



Submitted Electronically

September 24, 2017

Kevin Niemeyer
HHS Rate Analysis
P.O. Box 149030, Mail Code H-400
Brown-Heatly Building
4900 N. Lamar Blvd.
Austin, TX 78714-9030

Re: Comments on Proposed Rule UHRIP

Dear Mr. Niemeyer,

On behalf of our nearly 500 hospital and health system members, the Texas Hospital Association (THA) appreciates the opportunity to comment on the Texas Health and Human Services Commission's proposed rules on the Uniform Hospital Rate Increase Program (UHRIP).

THA strongly supports statewide implementation of UHRIP, by March 2018, to improve payments to hospitals serving Texas Medicaid beneficiaries. As an interim step, we encourage HHSC to adopt the proposed rules to allow the Bexar and El Paso Service Delivery Areas (SDAs) to participate in UHRIP beginning on December 1, 2017. Hospitals in these SDAs will benefit from increased Medicaid payments as soon as possible while HHSC continues to resolve any operational issues with the program.

We also urge HHSC to fully fund UHRIP within the budget neutrality cap room available under the Medicaid 1115 Transformation Waiver. While estimates may vary, HHSC indicates that there is approximately \$1.2 billion in budget neutrality cap room, of which only \$800 million is allocated annually for UHRIP. Due to the delay in program implementation from September 2017 to March 2018, HHSC may further limit UHRIP to \$400 million for fiscal year (FY) 2018. We ask HHSC to allocate the full \$800 million, at a minimum, for UHRIP for FY 2018. HHSC can take this action without obligating the state to future program funding levels or general revenue spending.

A statewide, fully-funded UHRIP is critical to providing sustainable funding for safety net hospitals that care for low-income and uninsured Texans. UHRIP will increase base Medicaid payments for inpatient and outpatient hospital services, which do not adequately cover hospitals costs. On average, Medicaid payments cover just 58 percent of the costs of inpatient hospital care. On the outpatient side, most general acute care hospitals are reimbursed approximately 72 percent of costs. UHRIP will reduce this "Medicaid shortfall" that results from Medicaid payments that are well below hospital costs.

By decreasing the Medicaid shortfall, UHRIP will reduce reliance on supplemental payments through the Disproportionate Share Hospital (DSH) program and the Medicaid 1115 Transformation Waiver. This is necessary given the significant uncertainty about future funding levels for these supplemental payment programs.

- Federal law reduces Medicaid DSH allotments beginning in federal FY 2018. Absent a repeal or delay of Medicaid DSH cuts, Texas hospitals will receive an estimated \$148.1 million less in funding in federal FY 2018. The estimated cumulative loss for federal FY 2018 through 2025 is up to \$3.2 billion.
- The continuation of the Medicaid 1115 Transformation Waiver may require changes to Delivery System Reform Incentive Payments and uncompensated care supplemental payments. Through the waiver negotiations, the Centers for Medicare & Medicaid Services has recognized the state's efforts to increase base Medicaid payments through UHRIP and reduce reliance on supplemental payments.

We appreciate HHSC's work to improve Medicaid hospital payments through UHRIP, including through the pilot established by the proposed rules. We are available and ready to assist HHSC with the further implementation of the program. If you have any questions, please contact me at sstephens@tha.org or Richard Schirmer at rschirmer@tha.org.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Stephens".

Stephanie Stephens
Senior Director, Health Care Policy Analysis
Texas Hospital Association