIP).

☐ Over its five year span, HHSC anticipates that the Waiver will provide approximately twice the amount of Medicaid supplemental federal funds that would have been available under the UPL program.

☐ To receive a payment from either pool, providers and hospitals must participate in a Regional Healthcare Partnership (RHP). In 2012, HHSC established 20 geographically designated RHPs. RHPs must be anchored by a public hospital or another public entity. Anchoring entities are responsible for coordinating regional activities and submission of RHP Plans.

Uncompensated Care and Delivery System Reform Incentive Payment Pools

- The UC pool includes the payment categories of the UPL program and adds new categories for physician, clinical, and pharmacy uncompensated care.

- DSRIP payments are intended to spur long-term and systemic improvements in the deliver of healthcare. DSRIP projects are submitted by RHPs and allow federal funding for regional and local healthcare projects.

Evolving Waiver Issues

☐ For Texas to receive all of the federal funds made available under the Waiver, it must also provide its non-federal share.

☐ Much of the Texas non-federal share of Medicaid supplemental payments comes in the form of intergovernmental transfers (IGTs) from local governments and hospital districts. These IGTs previously supported both the Texas UPL and DSH programs.

☐ The non-General Revenue share of the state DSH payment has come in the form of IGTs from eight large county hospital districts. After receiving the federal match, DSH payments are then made to about 172 hospitals throughout the state.

☐ Now, however, the waiver presents these eight transferring counties with an opportunity to instead use their IGT funds for a DSRIP project benefiting their region.

LBB Recommendations to Maximize Federal Funding to Texas Hospitals Receiving Medicaid Supplemental Payments

- This report has three recommendations to maximize the amount of federal funds received under the Waiver. The first two recommendations relate to health-related institutions and are addressed with riders in the Introduced House Bill 1.

- The report addresses the potential shortfall of non-federal DSH payments by recommending a statutory implementation of a provider assessment fee on the gross inpatient revenue of non-public Texas hospitals. The revenue generated from the assessment would be used as the non-federal share of DSH payments.

- Creation of an additional revenue source supporting the Texas non-federal DSH payment allows large counties to instead use their IGT funds to maximize Waiver federal funding.