140 Days (plus plus plus)
Hospital Highlights of the 83rd

TEXAS HOSPITAL ASSOCIATION

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State Budget

H.B. 10 - Medicaid IOU

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House Bill 10:

- Supplemental Appropriations Bill for 2012-2013 biennium
- Funded $4.5 billion shortfall in Medicaid
- Also addresses education funding
- Effective March 13, 2013

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H.B. 1025 – Supplemental, Supplemental Bill

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- Another piece of the budget appropriations “package”
- Subsequent appropriations for issues that did not need immediate attention:
  - Vehicle for 2013 DSH Funding
  - $138 M from the Trauma Fund to be transferred to THHSC as the state match for DSH.
    - 6 Large Public Hospitals to IGT ~$318M
  - Provides supplemental funds for several non-healthcare purposes (e.g., wildfires, etc.).

State Budget

S.B. 1 Hospital Supplemental Payments

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SB1 – The biennial budget bill FY 2014-15

- **Rider 86**
  - **Appropriating as much as $300 million** in state General Revenues in fiscal years 2014 ($160m) and 2015 ($140m) to improve Medicaid hospital payments either as DSH or through rate adjustments;
  - **Developing a framework/plan to improve the system** for providing Medicaid payments to hospitals that addresses:
    - Proportional allotment of DSH and UC among:
      - Large public hospitals
      - Small public hospitals; and
      - Non-public hospitals

State Budget

Hospital Supplemental Payments cont.

- **SB1 – Rider 86 –** THHSC Plan (Continued)
  - Allotment based on care rendered to Medicaid and low income patients and on IGT provided by large public hospitals;
  - The impact of Medicaid shortfalls and uncompensated care costs;
  - Methods to:
    - Flow at least some of these payments through Medicaid MCOs;
    - Transition payments from DSH to quality-based payments; and
    - *Eliminate the use of state GR for DSH after 2015*.

Linking the appropriation to demonstrable measures:

- In 2014 – documenting progress towards the development of the plan mentioned above; and

  In 2015 – finalizing the plan;

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Graduate Medical Education

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Included in the budget bills, **Senate Bill 1** and **House Bill 1025,** is a relative restoration in funds for GME. Funding will both support and maintain current residency programs while generating up to 100 new first-year residency slots.

- Almost $9 million to increase the Health Related Institution GME formula;
- Almost $13 million for the Family Practice Residency Program.
- Almost $2 million to the THECB to award planning grants to hospitals that have never had residency programs
- $12.4 million to the THECB for GME expansion.

The Physician Loan Repayment Program was restored with a $28.2 million increase in funds for four years of loan repayments to two cohorts of 100 physicians. Apply at www.thecb.state.tx.us/lrp

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Cost Containment Rider

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Rider 51 – HHSC Cost Containment Initiatives:

- Directs THHSC to use a variety of methods to achieve savings of as much as $400 Million General Revenue / $963 Million All Funds
- Nine of these would impact hospitals potentially totaling $185.9 M GR / $445.5 M All Funds

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Cost Containment Rider in S.B. 1

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Rider 51 components with direct impact on hospitals:

- Quality-based payment adjustments.
- Improve birth outcomes/reduce preterm births.
- **Transition outpatient payments to prospective payment system that maximizes bundling, including imaging (EAPGs).**
- **Develop hospital ER rates for non-emergency visits.**
- Strengthen prior authorization requirements.
- Expand initiatives to pay more appropriately for outlier payments.
- Adjust reimbursement for labor and delivery services provided to adults at children's hospitals.
- **Re-establish hospital 30-day spell of illness limitation in STAR+PLUS.**
- Enforce appropriate payment practices for non-physician services.

