

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



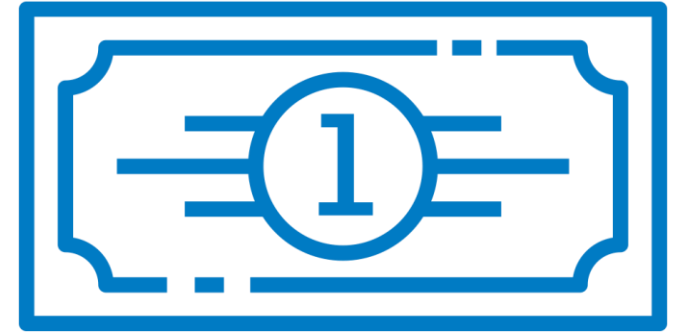
2020-2021 State Budget

- 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*



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*



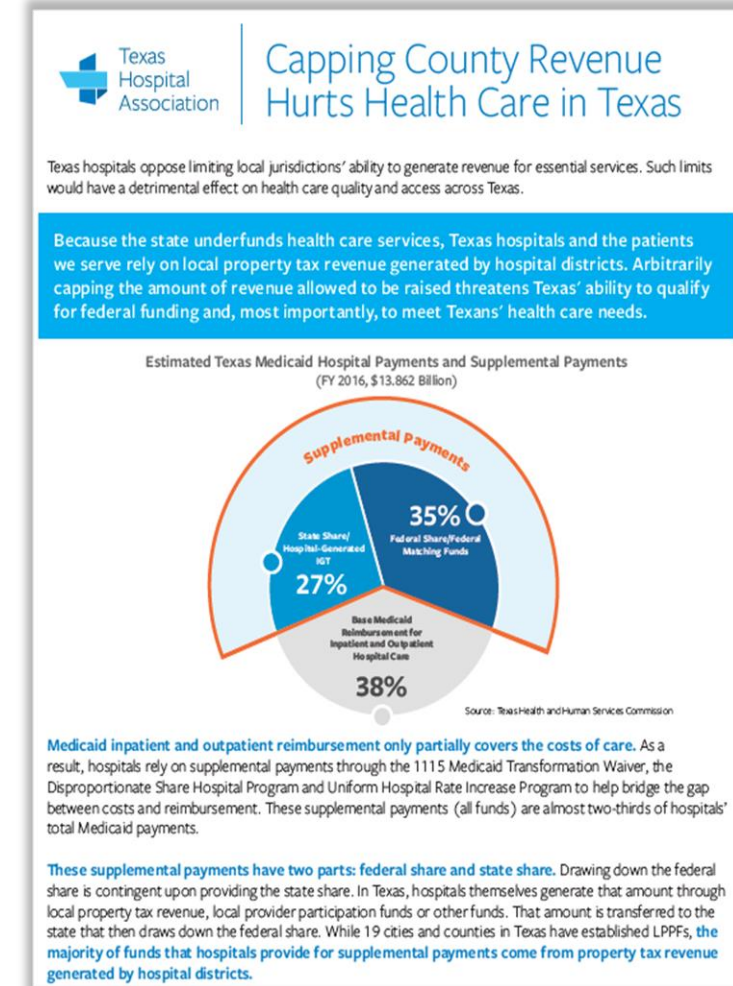
New Source of Trauma Funding

- 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.



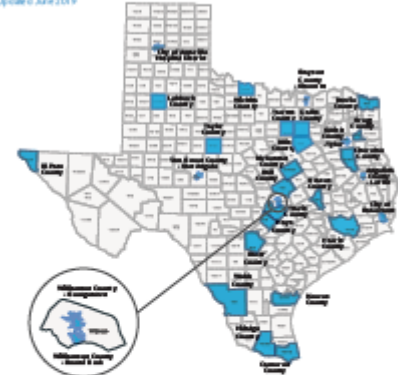
Local Provider Participation Funds

- 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.

PART 2 in THA's educational series on hospital finance

Local Provider Participation Funds in Texas

Updated June 2019




28
CITIES AND COUNTIES
HAVE LEGISLATIVE
AUTHORITY TO CREATE
LOCAL PROVIDER
PARTICIPATION
FUNDS

Since 2013, Texas hospitals in 28 cities and counties across the state have legislative approval to create local provider participation funds for the purpose of generating a source of the non-federal share of supplemental Medicaid payments.

Through an LPPF, local governments impose an assessment, not to exceed six percent, on the net patient revenue of hospitals in a particular jurisdiction. LPPFs are created with specific legislative authority to allow the local jurisdiction to tailor LPPF requirements and authorized uses to the needs of their community.

