Texas Section 1115 Uncompensated Care Waiver Update

Texas Critical Access Hospital Conference

June 21, 2018

Texas Section 1115 Uncompensated Care Waiver Update

TEXAS
Health and Human Services

Waiver allows for

- Managed Care
- DSRIP
- UC

Additional demonstration activities approved by CMS and within Budget Neutrality

Texas Section 1115 Uncompensated Care Waiver Update

Background

- First five years – December 2011 (DY 1) to September 2016 (DY 5)
- Fifteen month extension – October 2016 (DY 6A) to December 2017 (DY 6B)
- Five year renewal – October 2017 (DY 7) to September 2022 (DY 11)
- The renewal rolled DY 6B into DY 7

TEXAS
Health and Human Services

Texas Section 1115 Uncompensated Care Waiver Update

Managed Care

- Managed Care accounts for about 96% of Texas Medicaid population. Main programs are:
  - STAR
  - STAR+PLUS
  - STAR+PLUS HCBS
  - STAR Kids
  - STAR Health
  - Children's Medicaid Dental Services
  - Medicare Advantage Dual Eligible Special Needs Plan
  - Nursing Facility Carve-in
  - Dual Demonstration

TEXAS
Health and Human Services

Texas Section 1115 Uncompensated Care Waiver Update

Delivery System Reform Incentive Payments (DSRIP)

- Incentive payments to hospitals and other providers to enhance access to health care, increase the quality of care, cost-effectiveness and improve health of the patients and families served
- Waiver renewal contains two years of level funding ($3.1 BN each)
- Next two years is $2.91 BN and $2.49 BN respectively
- DSRIP is $0 in last year of renewed waiver

Texas Section 1115 Uncompensated Care Waiver Update

Uncompensated Care Payments

- Renewed waiver continues the UC program
- Through 9/30/2018, UC Payments are to defray the actual uncompensated cost of medical services that meet the definition of "medical assistance" contained in section 1905(a) of the Act, that are provided to Medicaid eligible or uninsured individuals incurred by hospitals, clinics, or by other provider types, as agreed upon by CMS and the state

TEXAS
Health and Human Services

Texas Section 1115 Uncompensated Care Waiver Update

Uncompensated Care Payments

- Starting 10/1/19, UC payments are to defray actual uncompensated cost of services provided to the uninsured as charity care by hospitals, physician provider groups, governmental ambulance providers and governmental dental providers
- Includes uninsured full or partial discounts by UC providers for all or a portion of services patients who meet the provider's charity care policy and that adhere to the charity care principles of the Healthcare Financial Management Association http://www.hfma.org/WorkArea/DownloadAsset.aspx?id=14589.

Texas Section 1115 Uncompensated Care Waiver Update

Uncompensated Care Payments

- To qualify for a UC Payment, hospitals must submit an annual UC Application that collects eligible cost and payment data (two-year lag).
- Hospitals must report data consistent with the Medicare Form 2552-10 cost report.
- Non-hospital providers must complete a CMS-approved cost report consistent with Medicare cost reporting principles
- Providers may continue to request cost & payment data be adjusted to reflect increases or decreases in costs, resulting from changes in operations or circumstances

TEXAS
Health and Human Services

Texas Section 1115 Uncompensated Care Waiver Update

Uncompensated Care Payments

- Criteria to submit a UC application:
  - Private providers must have an executed indigent care affiliation agreement on file with HHSC
  - Only providers participating in a Regional Health Partnership (RHP) are eligible to receive a UC Payment, although exceptions may be approved by CMS on a case by case basis

Texas Section 1115 Uncompensated Care Waiver Update

UC Payments – Transition to Charity Care Costs

- Draft funding and reimbursement protocol for UC Payments beginning in DY 9 due to CMS by 3/31/18 for each provider type
- Protocol contains
  - Definition of Uncompensated Charity Costs
  - The allowable source documents to support costs
  - Detailed instructions on calculating and documenting eligible costs
  - A schedule for reconciliation of payments against actual charity care cost documentation

TEXAS
Health and Human Services

Texas Section 1115 Uncompensated Care Waiver Update

UC Payments – Transition Milestones and Possible Penalties

- 20% permanent reduction in UC expenditure authority for DY 7 if draft protocol not submitted to CMS by 3/30/18 (milestone met)
- Expectation of CMS approval of draft protocol within 90 calendar days (no penalties)
- If protocol not implemented by 10/1/19, 20% permanent reduction in DY 9