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Nursing and Trauma Funds in S.B. 1

- Professional Nursing Shortage Reduction Fund – To increase nurse graduates and nurse faculty: $34 million in 2014-15 at the THECB.
- Trauma Fund - $59 million in 2014-15
  - Includes SDA trauma add-on amounts

THA Supports Medicaid Expansion

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Medicaid Expansion

Legislation, Riders Fail to Pass

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- House Bill 3791: Rep. John Zerwas (R-Fulshear) sought to use the federal funding intended for Medicaid expansion to create subsidies that increase private market access to those who do not receive health coverage benefits through an employer. Bill did not make it out of House Calendars Committee.
  - NOT a Medicaid expansion bill
  - Requests federal flexibility to use federal funds designated for the Texas Medicaid program in a block grant; and if unsuccessful,
  - Requires the development of a new, cost-neutral program to provide low-income individuals with premium assistance in the private market using federal matching funds, premium tax revenue and general revenue offsets
- Leach Amendment to SB 7: only provide Medicaid to those eligible prior to ACA implementation

Impact of "Texas Solution" in Medicaid Debate on Expansion of Coverage

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- Employers would save up to $448 M in penalties
  (Source: Jackson Hewitt Tax Service)
- Texas would draw down average of $6 B in federal funds each year during 2014-2017
  (Source: THHSC)
- Cumulative net benefit to Texas economy over 10 years: $300.8 B (in 2012 dollars) in output
  (Source: The Perryman Group)
- A market-based approach for the expansion population, along with enrollment of current eligibles in Medicaid, would be 24% more efficient in the use of public resources than the traditional Medicaid approach (Source: The Perryman Group)

Hospital Regulation

- THA saw an increased legislative interest in creating levels of care designation:
  - HB 15: Requires THHSC and TDSHS to develop and assign levels of care designations to each hospital for neonatal and maternal services. (Signed by Governor)
    - Must be designated to receive Medicaid payment. Neonatal designation required by 08/31/17; maternal designation required by 08/31/19.
    - Creates Perinatal Advisory Council to recommend criteria for designation and includes four specific hospital representatives.
  - SB 1177: Would have established designation levels for ST segment elevation myocardial infarction (STEMI) facilities. Effort opposed by THA and Texas Chapter of the American College of Cardiology. (Died in House)

Medicaid 1115 Transformation Waiver

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- Budget deficit during the 2011 session led to need for cost savings
- Upper Payment Limit Program - $2.8 billion/year (AF)
- Eliminated due to statewide expansion of managed care
- Save supplemental funding to hospitals

Waiver's Two Pools: UC and DSRIP

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Medicaid 1115 Waiver Pool

Uncompensated Care Subpool

Pays hospitals for cost of care not compensated by Medicaid directly or through DSH

- Inpatient
- Outpatient
- Pharmacy
- Clinic
- Physician

Hospitals eligible for funding must commit to investing in system transformation.

Hospitals must participate in a Regional Healthcare Partnership to receive funds from either pool.

Delivery System Reform Incentive Payment Subpool

Pays hospitals for achieving metrics that move toward the triple aim

- CATEGORY 1 – Infrastructure Development
- CATEGORY 2 – Program Innovation & Redesign
- CATEGORY 3 – Quality Improvements
- CATEGORY 4 – Population Focused Improvements

