Key Issues for Texas Hospitals

2020 Health Care Landscape
January 31, 2020

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Agenda

- **Update from the 86th Texas Legislature**
  - Very successful session for Texas hospitals
    - Increased overall hospital funding
    - Secured a new source of trauma hospital funding
    - Hospitals exempt from property tax reforms

- **Political Update**

- **Supplemental Payment Update**
  - Upcoming challenges
Update from the 86th Texas Legislature
2020-2021 State Budget

- HB 1 – “must pass” bill

- 86th Legislature had ~ $10 billion (16%) more to spend than last biennium

- HB 1 is a $250.7 billion all funds two-year budget
  - Spends $84.4 billion in all funds on health and human services (1% increase).

- Increases for public schools ($6.5B) and funds to buy down property taxes ($5.1B)

- $6.1 billion used from Rainy Day Fund for Hurricane Harvey relief, leftover Medicaid expenses, future disaster preparedness, state hospital construction, school district safety upgrades
Hospital Funding in State Budget

- No provider rate cuts

- Maintained funding for Medicaid rate enhancements:
  - $360 million all funds for trauma hospitals
  - $300 million all funds for safety net hospitals
  - $60 million all funds for rural hospitals

- New state funding for rate enhancements for:
  - $35 million for rural hospitals' inpatient services*
  - $6.2 million for rural hospitals' labor and delivery services*
  - $50 million for children's hospitals*

- $15 million in new grant funding to support infrastructure improvements at trauma hospitals*

*Denotes state general revenue.
Hospital Funding in State Budget

- Inpatient and outpatient behavioral health care:
  - $445.4 million for phase II of the state psychiatric hospital redesign planning and construction (Rusk, Austin and San Antonio state hospitals)
  - $26 million for 50 new inpatient beds at non-state psychiatric hospitals*
  - $5 million for substance use disorder treatment*

- $7 million for statewide maternal safety initiatives, which includes $3 million for TexasAIM to reduce preventable maternal mortality and morbidity*

- $19.9 million to help reduce the nursing workforce shortage*

- $60 million expansion of graduate medical education for physician training*

*Denotes state general revenue.
New Source of Trauma Funding

• HB 2048 repeals Driver Responsibility Program
• Replaces the source of revenue for state’s trauma fund (Account 5111), which provides:
  • $176.4 million all funds to offset trauma hospitals’ $320 million in unreimbursed trauma care costs
  • $150.8 million all funds for safety net hospitals’ Medicaid payment
• Revenue comes from:
  • Increasing the existing state traffic fine from current $30 to $50
  • Increasing the administrative fee on issuers of motor vehicle insurance from the current $2 to $4
  • Increasing fines on individuals convicted of driving while intoxicated; fines would range from $3,000 to $6,000, depending on the circumstances
Property Tax Rate Reform

- Limiting local governments’ ability to raise property tax rates was a priority for Gov. Greg Abbott and state leadership.

- Proposed legislation sought to reduce the amount by which local governments, including hospital districts, could increase property taxes from 8% to 2.5%.

- Caps threatened hospitals’ ability to generate revenue to provide the state share of hospitals’ supplemental payments and support indigent health care programs.

- THA successfully worked to exempt hospital districts and county hospitals from the property tax legislation that passed in May.
Local Provider Participation Funds

- 28 cities and counties have legislative authority to create LPPFs to generate non-federal share of supplemental Medicaid payments.

- The 86th Legislature approved LPPFs for Bexar, Ellis, El Paso, Harris, Lubbock, Nueces, Taylor, Travis and Wichita counties and renewed LPPFs for Dallas and Tarrant counties.

- A new state law also allows certain local government entities to temporarily establish an LPPF without legislative approval.
Surprise Billing

• Bipartisan and bicameral attention on eliminating surprise medical billing.

• THA supported and helped pass SB 1264 to eliminate surprise bills for emergency or unplanned out-of-network health care services, while maintaining mediation for hospitals and health plans to negotiate a fair payment amount, free from government-set rate parameters.

