



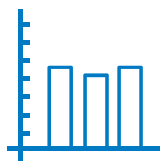
Future of Uncompensated Care Funding for Texas Hospitals

With a new Medicaid 1115 Waiver approved for Texas, hospitals' uncompensated care funding will change beginning in 2020:

- 1 Total uncompensated care funding available and individual hospitals' UC payments will be based on charity care costs for uninsured patients reported on a modified 2017 Worksheet S-10. The modified S-10 likely will accommodate inclusion of uncompensated care costs from hospital-affiliated physicians, clinics and pharmacies. For children's and specialty hospitals that do not use the S-10, allowable costs will come from cost reports.
- 2 UC funding no longer will include costs associated with hospitals' bad debt or Medicaid shortfall (difference between the cost of providing a service and Medicaid reimbursement for that service).
- 3 Allowable UC costs for pool sizing purposes will not include costs from non-hospital providers, although UC payments can be made to qualifying non-hospital providers, including physician practice groups, government ambulance providers and government dental providers.
- 4 UC payments will be distributed based on reported UC costs without regard to a provider's intergovernmental transfer payment.



Medicaid
1115
Waiver
Uncompensated
Care Funding



Federal Fiscal Year 2012-2022

2012 \$3.7 billion

2013 \$3.9 billion

2014 \$3.5 billion

2015 \$3.3 billion

2016 \$3.1 billion

2017 \$3.1 billion

2018 \$3.1 billion

2019 \$3.1 billion

2020 TBD

2021 TBD

2022 TBD



Uncompensated Care Funding Changes

Federal Fiscal Year 2012-2022



UC Pool Calculation

2012-2017

Pool size established in Waiver based on hospitals' UC costs:

- Medicaid Shortfall
- Bad Debt
- Charity Care

2018-2019

Pool size established in Waiver based on hospitals' UC costs:

- Medicaid Shortfall
- Bad Debt
- Charity Care

2020-2022

Pool will be resized based on hospitals' UC costs as reported on modified 2017 Worksheet S-10 or cost reports for children's and specialty hospitals:

- Charity care costs for uninsured patients¹

UC Payments Calculation/Distribution

Payments are made to qualifying hospital and non-hospital providers for costs reported on CMS-approved UC Tool. UC costs include:

- Medicaid Shortfall.
- Bad Debt.
- Charity Care.

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Payments can be made to qualifying hospital and non-hospital providers for UC costs reported on a new CMS-approved UC tool. UC costs will include only charity care for the uninsured.¹

¹Discussions are ongoing about whether allowable charity care costs will include those for services for insured patients if their insurance company does not cover the particular service.



To ensure the financial stability of Texas hospitals and their continued ability to serve all Texans, the Texas Hospital Association is:

- Analyzing potential changes to the Medicaid disproportionate share hospital program to mitigate possible differences in UC payments among different classes of hospitals.
- Working with the Texas Health and Human Services Commission to ensure that all Texas hospitals' UC cost data are incorporated and accounted for in the UC pool calculation.
- Modeling changes to UC payments among all hospitals.
- Representing all Texas hospitals at THHSC stakeholder workgroup meetings.