

HFMA Region 9 Annual Conference
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Texas Medicaid Update

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Presentation Outline

- **2018 State Interim Legislative Overview**
- **Status of 1115 Medicaid Transformation Waiver**
- **2018 Election Cycle Impacts**
- **2019 Texas Legislative Session**

2017-18 Interim Legislative Activity

- **Lieutenant Governor Dan Patrick and House Speaker Joe Straus directed standing legislative committees to study an array of subjects, through *interim charges*; and to develop substantive findings and legislative proposals.**
- **State agencies presented their initial *legislative appropriations requests* (LARs) for the 2020-21 biennium in August.**
 - **State Comptroller Glenn Hegar releases state revenue estimate, indicating amount of available general revenue for the budget, and comparative state economic strength.**
- **Interim legislative reports are due before the holidays.**
- **Legislative Counsel will prepare associated legislative proposals.**
- ***Pre-filing* of bills begins November 13.**
- **2019 state legislative session begins January 8.**

Highlights of 2017-18 Health & Human Services Interim Charges

- **Behavioral Health – monitor coordination of state mental health services and funding; implementation of (2017) mental health parity legislation; improving services and access to services for children with mental illness**
- **Impact of the US Opioid Epidemic – study the impact of opioid abuse, and recommend strategies for healthcare providers, law enforcement, and those providing services to addicts, families and communities**
- **Managed Care Organizations (MCOs) – Evaluate Texas HHSC's compliance activities; and analyze the Medicaid pharmacy benefit**
- **State Health Insurance Marketplace – Assess the status of the insurance market, and opportunities for improvement through pursuit of federal waivers**

Highlights of 2017-18 Health & Human Services Interim Charges

- **Hurricane Harvey/Natural Disaster Response & Recovery – Evaluate availability of federal and state funding, and maximize opportunities for affected regions to access these funds**
- **Healthcare Price Transparency – Study TDI and DSHS initiatives designed to improve cost transparency; recommend ways to make information relating to provider and facility fees more accessible**
 - Monitoring *balance billing* legislative proposals
- **Reimbursement – Evaluate ways to improve patient care and quality, through VBP and paying for performance, in the state Medicaid program, state Employee Retirement System (ERS) and Teacher Retirement System (TRS)**
- ***Rainy Day Fund* – Study strategies for use of RDF for one-time funding needs, and state budget deferrals**

State Legislative/Budget Overview

- **The 2019 Texas Legislature Session and 2020-21 biennial budget - Perspective:**
 - **Texas has the highest uninsured rate in the country: +17%**
 - Current national uninsured rate: 8.8%
 - **Texas one of 19 states declining to expand Medicaid program, pursuant to the *Affordable Care Act***
 - Expansion would have generated \$8.5 billion per year in federal funding
 - Average uninsured rate for expansion states is 6.5%
 - **Texas MSAs have the highest uninsured rates in the country**
 - **Texas among handful of states with disproportionately high percentages of undocumented residents**
 - **Texas is lowest per capita spending state for Medicaid**
 - **Texas State Comptroller Glenn Hegar projects \$5-6 billion budget shortfall for the 2020-2021 biennium**
 - Severance taxes indicate Energy Sector rebound
 - Monthly Sales Tax figures promising
 - Leadership asked state agencies to anticipate budget cuts
 - 2019 Legislature faces +\$2.5 Billion Medicaid shortfall

State Legislative/Budget Overview

- Texas health systems' 2019 legislative priorities will focus on fiscal impacts:
 - Maintenance of safety net, trauma and rural *add-ons* from 2015 and 2017 sessions
 - *Despite* 2015 and 2017 “add-ons,” rate is only 58% of cost of care
 - Senate and House included in 2017 *base budgets*
 - Preservation of the state *Trauma Fund*
 - Status of HHSC appeal of CMS Disallowance of “expense alleviation” agreements
 - *Local Provider Participation Funds (LPPF)* proposals
 - Continuation of 1115 Medicaid Waiver
 - CMS granted initial 5-year term in 2011, followed by 15-month extension, which ended 12/31/17
 - In December 2017, CMS renewed the waiver for another 5 years, through 2022
 - Yields \$6 billion per year
 - Consider waiver funding *in lieu of* \$8.5 billion per year in federal Medicaid expansion funding
 - HHSC/CMS negotiations RE terms and conditions, rulemaking, continue

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Status of 1115 Medicaid Waiver

- In December 2017, CMS approved a new, 5-year, \$25 Billion Medicaid waiver
- Maintains existing funding levels for Uncompensated Care (UC) and Delivery System Reform Incentive Payment (DSRIP) program
- *Winds down* funding for DSRIP projects to zero, between years 3 and 5;
- Mandates transition from the current “UC tool” to S-10 worksheet, for calculation of distribution of UC payments, *based on charity care costs alone*, after second year of the renewal period
 - Medicaid shortfall no longer allowed
 - Bad debt costs no longer allowed
- General waiver renewal terms enumerate timelines for implementation of changes to funding methodologies, and penalties for failing to achieve milestones