Legislation passed during the 2019 legislative session allows certain local government entities to temporarily establish an LPPF without legislative approval. However, under this blanket legislation, authority to administer the LPPF lasts only until Sept. 1 following the second anniversary of its authorization. To maintain the LPPF, specific statutory authority would need to be established during the next legislative session.

The Texas Hospital Association supports its hospitals in pursuing LPPFs as a solution to local health care challenges and will continue to work with its member hospital interested in building LPPFs.

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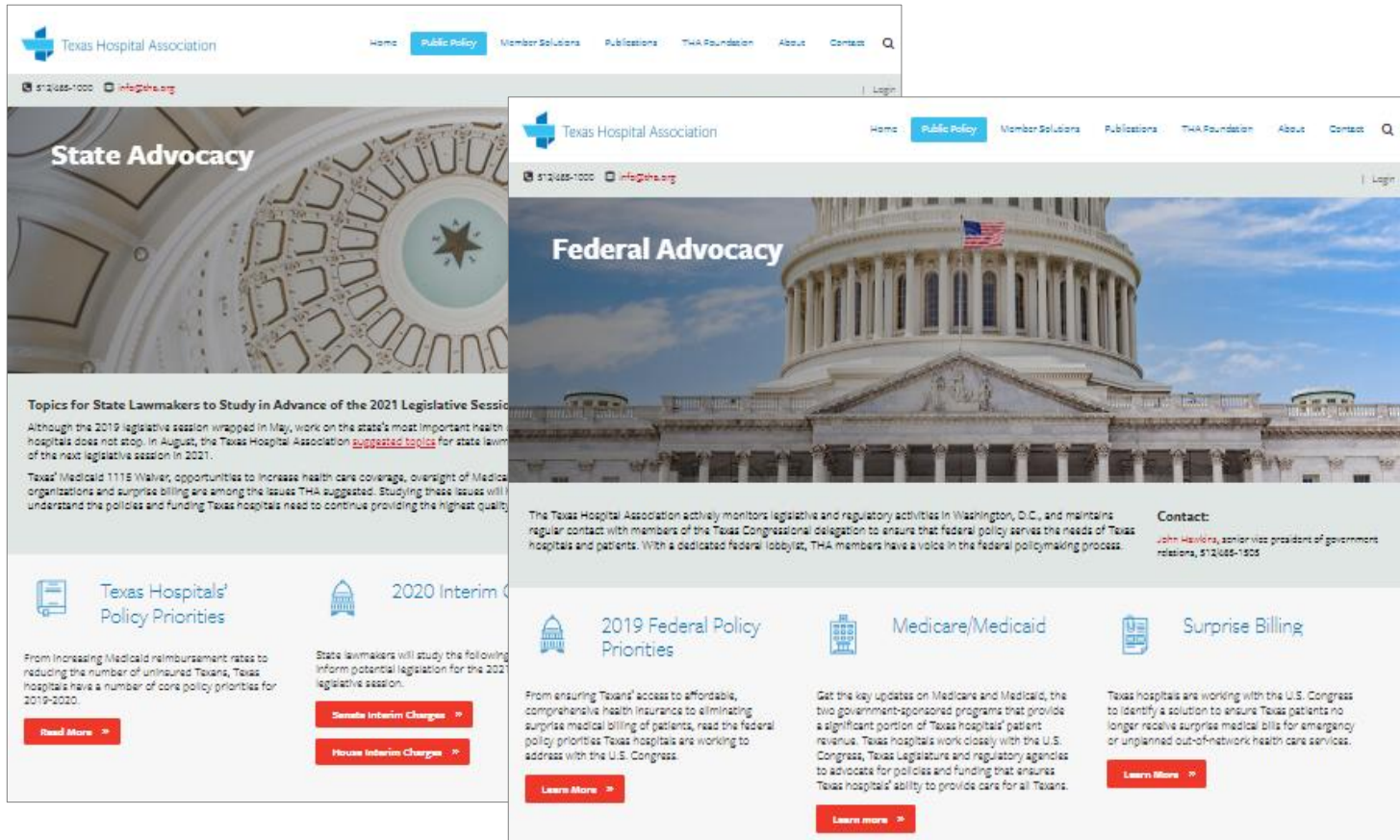


