HFMA DISCUSSION

RECENT DEVELOPMENTS IN
TEXAS SUPPLEMENTAL PAYMENTS

JANUARY 2019

BILL GALINSKY & JASON DURRETT

BaylorScott&White Health

Adelanto HealthCare Ventures L.L.C.
I. Uncompensated Care (“UC”)
   I. Demonstration Year (“DY”) 8 Funding
   II. DY9 / SFY2020 Funding
II. Children’s Hospital of Texas (“CHAT”) Decision
   I. General Update
III. Disproportionate Share Hospital (“DSH”)
   I. Budget Cuts
IV. Delivery System Reform Incentive Payment (“DSRIP”)
   I. Replace Program
V. Uniform Hospital Rate Increase Program (“UHRIP”)
   I. Program Year One Update
   II. Future of the program
VI. General HHSC Topics
   I. Affiliation Survey
   II. 1115 Waiver Renewal
Uncompensated Care
Demonstration Year 8

- Removal of Non-rural hospitals who qualified as Rider-38 hospitals
- Projected Non-Governmental Haircut for non-rider 38 hospital:
- UHRIP Payment within DY8 UC Tool
- Timeline:
  - Initial Payment: February 2019
  - Final Payment: September 2019
Uncompensated Care
Demonstration Year 9 / SFY 2020

• Final Rule Comments
• Allocation Rule
• S-10 Update
• Budget
CMS should follow the Special Terms and Conditions (STC) and allow the UC pool size to reflect total charity costs without a cap.

- Based on current modeling prepared by Deloitte on behalf of HHSC, total charity care costs are being capped at $3.1B. Total charity care costs without a cap is $3.9B.
- Based on a $3.9B cap, Non-Governmental providers will lose $334M versus $555M and Governmental providers will gain $769M versus $524M.
Uncompensated Care
Demonstration Year 9 / SFY 2020

- **Potential Impact on DFW Hospitals**
  - Depending on a hospital’s ratio of Medicaid Shortfall to total Hospital Specific Limit (“HSL”), the impact on a facility / system could be beneficial or detrimental.
  - The other key factor going into SFY2020, is how each hospital reviewed their charity care policies as bad debt is not included in the pool sizing and currently not in the allocation rules.

<table>
<thead>
<tr>
<th>Hospital / System</th>
<th>SFY 2019 (DY8)</th>
<th>SFY 2020 (DY9) No-Cap</th>
<th>SFY 2020 (DY9) Capped</th>
<th>Variance DY8 vs DY9 (No Cap)</th>
<th>Variance DY8 vs DY9 (Capped)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSWH</td>
<td>$208,993,816</td>
<td>$189,472,492</td>
<td>$165,113,560</td>
<td>$(19,521,324) -9.3%</td>
<td>$(43,880,257) -21%</td>
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<tr>
<td>HCA</td>
<td>67,383,595</td>
<td>90,192,760</td>
<td>76,055,847</td>
<td>22,809,165 33.8%</td>
<td>8,672,252 13%</td>
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<tr>
<td>JPS</td>
<td>94,716,727</td>
<td>162,824,931</td>
<td>137,303,572</td>
<td>68,108,204 71.9%</td>
<td>42,586,846 45%</td>
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<tr>
<td>Parkland</td>
<td>197,237,106</td>
<td>472,047,815</td>
<td>398,058,521</td>
<td>274,810,709 139.3%</td>
<td>200,821,415 102%</td>
</tr>
<tr>
<td>Methodist</td>
<td>47,715,871</td>
<td>65,381,070</td>
<td>55,133,169</td>
<td>17,665,199 37.0%</td>
<td>7,417,298 16%</td>
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<tr>
<td>THR</td>
<td>80,488,868</td>
<td>83,538,143</td>
<td>71,328,499</td>
<td>3,049,276 3.8%</td>
<td>(9,160,369) -11%</td>
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</tbody>
</table>

| Projected Pool Size | $3,100,000,000 | $3,892,911,416 | $3,100,000,000 | 792,911,416 25.6% | - | 0% |
To enable the transition to S-10 to be revenue neutral between the current methodology and the S-10 methodology, HHSC should revise the allocation methodology based on the following:

- Revise the DSH IGT credit for transferring publics to only include the IGT credit related to charity care and not charity care and bad-debt.
### Uncompensated Care
Demonstration Year 9 / SFY 2020

