82nd LEGISLATURE: ISSUES OF SIGNIFICANCE TO CHILDREN'S HOSPITALS

MEDICAID

- Appropriations for Medicaid in 2012-13 total $16.4 billion General Revenue (GR) and $38.9 billion All Funds.
- In 2010-11, Medicaid funding totals $15.8 billion GR and $49.4 billion All Funds.
- Compared to 2010-11, funding levels in 2012-13 represent a 4% increase in GR, but a 21% decrease in All Funds.

BIENNIAL COMPARISON (amounts in millions)	Budgeted 2010-11	Appropriated 2012-13	Amount Difference	% Change
Medicaid Program				
General Revenue + General Revenue-Dedicated*	$15,784.4	$16,364.1	$579.7	3.7%
Federal Funds*	$33,384.3	$22,306.5	-$11,077.8	-33.2%
Other	$249.8	$248.7	-$1.1	-0.4%
Total Medicaid*	$49,418.5	$38,919.3	-$10,499.2	-21.2%

*Amounts have been adjusted to reflect reductions in Article IX, General Provisions.

- The number of Medicaid recipients is projected to grow about 3% each year, from 3.5 million in 2011 to 3.7 million in 2013.
- To save $700 million GR in 2013, the Health and Human Services Commission (HHSC) is directed to seek waivers on eligibility, benefits, copays, blended funding for hospital and long-term care, or 100% federal funding for undocumented persons.
- To achieve $450 million in GR savings HHSC is directed to consider 30 cost containment initiatives.
- HHSC is authorized to defer March 2013 managed care premium payments to April 2013 and defer April 2013 payments to May 2013. The Department of Aging and Disability Services has similar authority for long-term care payments.
- The 2012-13 funding level is estimated to be $5.0 billion (GR) short of the current services forecast for the Medicaid program, requiring a Supplemental Appropriations bill in Spring 2013.

Medicaid Shortfall: 2012-13	Current Services Forecast	Conference Committee Funding	Projected Medicaid Shortfall
Department of Aging and Disability Services			
State Match	$4,694.2	$3,758.0	$936.2
Federal Funds	$6,445.6	$5,160.2	$1,285.4
Total	$11,139.8	$8,918.2	$2,221.6
Health and Human Services Commission			
State Match	$16,711.9	$12,679.7	$4,032.2
Federal Funds	$22,176.1	$16,825.5	$5,350.6
Total	$38,888.0	$29,505.2	$9,382.8
Total Medicaid Shortfall			
State Match	$21,406.1	$16,440.8	$4,965.3
Federal Funds	$28,621.7	$21,982.6	$6,639.1
Total	$50,027.8	$38,423.4	$11,604.4

*Amounts have been adjusted to reflect reductions in Article IX, General Provisions.

MEDICAID (CONTINUED)

- **Reimbursement Issues:**
  - Maintains TEFRA full cost reimbursement for children's hospitals inpatient services.
  - Limits further rate cuts for physicians, dental providers and pediatric private duty nursing and home health (to 2% reduction implemented in 2010-11).
  - Decreases inpatient rates at other hospitals by 8% (in addition to current 2%).
  - Decreases rates for Durable Medical Equipment and Lab Services by 10.5%.
  - HHSC is directed to reimburse hospitals (other than children's and rural) using a statewide Standard Dollar Amount (with add-ons allowed to recognize high-cost functions).

- **Upper Payment Limit (UPL) Issues:**
  - The line item appropriation of $25 million GR for Children's UPL match was reduced to $0.
  - HHSC is authorized to provide up to $5 million GR for Children's Hospital UPL payments, if a critical need is demonstrated, following efforts to access funds through private UPL payments.
  - HHSC is directed to collect data to provide transparency regarding claims associated with UPL and to conduct an independent audit that includes a review of regional affiliations, uncompensated care claims and contractual agreements.

- **Cost containment initiatives** totaling $705 million GR were adopted, including:
  - $296 million for capping payments for dual eligibles at Medicaid rates; and
  - $169 million for adjusting HMO premiums to average acuity.

- **Quality-based payment reforms** were adopted in a number of riders:
  - Reducing potentially preventable readmissions and complications;
  - Identifying over-utilized physician services;
  - Reducing non-emergent use of emergency room services; and
  - Reducing pediatric ICU admissions and costs for high-risk infants discharged from neonatal ICUs.

- Contingent on the Comptroller certifying additional revenue during the interim, up to $700 million GR is appropriated for Medicaid.

