WHERE DO FUNDS COME FROM?

Medicaid **Reimbursement**

State General Revenue

- Non-federal share of Medicaid reimbursement (approximately 40 percent of total payment).
- Non-federal share of increased Medicaid reimbursement for rural hospital outpatient services, designated trauma hospitals and safety net hospitals.

Trauma Fund (Account 5111)

- Non-federal share of increased Medicaid reimbursement for rural hospital outpatient services, designated trauma hospitals and safety net hospitals.

Local Provider Participation Funds***

- Non-federal share of enhanced Medicaid payment through Uniform Hospital Rate Increase Program*.

Medicaid **Supplemental Payments**

Intergovernmental Transfer Payments**

- Non-federal share of DSH payments (provided by the state's six largest public hospitals/hospital districts with taxing authority).
- Non-federal share of 1115 Waiver UC payments (provided by the state's public hospitals/hospital districts with taxing authority).
- Non-federal share of 1115 Waiver DSRIP payments (provided by the state's public hospitals/hospital districts with taxing authority).

Local Provider Participation Funds***

- Non-federal share of UC payments.
- Non-federal share of DSRIP payments.
- Potential future non-federal share of DSH payments.

Definitions

***Uniform Hospital Rate Increase Program**

A Medicaid reimbursement rate increase program for hospitals contracting with Medicaid managed care organizations, approved by the Texas Health and Human Services Commission and Centers for Medicare & Medicaid Services.

Implementation began statewide in March 2018. Twelve of the state's 13 managed care service delivery areas have an approved UHRIP.

The increased reimbursement rate can be applied to all or a subset of inpatient hospital services, outpatient services or both, as determined by THHSC.

The non-federal share of UHRIP payments is financed through local provider participation funds or intergovernmental transfer payments, depending on the service delivery area.

****Intergovernmental Transfer Payments**

A method of finance, **using local property tax revenue**, to draw down the non-federal share of Medicaid supplemental payments – DSH, UC and DSRIP payments -- as well as enhanced Medicaid reimbursement through the Uniform Hospital Rate Increase Program.

Hospital districts with taxing authority use local property tax revenue to fund the IGT payment to the state Medicaid agency, which it uses to draw down federal matching Medicaid funds.

Continued use of IGT payments for Waiver supplemental payments potentially is uncertain as CMS has questioned its use in the past. In the most recent Waiver agreement, the agency reserved the ability to review at any time the sources of the non-federal share of Waiver payments.

*****Local Provider Participation Funds**

A method of finance, **using hospital net patient revenue**, to draw down the non-federal share of Medicaid supplemental payments as well as increased Medicaid reimbursement through the Uniform Hospital Rate Increase Program.

As of April 1, 2018, 19 jurisdictions (cities or counties) have legislative authority to establish an LPPF.

Texas Hospital Financing

MEDICAID'S ROLE IN HOSPITAL FINANCING

The Medicaid program, a state and federal partnership, has a complex and vital role in how Texas hospitals are paid. It includes both:

- **Reimbursement** for health care services delivered to those insured through the Medicaid program.
- **Supplemental payments** that partially offset the costs of caring for Texans without health insurance and the lower-than-cost Medicaid reimbursement.

All Medicaid payments to hospitals – whether reimbursement or supplemental payments – require a non-federal contribution of funds. In Texas, depending on the payment, this non-federal contribution comes from state general revenue, local property tax revenue or hospital net patient revenue.

Medicaid Reimbursement

For delivering Medicaid-covered services to approximately 4.5 million Medicaid beneficiaries, most general acute care hospitals in the state are reimbursed at 70 percent, on average, of audited allowable costs. This underpayment creates a **shortfall** for Texas hospitals of **$2.7 billion each year.**

Texans Without Health Insurance

4.5 MILLION Uninsured Texans

$4.5 BILLION cost to Texas HOSPITALS TO care for the uninsured

Texas leads the nation in the number of uninsured residents. Approximately 17 percent of, or **4.5 million**, Texans have no health insurance. Yet, state and federal law require Texas hospitals to treat anyone who seeks it, regardless of their insured status or ability to pay. This obligation creates a **financial burden for Texas hospitals of $4.5 billion** each year.

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A CLOSER LOOK AT MEDICAID'S CURRENT ROLE IN HOSPITAL FINANCING

1 Medicaid **Reimbursement**

70% ON AVERAGE OF **AUDITED ALLOWABLE COSTS**

HOSPITAL REIMBURSEMENT FOR DELIVERING MEDICAID-COVERED SERVICES TO MEDICAID BENEFICIARIES

WITH APPROXIMATELY $307 MILLION APPROPRIATED BY THE 85TH TEXAS LEGISLATURE FOR 2018-19, some hospitals receive increased Medicaid rates because of their vital role as part of the health care safety net benefitting all Texans:

- Rural hospitals for outpatient services.
- Designated trauma hospitals.
- Designated safety net hospitals.

2018

Beginning in 2018, some hospitals receive additional Medicaid **reimbursement** through their contracts with Medicaid managed care companies as part of the Uniform Hospital Rate Increase Program.*

2 Medicaid **Supplemental Payments**

There are two types of Medicaid hospital **supplemental payments**. All require a non-federal contribution in order to receive federal matching funds:

Medicaid hospital **supplemental payments** are designed to help offset the lower-than-cost Medicaid reimbursement rates and support hospitals in providing care to low-income and uninsured Texans, as required by federal and state law.

Texas hospitals currently have a shortfall of $7.2 billion because of:

- Medicaid under payment ($2.7 billion).
- Cost of caring for the uninsured ($4.5 billion).

Hospital

Disproportionate Share Hospital payments

170: Number of Texas hospitals receiving DSH payments.

$1.79 billion: 2017 DSH payments to Texas hospitals.

- **$1 billion** = Federal share
- **The federal share of DSH payments is scheduled to decrease in October 2019** as part of DSH cuts in the Affordable Care Act in response to expected decreases in the number of uninsured.
- **$790 million** = Non-federal share

1115 Waiver

Medicaid 1115 Transformation Waiver payments includes Uncompensated Care payments and Delivery System Reform Incentive Program payments

Uncompensated Care payments

- **574**: Number of Texas hospitals receiving Waiver UC payments.
- **$2.7 billion**: 2017 UC payments to Texas hospitals.
  - **$1.6 billion** = Federal share
  - **$1.04 billion** = Non-federal share
- **$2.7 billion**: Total available UC funding 2018 and 2019.
- **Beginning in 2020**, UC payments will change as CMS is requiring available UC funding no longer to account for the Medicaid shortfall and only account for uninsured charity care costs.

Delivery System Reform Incentive Program payments

- **220**: Number of Texas hospitals receiving Waiver DSRIP payments.
- **$2.7 billion**: 2017 DSRIP payments to Texas hospitals.
  - **$1.5 billion** = Federal share
  - **$1.2 billion** = Non-federal share
- **$3.1 billion**: Total available DSRIP funding 2018 and 2019
- **Beginning in 2020**, DSRIP funding decreases, eventually zeroing out in 2022.