Surprise Billing

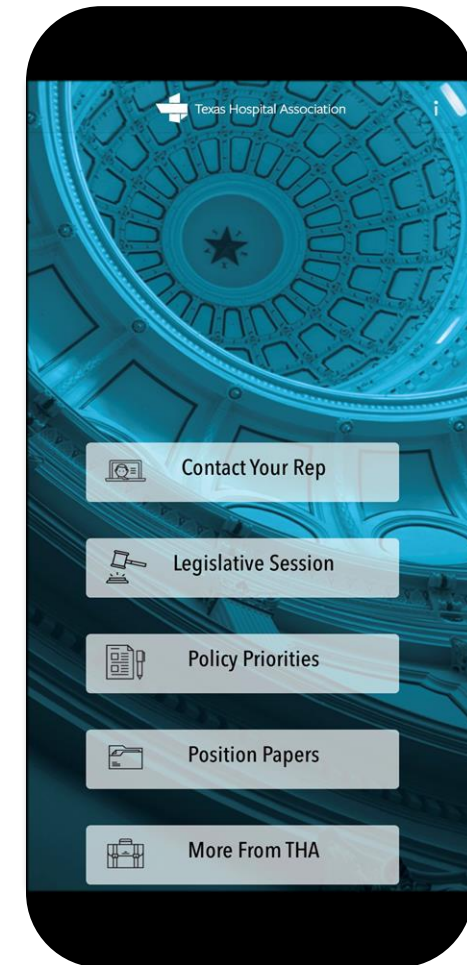
- Bipartisan and bicameral attention on eliminating surprise medical billing.
- THA supported and helped pass SB 1264 to eliminate surprise bills for emergency or unplanned out-of-network health care services, while maintaining mediation for hospitals and health plans to negotiate a fair payment amount, 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



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.



Texas Hospitals Prepare for the 2021 Legislative Session Suggested Interim Charges for 2019-2020

Providing the highest quality care and ensuring positive health outcomes are hallmarks of Texas hospitals' work. Texas hospitals support funding and programs that adequately reimburse providers for the care they provide and promote access to timely care for their patients. To support that work, THA suggests the following topics to study in advance of the 87th Texas Legislature in 2021.

Medicaid 1115 Transformation Waiver (*House Appropriations Committee, Senate Finance Committee*)

- Texas' current five-year Medicaid 1115 Transformation Waiver changes the way that uncompensated care is calculated for provider reimbursement payments and phases out the Delivery System Reform Incentive Payment program by 2021. The federal government requires the Texas Health and Human Services Commission to develop a DSRIP transition plan, and the committees should evaluate the plan to ensure the stability of the health care safety net. The committees also should study and report on the forthcoming federal changes in budget neutrality calculations that will impact any future Waiver renewals.

Health Care Coverage (*House Appropriations Committee, House County Affairs Committee, House Human Services Committee, House Insurance Committee, Senate Health & Human Services Committee*)

- Texas continues to have the highest percentage and number of uninsured individuals in the U.S., and the number of uninsured children is rising. The committees should evaluate the factors contributing to declining rates of health care coverage, especially among children, and study and report on the impact of the uninsured on communities, businesses, consumer health care costs and uncompensated care costs. The report should include recommendations for increasing the number of Texans with health care coverage and improving access to care.

Managed Care (*House Insurance Committee, House Human Services Committee, Senate Health & Human Services Committee, Senate State Affairs Committee*)

- Study the impact of the 30-day limit on hospital stays for Texas Medicaid's STAR + PLUS population. Evaluate how the limit impacts patients, hospitals and health plans. Study how the limit contributes to the uncompensated care costs and the overall cost of care.
- Study THHSC's oversight of Medicaid managed care organizations, specifically:
 - Review THHSC's policies related to quality metrics, particularly those related to the Hospital Quality-Based Potentially Preventable Readmissions and Complications Program. Identify which patient populations have a disproportionate rate of readmissions and the reasons for those readmissions and evaluate how managed care coordination impacts readmissions.
 - Evaluate the Pay-4-Quality Program and how it is working toward improving quality for patients.
 - Study care coordination programs and how THHSC evaluates whether care coordination occurs on a patient-by-patient basis. Review whether THHSC evaluates the accessibility of care coordinators for both patients and providers.
- Study THHSC's oversight of network adequacy standards for managed care plans. Make recommendations for how it can improve oversight and strengthen network participation.