#### Managed Care Hospital Transition 1115 waiver

**BUDGET NEUTRALITY SUMMARY: March 2017 Update with 5 year renewal**

<table>
<thead>
<tr>
<th></th>
<th>DY 07 (FFY 18)</th>
<th>DY 08 (FFY 19)</th>
<th>DEMONSTRATION YEARS (DY)</th>
<th>DY 09 (FFY 20)</th>
<th>DY 10 (FFY 21)</th>
<th>DY 11 (FFY 22)</th>
<th>2018-2022 Total 5 yr WOW extension</th>
<th>2012-2022 TOTAL 11 yr WOW</th>
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<tbody>
<tr>
<td><strong>Waiver Pool</strong></td>
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<tr>
<td>OSHIP</td>
<td>$3,100,000,000</td>
<td>$3,100,000,000</td>
<td>$2,310,000,000</td>
<td>$2,490,000,000</td>
<td>$2,490,000,000</td>
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<td>$11,800,000,000</td>
<td>$25,118,000,000</td>
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<tr>
<td><strong>Network Access Improvement Project</strong></td>
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<tr>
<td>NAIP Expenditures</td>
<td>$426,149,909</td>
<td>$426,149,909</td>
<td>$426,149,909</td>
<td>$426,149,909</td>
<td>$426,149,909</td>
<td>$3,180,040,450</td>
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<tr>
<td>Nursing Facility Directed Payments</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
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<td><strong>Delivery System &amp; Provider Payment Initiatives</strong></td>
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<tr>
<td>Quality Incentive Payment Program (QIPP)</td>
<td>$400,000,000</td>
<td>$550,000,000</td>
<td>$550,000,000</td>
<td>$550,000,000</td>
<td>$500,000,000</td>
<td>$2,600,000,000</td>
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<tr>
<td>Uniform Hospital Rate Increase Program (UHRIP)</td>
<td>$600,000,000</td>
<td>$1,250,000,000</td>
<td>$1,150,000,000</td>
<td>$1,250,000,000</td>
<td>$1,500,000,000</td>
<td>$2,600,000,000</td>
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<tr>
<td><strong>Total WW Expenditures</strong></td>
<td>$30,543,357,508</td>
<td>$32,819,359,870</td>
<td>$33,279,756,519</td>
<td>$34,756,507,600</td>
<td>$34,169,414,074</td>
<td>$313,345,433,033</td>
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<tr>
<td>Expenditures (Over)Under Cap w/Savings Phase Down</td>
<td>$806,558,810</td>
<td>$248,440,810</td>
<td>$1,242,687,901</td>
<td>$1,454,728,162</td>
<td>$3,777,435,817</td>
<td>$7,529,861,498</td>
<td>$18,835,945,645</td>
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<tr>
<td>Duals Demonstration Savings Adjustment (03/15-12/18)</td>
<td>$27,729,935</td>
<td>$32,082,836</td>
<td>$34,328,077</td>
<td>$35,785,540</td>
<td>$35,285,785</td>
<td>$170,217,714</td>
<td>$204,721,168</td>
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<tr>
<td>Expenditures (Over)Under Cap w/out 00 Savings</td>
<td>$778,825,774</td>
<td>$216,352,174</td>
<td>$1,208,369,824</td>
<td>$1,471,942,522</td>
<td>$3,738,150,031</td>
<td>$7,359,644,325</td>
<td>$18,631,224,457</td>
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<td>5 Year Rollover of Savings</td>
<td>$1,613,621,225</td>
<td>$1,613,621,225</td>
<td>$1,613,621,225</td>
<td>$1,613,621,225</td>
<td>$1,613,621,225</td>
<td>$8,069,106,126</td>
<td>$8,069,106,126</td>
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<tr>
<td>Expenditures (Over)Under Cap w/Savings Rollover</td>
<td>$2,392,650,999</td>
<td>$1,830,173,399</td>
<td>$2,022,191,049</td>
<td>$3,031,763,147</td>
<td>$5,551,971,256</td>
<td>$15,428,750,450</td>
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</tr>
</tbody>
</table>

Budget neutrality figures are estimated and subject to change as history and projections are updated. Projections for NAIP, QIPP, UHRIP are estimated and evaluated annually as each year comes due. Uncompensated Care Pool figures for DY09-11 are not yet final.
Worksheet S-10: Five Issues to Consider