OTHER HEALTH AND HUMAN SERVICES FUNDING ISSUES

- **CHIP**. Despite anticipated growth in enrollment (from 573,769 children to 2011 to 625,457 in 2013), funding in 2012-13 is slightly less ($17 million) than in 2010-11. Changes in federal law allow the state to now draw federal funds for legal immigrant children and children of state employees. Also, premium costs are adjusted to average acuity, parallel to the Medicaid cost containment policy.

- **Trauma.** Funding for 2012-13 totals $115 million, which is $35 million less than the amount appropriated for 2010-11 (or $25 million less than the amount budgeted for 2010-11 following interim budget reductions). A transfer of trauma funding is allowed for maximizing Medicaid funds, if funding levels to designated trauma facilities would not decline.

- **Children with Special Health Care Needs.** Funding declines by $16 million compared to appropriated amounts in 2010-11 (from $87 million to $71 million).

- **Early Childhood Intervention Services.** Funding in 2012-13 is slightly less than 2010-11 appropriated amounts ($322 million versus $326 million).

- **Children's Mental Health Services**. An increase of $21 million is appropriated in 2012-13 (from $132 million in 2010-11 to $153 million).

- **Tobacco Cessation**. Funding is reduced by a third (from $24 million in 2010-11 to $16 million in 2012-13).

- **Obesity/Chronic Disease Prevention**. Funding at the Department of State Health Services (DSHS) is reduced 43%. The Comptroller is provided $2 million for school-based grants and a web portal.

- **Immunizations**. Funding for 2012-13 is consistent with the budget for 2010-11 ($170 million), providing more than 14 million vaccine doses to children.

- **Medically Dependent Children's Waiver.** The $84 million funding level for the 2012-13 program is 18% less than amounts in 2010-11. A number of cost containment measures for Medicaid waiver programs were adopted.

LEGISLATION OF INTEREST TO CHILDREN'S HOSPITALS

- **SB 7 by Nelson.** Requires HHSC to develop quality-based payment systems, convert hospital reimbursement to APR-DRGs, and adjust payments for Potentially Preventable Readmissions and Complications. Converts children's hospitals from TEFRA reimbursement to APR-DRGs by September 2013. Repeals the ban on Medicaid managed care in Cameron, Hidalgo and Maverick Counties. Requires HHSC to evaluate physician incentive programs to reduce non-emergent use of emergency rooms and implement a program if cost-effective. Directs HHSC to adopt cost-sharing provisions for non-emergent use of emergency rooms. Ends the State Kids Insurance Program (SKIP) and requires automatic CHIP enrollment.

- **SB 27 by Zaffirini.** Requires **s**chool districts to adopt a policy for the care of students with a diagnosed food allergy at risk for anaphylaxis.

- **SB 229 by Nelson.** Requires rural and children's hospitals to provide newborn hearing screening services.

- **SB 293 by Watson.** Adds telehealth as a Medicaid service and allows HHSC to provide services if it is cost-effective.

- **SB 1107 by Davis.** Requires students enrolling in institutions of higher education to provide evidence of bacterial meningitis vaccination or booster within 5 years of enrollment.

- **HB 359 by Allen.** Allows parents (or guardians) to opt-out of corporal punishment to discipline a student with a written, signed statement prohibiting use.

- **HB 1386 by Coleman.** Directs TEA and DSHS to develop a list of mental health intervention and suicide prevention programs for elementary, middle and high schools. Authorizes school districts to select from the list a program appropriate for implementation.

- **HB 1983 by Kolkhorst.** Requires HHSC to adopt evidence-based initiatives to reduce the number of elective, or non-medically indicated, induced Medicaid deliveries or cesarean sections performed at a hospital before the 39th week of gestation.

- **HB 2038 by Price.** Requires schools to adopt concussion policies and practices, including establishment of a concussion oversight team and a return-to-play protocol, for a student's return to interscholastic athletics practice or competition following a concussion.

- **HB 2245 by Zerwas.** Directs HHSC to evaluate physician incentive programs that attempt to reduce non-emergent use of hospital emergency rooms by Medicaid recipients.

- **HB 2312 by Coleman.** Creates an advisory committee to make recommendations related to the needs of individuals with sickle cell trait or sickle cell disease and directs DSHS to identify grants and funding mechanisms for education, treatment and prevention.

- **HB 2636 by Kolkhorst.** Creates the Neonatal Intensive Care Unit Council to recommend operating standards and an accreditation process for Medicaid reimbursement.

- **HB 3336 by Coleman.** Requires providers who offer prenatal care or delivery services to include in resource pamphlets for parents or caregivers information on pertussis disease, including availability of a vaccine and the CDC recommendation that parents receive Tdap during the post-partum period.