Texas Section 1115 Uncompensated Care Waiver Update

UC Payments – Transition Milestones and Possible Penalties (cont'd)

- 20% reduction in DY 8 if draft revised UC applications for all provider types not submitted by 5/1/2019 or if CMS has not approved the revised tools by 8/31/19
- 20% in DY7 unless proposed TAC rules are not published by 7/31/18
- 20% in DY8 if rules not implemented by 1/31/19 and effective by 9/30/19
- If reductions are applied more than once for a DY, the reductions are cumulative

TEXAS
Health and Human Services

Table 1. Pool Sizes

Type of Pool	DY 6** (2016-2017)	DY 7** (2017-2018)	DY 8 (2018-2019)	DY 9 (2019-2020)	DY 10 (2020-2021)	DY 11 (2021-2022)
UC	$3.1 BN	$3.1 BN	$3.1 BN	$2.334 BN*	$2.334 BN*	$2.334 BN*
DSRIP	$3.1 BN	$3.1 BN	$3.1 BN	$2.9 BN	$2.49 BN	$0

*UC Pool limit amounts for DY 9-11 are placeholder amounts

Texas Section 1115 Uncompensated Care Waiver Update

UC Sizing – Transition to Charity Care & S-10

- UC Pool limits for DY 9-11 will be revised based on the amount of uncompensated charity care cost provided by Texas hospitals
- Revision is to take place by September 1, 2019
- S-10 data from cost reports beginning in calendar year 2017 will be used for resizing
- The resizing "will be based on information reported by hospitals for 2017 on schedule S-10 of the CMS 2552-10 hospital cost report, with adjustment to ensure that demonstration pool payments do not enter the calculation, following a methodology approved by CMS. For non-S-10 hospitals, costs will be based on the CMS-approved cost reports described in Attachment H for the most recent available year. The results of the reassessment will be used to revise the UC Pool limits for DY 9-11."

TEXAS
Health and Human Services

Texas Section 1115 Uncompensated Care Waiver Update

UC Sizing – Transition to Charity Care & S-10

- CMS proposed methodology is to reduce pool size, on a hospital specific basis, for "Medicaid overpayments"
- Medicaid overpayments are defined as the sum of DSH payments, base rate payments, and non-waiver supplemental payments that are in excess of Medicaid cost
- Medicaid overpayments are applied on a hospital-specific level; not aggregated for the state
- CMS says they are applying this approach in other states

Texas Section 1115 Uncompensated Care Waiver Update

UC Sizing – Transition to Charity Care & S-10

- HHSC Position:
  - DSH payments for non-charity-care costs should not offset charity-care costs
  - Non-DSH Medicaid payments should not offset charity-care costs at a hospital-specific level
  - There is no reason that CMS must apply the same policy to every state
  - CMS has not established that the same methodology has been used in other states and whether that is insufficient justification for the proposed methodology

TEXAS
Health and Human Services

Texas Section 1115 Uncompensated Care Waiver Update

UC Sizing – Transition to Charity Care & S-10

- Other issues related to use of S-10 Charity Costs:
  - Use of S-10 Line 2 as source for Medicaid revenue
  - S-10 Line 8 amounts should not be used to determine the difference between revenue and cost for the Medicaid program because doing so ignores the losses incurred by many hospitals

Texas Section 1115 Uncompensated Care Waiver Update

UC Sizing – Transition to Charity Care & S-10

- Using CMS proposed methodology on 2016 cost report data gives a pool size of $2.733 BN
- Hospitals must ensure that their S-10 data in cost reporting beginning in 2017 are accurate
- Hospital can request that their cost reports be reopened to submit correct data
- If the Medicare Administrative Contractor declines to reopen a cost report for S-10 corrections, inform HHSC (uctools@hhsc.state.tx.us)

Texas Section 1115 Uncompensated Care Waiver Update

UC Transition – Current Activities

- HHSC will continue to engage with CMS on the UC pool sizing methodology
- Stakeholders have been and will continue to be engaged throughout this process
- Two workgroups
  - Hospital Association Workgroup
  - Technical Workgroup
- Modeling of Payments are discussed with the Technical Workgroup

Recap

We have discussed:

- Scope of Waiver
- Background from 2011
- Waiver renewal changes
- UC reimbursement transition to charity care
- Uncompensated care pool size changes
- Current activities

Questions?

Thank you

Selvadas Govind

Director of Rate Analysis

Selvadas.Govind@hhsc.state.tx.us