

82nd Legislature – Hospital Impact



TEXAS HOSPITAL ASSOCIATION

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Budget – Hospital Impact



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- 8% rate cut for hospitals (added to 2% cut in 2010-11)
- Statewide Hospital SDA (\$30 M savings - \$20M mitigation)
- Expansion of Medicaid managed care (\$272 M in savings)
- Potentially punitive UPL riders replaced with enhanced HHSC data collection requirements

Cost Containment Riders in Budget



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- Rider 61 requires HHSC to achieve \$450m GR funds through: (of 30 items)
 - Payment reform and quality based payments
 - Increasing neonatal intensive care management
 - More appropriate ER rates for non-emergent care
 - Maximizing copays in Medicaid
 - Improving birth outcomes by reducing birth trauma and elective inductions
 - Renegotiating more efficient contracts
 - Increasing fraud, waste and abuse detection

Cost Containment Riders in Budget



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- Rider 59 requires HHSC to save \$700m GR funds by pursuing a waiver from CMS to allow Medicaid flexibility including:
 - Greater flexibility in standards and levels of eligibility
 - Better designed benefit packages to meet demographic needs of Texas
 - Use of co-pays
 - Consolidation of funding streams for transparency and accountability
 - Assumed responsibility by the Feds of 100% of the health care costs of unauthorized immigrants.

Riders in Budget – To Protect UPL (STAR +Plus)



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- Rider 76 STAR+PLUS - requires if CMS does not approve 1115 Waiver to protect UPL funds, *HHSC to implement STAR+PLUS expansion while **keeping hospitals carved-out of model.*** HHSC can achieve \$28.9 million in GR savings from reductions in inpatient & outpatient hospital rates, selective contracting, or other HHSC initiatives.

Riders in Budget – To Protect UPL (STAR)



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- Rider 77 STAR - requires ***if CMS does not approve 1115 Waiver to protect UPL funds, HHSC shall NOT implement expansion of STAR.*** HHSC can achieve \$242.7 million in GR savings from reductions in inpatient & outpatient hospital rates, selective contracting, or other HHSC initiatives.

Statewide Hospital SDA



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- HHSC must rebase using a statewide SDA by 9/1/11
- HHSC model incorporates adjustments for wage index, trauma and teaching
- Establishes a SDA ceiling of \$5,500
- HHSC can use \$20 M in GR to mitigate disproportionate losses (creates a “hold-harmless” floor of 85% of 62.32% of fully rebased cost)

Expansion of Capitated Managed Care



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- Legislature is ***still considering*** expansion of Medicaid managed care (HMO model to replace PCCM) (Regular Session – SB 23; Special Session SB 7)
- Expansion of STAR and STAR+PLUS will generate Medicaid cost savings and additional premium tax revenue (see Riders 76 and 77)
- Depending on how implemented, expansion of capitated Medicaid managed care has negative impact on UPL programs

Preserving UPL (Supplemental Hospital Payments)



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- HHSC to pursue 1115 demonstration waiver to continue UPL supplemental funding (Riders 76 & 77)
- Approach would protect current level of UPL while state expands Medicaid managed care, and provide for a transition to a hospital performance and quality-based payment system
- HHSC would continue to manage the state matching share (IGT, etc.), secure federal match and distribute funds to hospitals – distribution formula would be transitioned from the current historical-based UPL payment to one that considers performance and quality measures and level of uncompensated care

HHSC Proposed Managed Care Initiatives



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- Expand Existing Service Delivery Areas to Contiguous Counties (9/11)
- Expand STAR+PLUS to Lubbock and El Paso (3/12)
- Expand STAR and STAR+PLUS to South Texas(3/12)
- Convert PCCM Areas to the STAR Program model (3/12)
- Include In-patient Hospital Services in STAR+PLUS (no carve-out) (3/12)

Nursing & Trauma Funding



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- Nursing Shortage Reduction Fund = \$30 M total for the biennium – will allow nursing schools to maintain increased enrollment
- Nursing education received \$5-6 million from tobacco settlement funds
- Provides for \$57.5 million per year in funding for designated trauma facilities, which is a 23 percent reduction from the \$75 million per year originally appropriated for the current biennium.