

Retention of Funds in Supplemental Payment Programs

Relating to retention of funds for administration of supplemental payment programs



TEXAS
Health and Human
Services

Sen. Juan "Chuy" Hinojosa • Senate Bill 2138 | Rep. James Frank • House Bill 4426

Problem

The Texas Health and Human Services Commission (HHSC) administers supplemental payments for numerous programs as authorized by federal law (Section 1115 waiver programs and directed payment programs) but is authorized to retain funds in only a handful of them. General revenue dollars fund the state share of administrative costs to operate the remaining programs.

- Staff from various HHSC departments (i.e., rate analysis, hospital finance, legal services, accounting, actuarial analysis, policy and rules) manage these supplemental payment programs.
- As the programs grow in number and complexity and federal reporting requirements change, additional staff and resources are needed to administer these programs. Short of additional general revenue or other funding sources, staff and resources will need to be diverted to maintain these programs and comply with federal requirements.

Solution

- Currently HHSC retains funds to administer the School Health and Related Services (SHARS) program and Delivery System Reform Incentive Program (DSRIP). This initiative would allow HHSC to retain a small percentage of funds (non-general revenue), up to one percent, to administer the other supplemental payment programs and meet growing demands.
- Retained funds could only be used to implement the supplemental payment programs.
- This would allow the agency to provide greater oversight, make more timely payments, engage more regularly with participating entities, and evaluate changing funding mechanisms and reporting requirements.

What happens if we don't change the statute?

As the supplemental payment programs have evolved and become increasingly complex, HHSC staff whose primary responsibilities are for other agency activities, would be challenged to maintain appropriate oversight of the supplemental payment programs. Though HHSC staff will continue to be strong partners with participating entities, the agency believes additional resources are necessary for it to more nimbly engage and coordinate the existing programs, continue forging close relationships with entities to discuss innovative programs, improve existing programs and implement new ones.

Questions, comments or concerns?

Contact Brent Whitaker • Brent.Whitaker@hhsc.state.tx.us

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Q&A

What are supplemental payment programs and what are some examples?

Supplemental payments are above the contracted fee-for-service rates paid by the state or a managed care plan to certain providers that serve Medicaid patients, such as hospitals and nursing homes. A sample of some of the supplemental payment programs that HHSC administers but does not retain funds for include:

- Uncompensated Care (UC) program for hospitals, physician group practices, and publicly-owned ambulance and dental providers
- Uniform Hospital Rate Increase Program (UHRIP)
- Network Access Improvement Program (NAIP)
- Quality Incentive Payment Program (QIPP) for nursing facilities
- Graduate Medical Education (GME)
- Upper Payment Limit Supplemental Payment Programs for Intermediate Care Facilities for Individuals with Intellectual Disability or Related Conditions (ICF/IID) not owned by state governments

How big are these programs?

Based on fiscal year 2018, the table below lists a sample of the supplemental payment programs that HHSC implements and the program sizes. HHSC does not retain funds to administer these programs:

Program	Size (All Funds)
UC	\$3.1B
UHRIP	\$600M
NAIP	\$426M
QIPP	\$400M
GME	\$30.5M
ICF/IID	\$4.0M

What is HHSC currently doing in support of these programs?

Staff from various HHSC departments (i.e., rate analysis, hospital finance, legal services, accounting, actuarial analysis, policy and rules) manage these supplemental payment programs. To administer the programs, staff evaluate current Centers for Medicare and Medicaid Services (CMS) policies and regulations, model and evaluate new payment methodologies, communicate and negotiate with CMS, calculate payments, make certain payments, manage the collection and disbursement of the intergovernmental transfers, interact with participating entities, write rules and facilitate the rule-making process, and conduct fiscal analyses.

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What HHSC resources are currently expended to administer these programs?

HHSC estimates that it costs the agency approximately \$3.7 million in general revenue and \$7.4 million in All Funds annually to administer these supplemental payment programs; examples of costs include:

- Contracts with consultants to assist with running numbers.
- Contracts with independent auditors, as required by state and federal law.
- Rate Analysis Division staff to evaluate and administer the programs.
- Actuarial Analysis staff and actuarial contract costs to determine managed care rate adjustments.
- Salaries for two HHSC-dedicated positions for these programs, the Hospital Finance Director and the Senior Advisor for Hospital Services.
- Legal services department to review and advise on all policies and documents.
- Other HHSC staff (Financial Services, Office of Policy and Rules, Project Advisory and Coordination Team) to review, evaluate, and manage the programs.

Why not use general revenue dollars to administer these programs?

In 2011, when Texas received federal approval for the 1115 waiver, CMS authorized two new supplemental payment programs (DSRIP and UC). The legislature did not appropriate HHSC additional state funds to staff these programs and as a result, staff had to absorb these added

responsibilities. Since 2011, additional supplemental payment programs have been implemented (i.e., UHRIP, NAIP, QIPP). The programs have become more complex, have faced increasing scrutiny from CMS, and provider entities regularly approach HHSC to modify and expand the programs. As a result, resources required to continue to provide oversight of these programs also must grow with these programs.

What will this money be used for?

Retention of a portion of participating entities' payments can provide HHSC with the resources it needs to fully dedicate staff to the supplemental payment programs. This will allow the agency to provide greater oversight, make more timely payments, engage more regularly with participating entities, and evaluate changing funding mechanisms.

Can the retained money be used for anything else?

No, the retained money would be solely dedicated for the implementation of the supplemental payment programs.

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