Regions for the Waiver

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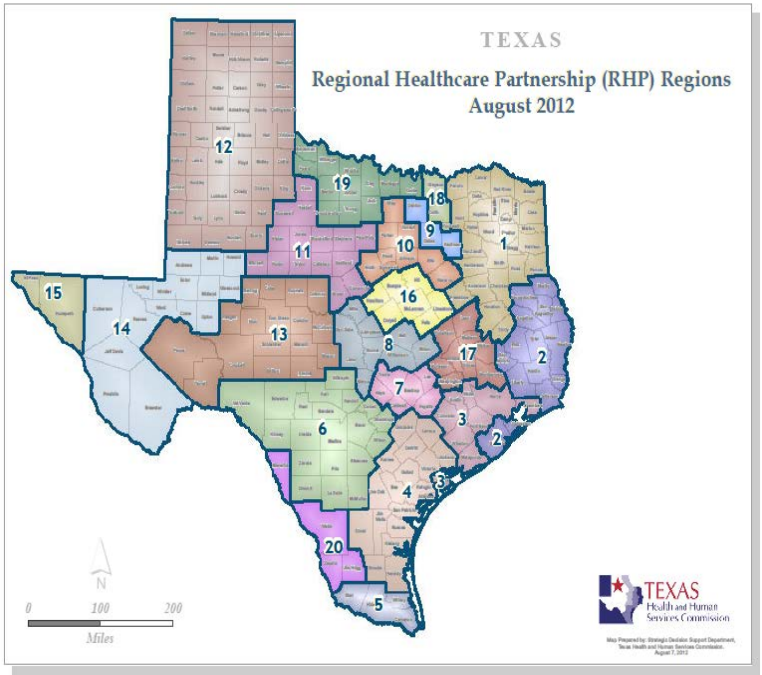
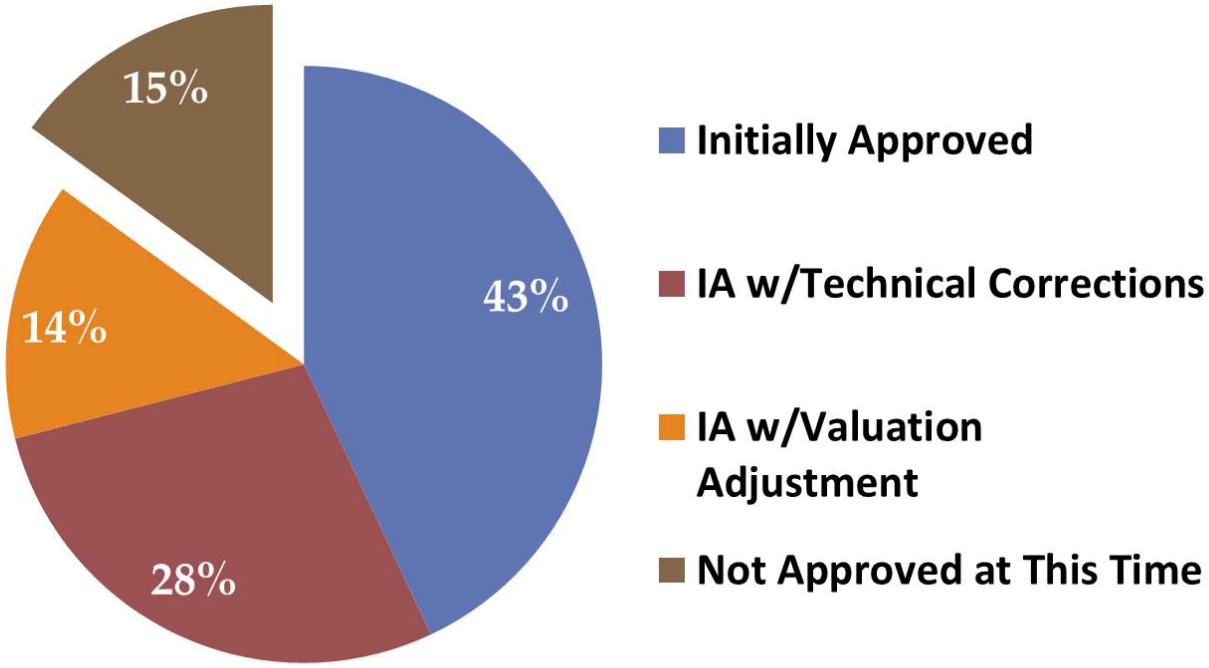
- 20 regions based on prior upper payment limit program relationships
- Participants
  - Anchors
  - Funding Entities
  - Performing Providers



Waiver DSRIP Projects

- HHSC & CMS provided feedback on submitted RHP plans
- 1,304 Category 1 & 2 projects ($9.68 B); top projects:
  - 1.1 – Expand Primary Care Capacity
  - 1.9 – Expand Specialty Care Capacity
  - 2.13 - Intervention for targeted BH population to prevent unnecessary use of services in a specified setting
  - 2.9 – Expand/Establish Patient Care Navigation Program

Status of DSRIP Projects



DSRIP	DY 2 (2012-13) $2.3B	DY 3 (2013-14) $2.666B	DY 4 (2014-15) $2.852B	DY 5 (2015-16) $3.1B	Total $10.918B	**Amt on Table $1.018B**

Questions?

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