Surprise Billing (*House Insurance Committee, Senate Business & Commerce Committee*)

- Monitor the Texas Department of Insurance's implementation of Senate Bill 1264, 86th Texas Legislature, the new state law banning surprise medical billing of patients for emergency or unplanned out-of-network health care services. Study trends in surprise billing as well as market and regulatory conditions that contribute to the prevalence of surprise medical bills in Texas.
- Evaluate how network adequacy impacts the prevalence of surprise medical bills and recommend opportunities to improve network adequacy in Texas.



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.

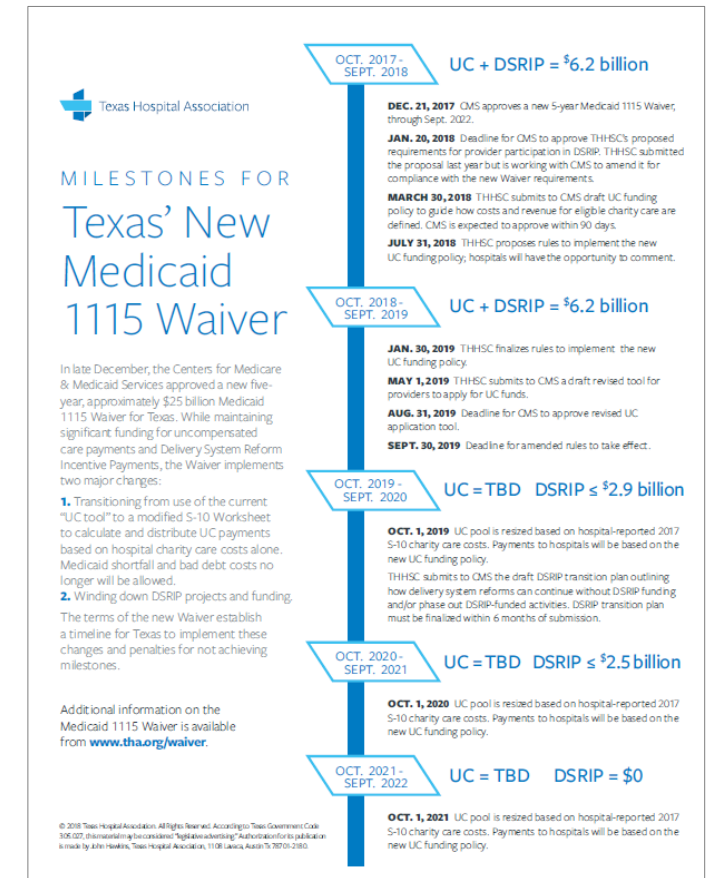


Supplemental Payment Update



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.



1115 Waiver - DSRIP

- 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.
- Sent a letter to Gov. Greg Abbott on Jan. 17.

Texas Hospital Association | Medicaid Fiscal Accountability Rule Could Upend Texas' Health Care Safety Net

The stability of Texas' health care safety net is in jeopardy as a proposed federal rule to limit Medicaid Fiscal Accountability Rule would severely limit states' ability to draw down on federal funds of Medicaid payments that hospitals rely on to ensure access to care for Medicaid enrollees and the uninsured.

This rule, proposed by the Centers for Medicare & Medicaid Services in November 2019, would strip Medicaid payments and federal matching funds from states that do not meet the rule's requirements. This rule would strip federal matching funds from states that do not meet the rule's requirements.

THA works with other states and continues to work with CMS to identify acceptable ways out of financing the non-federal share of Medicaid payments.

In a state that leads the nation in access to care for and percentage of underserved individuals, the rule for Texas is high.

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Six supplemental Medicaid payments, which make up two-thirds of Texas hospitals' total Medicaid payments, are at risk.

These payments, totaling \$11 billion in Federal Fiscal Year 2020, help Texas hospitals offset some of the costs of providing care to vulnerable and lower-income Medicaid enrollees.

The up-ages rule, however, would strip the ability to finance the non-federal share through the various state trust funds, health care endowment funds, and other provider payment funds and provider-based donations.

Texas, like other states, has a long history of covering the costs of underserved individuals through the non-federal share of Medicaid payments. Stripping these funds would threaten the stability of Texas' health care safety net and the Medicaid program and create barriers to care for the growing number of Texans who depend on it.

Without such legislation or additional payments:

- The Texas Legislature would have a substantial financial burden to fund.
- Local health care systems.
- People would pay more for care at even higher rates.
- Essential services like long-term care and behavioral health would be underfunded, leaving many in need.
- Access to essential and emerging care for underserved will be.

SIG PICTURE:
States need the flexibility to finance the non-federal share of supplemental Medicaid payments.

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Thank you.

Questions?