1. Review Financial Assistance Policy (FAP) and Charity Care Policies
   a) Work with the Business Office to ensure the FAP and charity care policies are being followed
   b) Create separate charity care and uninsured discount transaction codes
   c) Create separate general ledger accounts to record charity care and uninsured discounts

2. Increase Uninsured and Charity Care Discounts
   a) Work with Operations and Accounting to increase uninsured and charity care discounts
   b) Uninsured discounts are typically not based on patients income or assets
   c) Review cash collections from uninsured to determine if increase in uninsured discounts will have negative impact on cash flow
   d) Be aware of geographic shift from bad debt to uninsured discounts if uninsured discounts are increased
   e) Create charity care sliding scale based on patients income or assets
Uncompensated Care
Demonstration Year 9 / SFY 2020

3. Implement Charity Care Presumptive Eligibility Program
   a) Expedite the recognition of charity care write-offs
   b) Automate charity care qualification process
   c) Will help identify patients that qualify as charity which will shift write-offs from bad debt to charity care
   d) Ensure consistent application of charity care policies across hospitals if in a multi-hospital system
   e) Improve audit documentation

4. Automate Preparation of Worksheet S-10
   a) Build template and queries to pull data that is reported on Worksheet S-10 straight out of patient accounting system and general ledger
   b) Build general ledger reconciliations between data pulled out of the patient accounting system to the general ledger
   c) Automation will improve accuracy and efficiency with the preparation of Worksheet S-10
   d) Improve audit results
Uncompensated Care
Demonstration Year 9 / SFY 2020

5. Be Prepared for Medicare and Medicaid Audits
   a) Starting with FFY 2017, CMS will begin audit of Worksheet S-10
   b) Medicare Administrative Contractors (MACs) have submitted audit request to providers
   c) Make sure that the right resources are in place to manage Worksheet S-10 audits
   d) Providers could experience material negative financial impacts due to Worksheet S-10 audits
Children’s Hospital of Texas Decision
General Update

• Timeline
• DSH Calculation
• DSH Payment
• UC Payment
Disproportionate Share Hospital ("DSH")
General Update

- Texas Medicaid DSH reductions will range from $134 million all funds in federal fiscal year 2018 to $537 million all funds in federal fiscal year 2025.
- Under the most unfavorable assumptions, the cuts will range from $386 million all funds in fiscal year 2018 to $1.5 billion all funds in federal fiscal year 2015.

HHSC Presentation
Delivery System Reform Incentive Payment ("DSRIP")
General Update

- Budget Reductions between SFY2019 and SFY2021
- Elimination of the program in SFY2020
- Replacement program
Uniform Hospital Rate Increase Program
Program Year One Update

• MCO Payments to providers
• QIF Reconciliation (Provider / MCO)
• IGT Refund
Uniform Hospital Rate Increase Program
Program Year One Update
Uniform Hospital Rate Increase Program
Future of the program

• Structure of the program (Claim payment vs. Lump sum payment)
• Projected Budget
General HHSC Topics
Affiliation Survey

• HHSC plans to review and comment on all UC affiliations by the end of January 2019
  – Responses will determine if the provider / governmental entity arrangement is:
    • OK
    • HHSC has additional questions
    • Issues as the affiliation is similar to the Dallas & Tarrant DAB case
**General HHSC Topics**

**Affiliation Survey**

- **What is the LPPF?**
  - The LPPF is a county administered fund that is utilized to help local safety-net providers access supplemental payments.
  - The only organizations that can pay into the fund are the hospitals in your counties. Individual taxpayers do not pay $1.
  - LPPF must comply with federal healthcare and tax regulations.

- **What jurisdictions have LPPFs?**
  - Counties: Hidalgo, Cameron, Webb, Bell, Gregg, Brazos, McLennan, Bowie, Hays, Cherokee, Smith, Angelina, Williamson, Tom Green, Grayson and Potter
  - City: Beaumont
  - Hospital Districts: Dallas County Hospital District (Parkland), Tarrant County Hospital District (JPS), and Amarillo Hospital District

- **Who can legally pursue LPPFs?**
  - Counties with more than one hospital
  - Cities with more than one hospital (county and city may not both have LPPFs)
  - Hospital districts
General HHSC Topics
1115 Waiver Renewal

• Topics