2019 Texas Healthcare Legislative & Regulatory Landscape

HFMA Lone Star Chapter
2019 Winter Conference

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Overview

• Texas Landscape

• Elections
• 2020-2021 Budget Proposals
• 86\textsuperscript{th} Legislature
• HHSC Initiatives
2018 Mid-term Elections

- 8.3 million ballots cast
- Republican leadership maintained status
- “Beto-effect”
- 12 seats flipped in Texas House
- 2 seats flipped in Texas Senate
- 3 former Texas Legislature members went to Congress
- 2 incumbent Republican Congressman lost
Senate Preview

- Lt. Gov. Dan Patrick
- 12 Democrats (+1)
- 19 Republicans (-1)
- New Senate HHS Committee Chairman
- Appetite for issues like bathroom bill?
Texas House Preview

- Speaker election dynamics
- New Speaker – Dennis Bonnen (R- Angleton)
- Democrats 64 (+9)
- Republicans 83 (-12)
- 3 seats – special election
- Reshuffle Committees
86th Legislature Hot Topics

• Comptroller estimate - $119.1 billion (8.1% more state funds available)
• Rainy Day Fund – ($15 billion record high)

• School Finance Reform and Education (House and Senate budgets $3 billion apart)
• Harvey
• Property tax relief
86th Legislative Healthcare

- Behavioral Health
- Trauma funding
- Opioid Crisis
- Medicaid funding
- GME
- Regulation of 501(a) health organizations
- Maintenance of Certification
- Surprise Billing
- Regulation of Freestanding ERs
- Price Transparency
- DNR
2020-2021 Texas Budget

• Medicaid
  – **House** = $62.9 billion AF with $23.7 billion GR; case load growth, but maintains FY 2019 ave. costs (increase of $2 billion due to better FMAP rate)
  – **Senate** = $67.6 billion AF with $25.2 billion GR; case load growth, but maintains FY 2019 ave. costs (increase of $2 billion due to better FMAP rate)
  – **Supplemental bill** $2.5 billion with $2.1 billion for Medicaid shortfall and $1 billion Harvey recovery, plus change
  – **Cost containment strategies** – from 2018-2019 *budget riders* - $400 million and 40% reimbursement reduction for non-emergent use of ER
2020-2021 Budget, cont’d

- **EMS/Trauma** - $251.5 million GR which is decrease of GR dedicated account, BUT funds will be offset by other methods of finance at HHSC (as per LBB summary)

- **Non-Medicaid/CHIP behavioral health** - $3.0 billion AF with $2.2 billion GR (includes increase of $88.3 million GR)
Highlights of Interim Charges/ suggested priorities

• *Behavioral Health* – Monitor: coordination of services and state funding; implementation of parity legislation; study and make recommendations to improve services available for identifying and treating children with mental illness.

• *Opioids* – Study impact of opioids and recommend strategies to increase the capacity to provide effective services.

• *Rainy Day Fund* – Study strategies to generate additional revenue for state obligations without comprising the Fund’s purpose; examine one-time funding and deferral measures.

• *Health Insurance Market* – Assess status of market and opportunities to improve through waivers of federal law or other mechanisms. [ADDRESS ACA ‘INDIVIDUAL MANDATE’ LAWSUIT?, 1332 WAIVERS?]
Highlights of Interim Charges – cont’d

- **Hurricane Harvey** – Examine use of federal funds by state agencies and identify opportunities to maximize the use of these funds.
- **MCO** – Evaluate: THHSC’s efforts to ensure compliance with contractual obligations; & analyze the pharmacy benefit in Medicaid.
- **Reimbursement** - Improve quality through P4P, VBP, in Medicaid, ERS, and TRS; evaluate the savings impact through reduced contracted provider rates and innovative VB models with HRI
- **Transparency** - Study efforts of DSHS and TDI to increase health care cost transparency, recommend ways to make provider and facility fees more accessible.
- **Balance Billing** – monitor implementation of legislation.
Texas Hospital Association

State General Revenue Spending (2014-15)

- Medicaid Not Consuming the State Budget
- GR HHSC spending less than GR spending on education
Estimated Texas Medicaid Hospital Payments and Supplemental Payments
($13.862 Billion All Funds, FY 2016)

- Supplemental Payments-Federal: $4.889B
- Supplemental Payments-IGT: $3.657B
- Hospital-Inpatient: $3.740B
- Hospital-Outpatient: $1.576B

Source: THHSC

Texas Hospital Association
Children account for the largest proportion of Medicaid enrollees but the smallest proportion of expenditures.
Medicaid in Texas Budget Perspective

- Growth in Costs Per Medicaid Enrollee vs. Growth in Costs Per Enrolled in the ERS & TRS Programs, 2006-2014
- Texas Medicaid 93% managed care
- Texas aggressively manages reimbursements, providers paid below cost
- Significant cost containment
  - e.g. cuts to non-emergent care in ER
- Attention to waste, fraud, abuse
Medicaid cost growth
Caseload is the primary driver of cost
Even with caseload increases, Texas Medicaid cost per person cost growth is substantially lower than the national trend.

