



Texas Association  
of Voluntary  
Hospitals

April 16, 2020

Mr. Phil Wilson, Executive Commissioner

Mr. Charles Greenberg, Director of Hospital Finance and Waiver Programs

Ms. Michelle Alletto, Chief Program and Services Officer

Ms. Stephanie Muth, Deputy Executive Commissioner, Medicaid and CHIP Services

Texas Health and Human Services Commission

4900 N. Lamar Blvd.

Austin, TX 78751

Dear Commissioner Wilson, Mr. Greenberg, Ms. Alletto and Ms. Muth,

On behalf of our hospitals and health system members, we are writing to request that HHSC reinvest a portion of the general revenue savings from the enhanced federal financial participation (FFP) to increase Medicaid rates to hospitals during the emergency period.

Texas hospitals have an uncertain financial future as they provide care for Texas communities and Texans throughout the pandemic. The pandemic exacerbates challenges faced by providers already reimbursed with Medicaid rates significantly below their actual costs and caring for the uninsured at levels that lead the nation.

New federal support can help offset some costs, though its distribution, allocation and duration are unknown. Federal law for example, provides for a 20% increase in Medicare payments for COVID patients. In Medicaid, relief laws provide for a 6.2% emergency-based enhanced Medicaid FFP effective back to January 2020.

The 6.2% federal matching increase reduces Texas' Medicaid state match from 39.11% to 32.91%. Texas' estimated general revenue (GR) cost avoidance over 6 months (January 2020 – June 2020) is \$966.6 million. Texas can re-invest a portion of that GR cost-avoidance to increase Medicaid rates to hospitals during the emergency period to create access to additional enhanced federal funding support. Funding increases to hospitals can help them maintain and support critical staff (e.g., nurses, nursing aides, respiratory therapists, physicians, maintenance, and others) and services and acquire needed PPE and ventilators during the pandemic.

We therefore recommend that the state provide a 20% Medicaid rate increase<sup>1</sup> to acute and behavioral health hospitals during the current public health emergency. Using \$205.2 million general revenue for a temporary rate increase to hospitals during that same enhanced FFP emergency period would provide an additional \$623.5 million All Funds for Texas' front-line providers. Furthermore, as the table below illustrates, Texas would receive nearly \$100 million more in Medicaid support (\$98.9M) by reinvesting those GR savings now, during the public health crisis, compared to using that same \$205.2 million at a future point, e.g., related to future Medicaid enrollments or future utilization once the public health emergency declaration has ended and the enhanced FFP is discontinued.

**Enhanced Rate Reinvestment: \$98.9 Million in Additional Support**

State Match Rate		Federal Matching Rate	GR	All Funds
Regular	39.11%	Regular: 60.89	\$205.2 M	\$524.7M
Enhanced	32.91%	Enhanced: 67.09	\$205.2 M	\$623.5M
Difference: 6.2%			-\$0-	\$98.9M

Accessing enhanced funding now also buffers against future year financing challenges from the economic impact of the pandemic on health care funding and on property tax revenues used by hospital districts to maintain critical services and provide IGT for all hospitals' DSH payments.

For hospitals, rate increases should be applied both to the fee-for-service program and for utilization in the Medicaid managed care program. Rate increases supported with stimulus funding can be applied as follows:

- **FFS Rates** – The state would increase FFS rates by 20% through a one-time lump sum payment based on FFS utilization in the first two calendar quarters of 2019 (to avoid utilization patterns distorted by the pandemic).
- **MCO Rates** – Using MCO claims data from the first two calendar quarters of 2019 (to avoid utilization distorted by the pandemic), calculate what payments would have been had the stimulus FFP increase been in effect during that time period, and distribute a 20% rate increase to providers through lump sum payments made by HHSC or processed through the MCOs for acute care and behavioral health hospitals. This would

---

<sup>1</sup> Federal COVID relief provides a 20% increase to Medicare rates.

allow the increased funds to flow to providers more quickly and transparently than if incorporated into the MCO PMPMs.

We look forward to discussing this proposal with you and offering support from our collective consulting resources if helpful to identify the best approach for successful expedited implementation in FFS and Managed care. On behalf of our providers, we thank you for your consideration of this request.

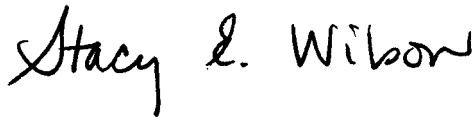
Sincerely,



Maureen Milligan  
President/CEO  
Teaching Hospitals of Texas



Ted Shaw  
President/CEO  
Texas Hospital Association



Stacy E. Wilson  
President  
Children's Hospital Association of Texas



John Henderson  
CEO/ President  
Texas Organization of Rural  
& Community Hospitals



Larry L. Tonn  
Principal  
Texas Association of Voluntary Hospitals

cc:

Ms. Victoria Ford, Chief Policy and Regulatory Officer

Mr. Trey Wood, Chief Financial Officer