• The legislation became effective Jan. 1.

• As the U.S. Congress works on a legislative solution, Texas’ new surprise billing law can serve as a model for the nation.

• www.tha.org/surprisebilling
Advocacy Resources

Texas Hospital Association
www.tha.org/state
www.tha.org/federal

THA’s Legislative App
THA-Suggested Interim Charges

- THA suggested topics for lawmakers to study in advance of the 2021 legislative session to help inform potential legislation or solutions for some of the challenges hospitals experience in providing care.
  - THA's suggested topics include:
    - The state's plan to transition DSRIP under the Medicaid 1115 Waiver and budget neutrality calculations.
    - Opportunities to increase the number of Texans with health care coverage.
    - Oversight of Medicaid managed care organizations.
    - Implementation of the state's new surprise billing law.
2020 Interim Charges

The Texas House and Senate will:

- Study Medicaid supplemental payment programs and potential budgetary impact from the Medicaid 1115 Waiver and Medical Fiscal Accountability Rule.
- Determine ways to improve health care delivery in rural communities and for moms and babies.
- Make recommendations to increase access to affordable health care and curb rising health care costs.
- Examine funding and opportunities to support victims of human trafficking, sexual assault and domestic abuse.
- Monitor behavioral health expenditures and the surprise billing law.
Political Update
2020 Elections – They’re Here…

- March 3 Primary/Nov. 3 General Election
  - Early voting begins Feb. 18.

- U.S. Congress
  - Texodus - Six Texas GOP not returning (Reps. Olson, Conaway, Hurd, Marchant, Thornberry and Flores).

  - 12 Democrats are running against Sen. John Cornyn (R-TX).
Outlook for the Texas Legislature

• **Texas House**
  - 83 - 67 GOP majority (9 seats to move majority)
  - 10 GOP House seats in districts that went to Beto
  - New House Speaker in 2021

• **Texas Senate**
  - If a Democrat unseats Sen. Pete Flores (R-San Antonio), GOP will lose the supermajority.
Supplemental Payment Update
1115 Waiver – UC Changes

- The waiver renewal terms required:
  - The UC pool to be resized for fiscal years 2020-2022 (DYs 9-11) based on 2017 S-10 charity care costs.
  - Changes to the way UC payments are calculated. Medicaid shortfall and bad debt no longer included in methodology.

- In October, CMS approved a $3.873 billion UC pool size based on the agreed-upon methodology for sizing.
DSRIP funding ends September 2021 – year five of the waiver.
- Oct. 1: THHSC submitted DSRIP transition plan submitted to CMS.
- March 2020: THHSC must finalize a plan with CMS.

Opportunities THHSC is considering to build DSRIP reforms into the Medicaid program include:
- Directed payments in managed care.
- Targeted enhancements of benefits.
- Implementing quality initiatives that align with the transition plan’s identified focus areas.

Key focus areas include behavioral health, primary care, chronic care management, patient navigation/care coordination for high utilizers.

THHSC’s ability to build on DSRIP successes likely will be limited by CMS’ new methodology to calculate budget neutrality for waiver programs.
Changes for Medicaid Supplemental Payment Programs

- **THHSC:**
  - Modified the methodology used to calculate Medicaid Disproportionate Share Hospital payments for fiscal year 2020.
  - Disburse the uncompensated care payments that were withheld during FYs 2014-2017 and pay the upper payment limit obligation to CMS related to the transition to the Medicaid 1115 Waiver in 2011.
  - Proposed to reform UHRIP starting in FY 2021.
Medicaid Fiscal Accountability Rule

- Nov. 2019: CMS proposed a new rule to limit states’ ability to draw down federal Medicaid payments.

- $11 billion in Texas hospitals’ supplemental Medicaid payments for FFY 2020 are at risk.

- THA working with stakeholders, state leadership to have CMS withdraw the rule.

Thank you.

Questions?