- 4.2 million enrolled in Medicaid
  - 3.1 = Children
  - Increase of 2 million since 2000
  - Children are only 30% of expenditures
- Elderly & Disabled account for 60% of cost but only 30% of enrollees
- 1 in 4 children live in poverty
- 1000+ a day are moving to Texas

Source: HHSC Financial Services, HHS System Forecasting (Texas Medicaid data), CMS Office of the Actuary (U.S. data)
Uncompensated Care Increasing

Importance of UC funds in waiver

- Medicaid shortfall remains high
- Texas continues to have highest percentage and number of uninsured in nation.
Texas Health and Human Services Commission (HHSC)

- New Executive Commissioner - Courtney Phillips
- 1115 Waiver
- Method of Finance/Disallowance
- Procurement issues
- MCO contract oversight
Medicaid 1115 Waiver and Financing Issues

- Budget Neutrality Calculation
- UC Pool Size
- S10 UC Tool / Bad Debt Allowance
- Method of Finance / Disallowance
- DSRIP Transition
- Medical Shortfall
  - Hospital rates
  - UHRIP
  - LPPF
Rapid growth of managed care model

Source: HHSC Financial Services, HHS System Forecasting
FY 2017 is incomplete/not yet final
Re-Procurement of Major Medicaid and CHIP Contracts

- Operational start dates:
  - SEP 2018: CHIP Rural & Hidalgo
  - JAN 2020: STAR+PLUS Statewide
  - JAN 2020: Medicaid & CHIP Dental
  - JAN 2020: STAR & CHIP Statewide
HHSC Value-based care
Nine programs and initiatives

1. MCO/DMO Pay-for-Quality (P4Q)
2. MCO Alternative Payment Models (APM)
3. Hospital Quality Payment Program
4. Delivery System Reform Incentive Payment (DSRIP) Program
5. Nursing Home Quality Incentive Payment Program (QIPP)
6. Value-Based Payment (VBP) Toolkit for Stakeholders
7. MCO Performance Indicator Dashboard
8. Texas Healthcare Learning Collaborative Portal
9. Advisory Committees and Workgroups

Sources:
Medical & Dental P4Q program

- 3.0% of MCO capitation is placed at risk, contingent upon performance on quality measures; 1.5% of each DMO’s capitation is at risk

- DMOs no longer receive up-front adjustment for potential increased utilization

- MCO performance is evaluated in three ways:
  1. Performance compared to benchmarks
  2. Performance compared to self
  3. Bonus Pool measures
     - Examples: Percentage of low-birthweight births (STAR); Member access to urgent care (per survey).
     - Remaining funds after recoupments and distributions from 1 and 2 yield a pool of funds for incentive payments to MCOs that excel on Bonus Pool measures.

- The 2018 medical P4Q program measures focus on prevention, chronic disease management (including behavioral health), and maternal and infant health.

- DMO performance compared to performance from two years prior; 2018 dental P4Q measures were selected to focus on annual oral evaluations and primary prevention against dental caries (cavities).

**MCO Alternative Payment Models Requirements**

- HHSC MCO contract requires a minimum percentage of provider payments linked to quality-based Alternative Payment Models (APMs).
- Measurement year began in January 2018, to coincide with P4Q start date.
- Annual percentage increases to 4th year target

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Overall APM Ratio</th>
<th>Minimum Risk-Based APM Ratio</th>
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<tbody>
<tr>
<td><strong>Year 1</strong> (CY 2018)</td>
<td>&gt;= 25%</td>
<td>&gt;= 10%</td>
</tr>
<tr>
<td><strong>Year 2</strong> (CY 2019)</td>
<td>Year 1 Overall APM % +25%</td>
<td>Year 1 Risk-Based APM % +25%</td>
</tr>
<tr>
<td><strong>Year 3</strong> (CY 2020)</td>
<td>Year 2 Overall APM % + 25%</td>
<td>Year 2 Risk-Based APM % + 25%</td>
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<tr>
<td><strong>Year 4</strong> (CY 2021)</td>
<td>&gt;= 50%</td>
<td>&gt;= 25%</td>
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Questions?

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