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Sent: Tuesday, September 17, 2019 5:27 PM

Subject: HSL, UC, and UHRIP Announcements

Good afternoon:

Thank you for your patience and input regarding several ongoing projects affecting hospital supplemental payment programs. Decisions have been made regarding changes to Hospital Specific Limits, distribution of the Uncompensated Care payment withhold and the UPL obligation, and changes to the Uniform Hospital Rate Increase Payment program.

1. Hospital-Specific Limit Updates

HHSC proposes two changes to the interim hospital-specific limit (HSL) rule (1 TAC §355.8066). First, the interim HSL will be renamed “state payment cap”. Second, HHSC proposes to calculate the state payment cap with all costs and payments for individuals with both Medicaid and other insurance or Medicare. HHSC considered alternative calculations for the state payment cap, including a calculation that removed costs and payments related to patients with both Medicaid and other insurance or Medicare. Stakeholders will have the opportunity to comment about the proposed rule after its publication.

2. Uncompensated Care Withhold/UPL Obligation

As discussed over the past few months, HHSC had to determine both a method to pay the withheld UC payments for DY 3-6 and collect funds for the UPL obligation resulting from the first year of the waiver. HHSC withheld approximately \$646 million in UC funding and must account for \$373 million more in UPL payments from the first five years of the UC program.

After proposing multiple methodologies, and receiving counter-proposals, HHSC is announcing that it will propose to implement one of the counter-proposals. HHSC will allocate the UPL obligation proportionally across DY 3-5. Then, HHSC will allocate the remaining UC balance based on each hospital’s relative share of other insurance payments. However, children’s hospitals’ payments will be based on 150% of their relative other insurance payments, while state hospitals will not receive any payments. HHSC will promulgate rules to further describe the methodology.

To help offset the expenses of the UPL debt, HHSC will try to direct \$400 million in additional payments through the UHRIP program. To determine the most appropriate method to allocate these funds, HHSC will use its Option 3 allocation, subtract the UC allocation method described previously, and allocate the difference to the appropriate classes in UHRIP. HHSC’s Option 3 and the proposed UC withheld payment methodology is reproduced below, by class:

| Hospital Class | Total HHSC Option 3 Additional UC Payments | Other Insurance Allocation Method with Proportional UPL Offset |
|----------------------------------|---|---|
| Large Public | \$2,968,934 | \$4,070,937 |
| Physician Group Practice | \$13,575,334 | \$0 |
| Private | \$439,782,894 | \$116,202,348 |
| <i>Private Rider 38</i> | <i>\$135,836,898</i> | <i>\$9,604,510</i> |
| <i>Private Non-Rider 38</i> | <i>\$303,945,996</i> | <i>\$106,597,838</i> |
| Children's Hospitals | \$170,091,843 | \$144,421,803 |
| Small Public | \$19,747,719 | \$7,982,470 |
| <i>Small Public Rider 38</i> | <i>\$11,363,256</i> | <i>\$2,501,439</i> |
| <i>Small Public Non-Rider 38</i> | <i>\$8,384,463</i> | <i>\$5,481,031</i> |
| State | \$29,243 | \$0 |
| UC Ambulance | \$0 | \$0 |
| UC Dental | \$0 | \$0 |
| Total | \$646,195,968 | \$272,677,558 |

Because UHRIP is class based and prospective in nature, HHSC is not able to guarantee an exact amount for each hospital.

3. UHRIP Reform

HHSC proposes to revamp the UHRIP program for SFY 2020. Attached is a document describing the proposed plan at a high level. We are requesting feedback and comments about certain key policies.

HHSC proposes the following changes to UHRIP:

- Lump-sum payments to be made periodically instead of ongoing increases on a claim- by-claim basis.
- A uniform dollar increase per encounter as opposed to uniform rate increase per claim.
- HHSC proposes to remove the 95% of Medicaid shortfall cap on a class.
- HHSC will determine the uniform increase for each class within each SDA as opposed to utilizing an application process.
- HHSC proposes alternative methodologies to allocate funds to each SDA and class instead of by total Medicaid shortfall. However, HHSC is requesting comments about this potential shift.
- HHSC will require a quality component to receive some or all of UHRIP funds. HHSC is requesting feedback about these options:
 - Transmission of Admission, Discharge, and Transfer and/or C-CDA information
 - Potentially Preventable Conditions
 - Antibiotic Stewardship and Hospital Acquired Infections

More information is included in the attached document. Please direct any comments or questions to RAD_1115_Waiver_Finance@hhsc.state.tx.us.