



# Local Provider Participation Funds (LPPFs)

Beginning in 2013, local governments received approval from the Texas Legislature to operate Local Provider Participation Funds (LPPFs). LPPFs are accounts that local governmental entities (LGEs) (i.e., hospital districts, counties, or municipalities) deposit mandatory payments from hospitals to use as an intergovernmental transfer (IGT) to HHSC. Nonpublic hospitals that provide inpatient services in each LGE's jurisdiction pay into the fund, so the state can use this money as the non-federal share of Medicaid payments.

Currently, LGEs that administer LPPFs provide funding for several supplemental and directed payment programs, like Uncompensated Care supplemental payments and the Comprehensive Hospital Increase Reimbursement Program.

## LPPF Reporting Requirements

Since 2013, each legislative session has seen increases in the number of LGEs allowed to operate LPPFs. In 2019, House Bill 4289, Eighty-Sixth Legislature, Regular Session, 2019, provided authority for many additional LGEs not already served by an LPPF to operate one.

As required by [2024-25 General Appropriations Act, House Bill 1, 88th Legislature, Regular Session, 2023 \(Article II, Health and Human Services Commission, Rider 15\(b\)\)](#) and [Texas Administrative Code, Title 1, Chapter 355, Subchapter L, Local Funds Monitoring](#), all LGEs operating an LPPF are required to report certain information to the Texas Health and Human Services Commission (HHSC). Per Rider 15 and [Title 42 of the Code of Federal Regulations, §433.74](#), HHSC is required to report certain information related to LPPFs to the Texas Legislature and CMS.

A map of LGEs operating an LPPF by managed care service delivery area is available at <https://www.hhs.texas.gov/sites/default/files/documents/local-provider-participation-funds-map.pdf>.

## Frequently Asked Questions about LPPFs

### What are Mandatory Payments?

Mandatory payments are financial assessments nonpublic hospitals pay based on their annual net patient revenue. The LGE operating the LPPF collects these mandatory payments and may transfer them to HHSC to provide the non-federal

share of Medicaid payments for supplemental and directed payment programs like Uncompensated Care (UC) and Comprehensive Hospital Increase Reimbursement Program.

Most LGEs operating an LPPF determine the assessment rate annually. However, that rate cannot exceed 6 percent of the total net patient revenue from all paying hospitals in the district, county, or municipality.

### **What is an LPPF?**

LPPFs are an optional method of finance for LGEs to generate and collect local funding for Texas Medicaid supplemental and directed payment programs.

### **Which LGEs operate LPPFs in Texas?**

The list of LGE jurisdictions, their enabling legislation, and statutory authority is available at <https://www.hhs.texas.gov/sites/default/files/documents/lppf-enabling-legislation-and-statutory-authority.pdf>.

### **What does an LGE operating an LPPF need to do to transfer funds to the state?**

To transfer funds to HHSC, an LGE must set up a unique TexNet account for the LPPF. This account must be separate from their non-LPPF accounts. In addition to setting up a TexNet account, an LGE must have a unique LPPF Texas Identification Number (TIN), which allows HHSC to issue an IGT refund if needed. To set up a TexNet account, you can go to <http://texnet.cpa.state.tx.us/>. The forms you will need to set up a unique TIN are the [Application for Texas Identification Number \(PDF\)](#) and [Direct Deposit Authorization \(PDF\)](#). **The Direct Deposit form cannot be viewed in a web browser and must be downloaded, then opened in Adobe Acrobat Reader on your desktop system.**

### **How can my LGE establish an LPPF?**

Prior to 2019, LGEs requested authorization from the Texas Legislature to operate an LPPF. An LGE would work with its local legislator to enact a bill authorizing the jurisdiction to establish one. The legislation would identify the LPPF governing body's statutory responsibilities and powers. In 2019, House Bill 4289 provided authority for many LGEs not currently operating an LPPF to have the ability to operate one. A local government establishing an LPPF should review [1 TAC §355.8707, Notification Requirements for the Creation of an LPPF](#) and contact [PFD\\_LFM@hhs.texas.gov](mailto:PFD_LFM@hhs.texas.gov).

### **What regulations/laws do LGEs operating an LPPF need to be aware of?**

Rules governing LPPFs in the Texas Administrative Code (TAC) can be found in [1 TAC, Chapter 355, Subchapter L, Local Funds Monitoring](#). For specific guidance regarding your LGE's LPPF, please refer to the authorizing statute that gave your

LGE the authority to create an LPPF. A list of legislation for each authorized LPPF and the year it was enacted is located at the end of this document. You can also look up legislation at: <https://capitol.texas.gov/>. In addition, an LGE operating an LPPF should be familiar with the applicable federal regulations in [42 CFR Part 433, Subpart B](#).

## **Funds from an LPPF can be transferred to HHSC for which Medicaid programs?**

There are two factors in determining whether LPPF funds may be used for Medicaid purposes. First, the state statute authorizing an LGE to administer an LPPF must allow for use of that LPPF's funds. Second, HHSC must operate a program that accepts funds from an LPPF as the non-federal share of a Medicaid payment.

The legislation creating each LPPF varies and also specifies programs to which the LGE may transfer LPPF dollars for the non-federal share.

To find the list of these programs in each LGE's LPPF statute, refer to the **Local Provider Participation Fund; Authorized Uses of Money** Section of **Subchapter C. General Financial Provisions** of their Health and Safety Code Chapter. A list of LGEs operating an LPPF with links to their enabling statute is available at <https://www.hhs.texas.gov/sites/default/files/documents/lppf-enabling-legislation-and-statutory-authority.pdf>.

## **Do all hospitals in a jurisdiction pay into an LPPF?**

LPPF authorizing statutes vary, but typically mandatory payments are required from each nonpublic hospital that provides inpatient services. "Inpatient hospital services" is a recognized class of health care services according to [42 CFR §433.56](#). Any nonpublic hospital that provides inpatient services that is located in the LGE's jurisdiction that operates an LPPF is required to make mandatory payments.

## **Who can I contact at HHSC for general questions about LPPFs?**

Send your questions to: [PFD\\_LFM@hhs.texas.gov](mailto:PFD_LFM@hhs.texas.gov)

## **Other Information**

- [LPPF Enabling Legislation and Statutory Authority \(texas.gov\)](#)
- [Federal reporting requirements](#)
- [Permissible Health-related taxes](#)