Status of 1115 Medicaid Waiver

- **HHSC proposed implementation rules in July 2018; related CMS negotiations continue**
- **HHSC is scheduled to finalize rules for new UC funding policy by January 30, 2019**
- **HHSC must submit a revised tool by May 1, 2019, for providers planning to apply for UC funding**
- **CMS must approve the new UC tool by August 31, 2019**
- **New rules for implementation will take effect by September 30, 2019**
- **Current, \$6.2 Billion in combined UC and DSRIP funding levels maintained for the first two years of the renewal period (2017-18 and 2018-19 federal fiscal years)**
- **Beginning October 1, 2019 the UC pool will be *resized* based on (2017) S-10 charity costs reported by eligible hospitals. Payments to hospitals will be based on the new UC funding policy for renewal years 3, 4 and 5**

Status of 1115 Medicaid Waiver

- **Children's and specialty hospitals that do not use the S-10 worksheet, will use *cost reports* to determine allowable uncompensated care (UC) costs**
- **UC funding will no longer include *bad debt***
- **UC funding will no longer include *Medicaid shortfall* (difference between the cost of providing a service and the actual reimbursement for that service)**
- **Allowable UC costs will generally not include costs from *non-hospital providers*; however, UC payments can be made to certain, qualifying non-hospital providers, including certain *physician practice groups* (clinics), government *ambulance* providers, and government *dental* services providers**
- **UC payments will be distributed based on reported UC costs, but will not include providers' *intergovernmental transfers (IGT)***

Status of 1115 Medicaid Waiver

- **Texas HHSC must advance 1115 waiver rulemaking despite unresolved issues:**
 - **Potential impacts on supplemental payment programs: Disproportionate Share Hospital (DSH) program; Uniform Hospital Rate Increase Program (UHRIP)**
 - **CMS disallowance of the current funding model for the non-federal share of waiver payments – *Expense or Burden Alleviation* agreements**
 - **Rider 38 hospitals – Rider 38 was originally embedded in the 2014-2015 biennial state appropriations bill, and was intended to protect eligible rural hospitals from reductions in UC reimbursement; the definition of “rural hospital” was revised in the 2018-19 appropriations bill. Growth in “non-rural,” Rider 38 hospitals has significantly impacted aggregate distribution of UC payments**
 - **Impact of federal court ruling in the Children’s Hospital Association of Texas (CHAT) challenging CMS rulemaking affecting the calculation of “Uncompensated Care” (UC)**
 - **Reductions in (federal) DSH allocations for eligible hospitals across the nation**
 - **The 2019 Texas Legislature and leadership will remain opposed to ACA-related Medicaid expansion, and consideration of a statewide tax for safety net hospitals**

2018 Election Cycle

- ***Trump* factor**
- **Recent unemployment rate (-4%), jobs (+/-200,000 per month) and recent wage index (2.9%) figures evidence strong US economy**
- **Hispanic, African American unemployment rates lowest on record**
- **Impact of SCOTUS/Brett Kavanaugh hearing**
- **Early voting numbers suggest record midterm turnout; many states and regions show turnout surpassing 2016 presidential cycle**
- **US Senate: 33 seats in cycle; Democrats defending 24**
 - **Republicans currently hold 51/49 majority**
- **US House: Democrats need 23 to control the chamber**
 - **Republicans currently hold 235/193 majority**
 - **41 Republicans vacating seats (retirement, losses in primaries)**
- **Impact of election cycle on *Lame Duck session***
- **US House – Open race for House Speaker (Paul Ryan retiring)**

2018 Election Cycle

- **US House – Speaker’s race**
- **36 governorships at stake**
- **Impact on 2020 Census**
- **Texas – Consider aggregate 2018 primary cycle vote count**
 - **Republicans had 50% advantage**
 - ***Blue Wave* less pronounced than nationwide**
- **Republicans will hold nearly 2/3 majority in Texas Senate**
- **Republicans will retain control of the Texas House**
- **First open Texas House Speaker’s race in 25 years**

2018 Texas Legislative Session

- **2018 election cycle will have negligible impact on the 2019 session**
- **Comptroller Hegar’s January revenue estimate will inform appropriators’ attitudes, and the 2020-21 biennial budget**
- **Speaker’s race will determine dynamic between Texas Senate and House**
- **Interim legislative committee reports and legislative proposals will suggest 2019 priorities**
- **Hurricane Harvey impacts will engender discussion of use of *Rainy Day Fund***
- **Health and Human Services will *not be leadership priority***
 - **Exceptions: Mental health, trauma funding**
 - **New HHSC Executive Commissioner Courtney Phillips (previous leadership roles in Nebraska and Louisiana HHS agencies)**

QUESTIONS

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