

**State of
Texas HHSC:**

*UC and DSH
Payment Impact
Analysis of HSL
Updates*

Impact Assessment

March 27, 2019

Preface

Texas HHSC requested support in analyzing the potential payment impacts within the Disproportionate Share Hospital (DSH) program and Uncompensated Care (UC) program if adjustments are incorporated to how the Hospital Specific Limit (HSL) is calculated.

This report summarizes the methodologies and assumptions used in a preliminary assessment to review the potential financial impact of the changes to the DSH and UC payment program. Details of the assumptions and caveats can be found within the presentation.

The assessment relied upon data and methodologies provided by HHSC as documented in the presentation. While we have performed general reasonableness checks of the data received for the analysis, we have not tested or audited the accuracy of the data, and we have relied upon the data in performing the financial assessment. If the underlying data or information provided is inaccurate or incomplete, the results of the analysis may likewise be inaccurate or incomplete.

The analysis was conducted by utilizing the 2017 DSH and UC payment models as provided by HHSC. The following scenarios were analyzed by modifying various calculation components of the HSL methodology:

- 2017 HSL: as summarized from the provided 2017 models
- Scenario 1: Capping both Medicare payments for dual eligibles and Other Insurance (OI) payments for Medicaid clients at Medicaid allowable costs
- Scenario 2: Excluding the HSL impact of Medicare and OI payments for Medicaid clients

This report has been solely prepared for use by the State of Texas for assistance in determining the potential financial impacts to the DSH and UC supplemental payment programs if the above-outlined HSL methodology changes are implemented, and is not for the benefit of or to be relied upon by any other person or entity.

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Overview of Scenarios Modeled

The following HSL calculation approaches were modeled after discussion with HHSC.

$$\text{2017 HSL} = \text{Total Medicaid Cost} + \text{Uninsured Costs} - \text{Medicaid Payments} - \text{Medicare Payments for Duals} - \text{Other Insurance (OI) Pmts for Medicaid Clients}$$

Alternative HSL Scenarios

Scenario 1 HSL = Total Medicaid Cost + Uninsured Costs - Medicaid Payments - Medicare Payments for Duals - OI Payments for Medicaid Clients

Scenario 2 HSL = Total Medicaid Cost + Uninsured Costs - Medicaid Payments

Capped at Medicaid Allowable Cost

Overview of Modeling Approach and Assumptions

- **HSL Calculation Approach:**

- Utilizing Medicaid Allowable Cost data provided by HHSC, we analyzed the potential DSH and UC impacts of capping portions of the Medicaid payments (Medicare for Dual Eligible members and Other Insurance) at Medicaid Allowable Cost when calculating HSL, as well as a second scenario excluding these payments altogether from the HSL calculation
- Due to data limitations and after discussions with HHSC, HSL amounts by provider were not recalculated from first principles. Rather, the impact of the payment capping was calculated and then applied to the current 2017 HSL values for each provider (after reflecting the 5.29% DSH inflation factor)

- **Assumptions:**

- Hospitals were assumed to have 100% Intergovernmental Transfer (IGT) amounts
- UC pool amount was set to \$3.1 billion, per direction from HHSC
- The Rider 38 hospital designations for nine hospitals were removed per direction from HHSC:

TPI	Provider Name
135237906	United Regional Health Care System
020976902	CHRISTUS St. Michael Health System
094113001	South Texas Health System
162033801	Laredo Medical Center
137245009	Northwest Texas Healthcare System Inc
094148602	Baptist Hospital of Southeast Texas- Beaumont
175287501	University of Texas Southwestern Medical Center at Dallas - Clements
138962907	Hillcrest Baptist Medical Center
207311601	Wadley Regional Medical Center

- **Hospital Types:**

- Hospitals were grouped according to the data provided by HHSC. Because some providers are not found in all data sources, the following order was used to assign provider TPIs for grouping purposes:



- Using the above methodology, hospitals were organized into the following types:

Children's Hospital	State IMD
Non-Transferring Public	State Teaching
Transferring Public	Physician Group Practice
Private	Ambulance
	Dental

Data Utilized

The following data sources were provided by HHSC.

1. 2017 Estimated Medicaid Allowable Costs by Hospital

- Split by primary payer:
 - Medicaid
 - Medicare
 - Other Insurance (including secondary, non-billed costs)
 - Organ Costs
 - LPPF Costs
 - Out-of-state costs

**Classified as
Medicaid Costs**

- Split by:
- **Inpatient (IP) Fee-for-Service (FFS)**
 - IP Managed Care
 - **Outpatient (OP) FFS**
 - OP Managed Care

2. 2017 Payments for Medicaid Clients

- Split by primary payer:
 - Medicaid
 - Medicare
 - Other Insurance (including secondary, non-billed payments)
 - Out-of-state payments
 - Upper Payment Limit payments

**Classified as
Medicaid
Payments**

- Split by:
- **Inpatient (IP) Fee-for-Service (FFS)**
 - IP Managed Care
 - **Outpatient (OP) FFS**
 - OP Managed Care

3. 2017 HSL Values from 2017 UC and DSH Calculation Models

4. Hospital Ownership Status

- As defined in HHSC 2017 UC and DSH calculation models as well as the Final S-10 Development within the Deloitte-modeled UC, DSH, and UHRIP Payment Model

Modeling Results

HSL Impact Summary

Estimated HSL Impact of Capping Other Insurance (OI)/Medicare Payments at Medicaid Allowable Costs and Excluding OI/Medicare Payments

in Thousands

Ownership	2017 HSL	Scenario 1 Cap Medicare & OI Payments		Scenario 2 Exclude Medicare & OI Payments	
		Modified 2017 HSL	Impact (% \$ M)	Modified 2017 HSL	Impact (% \$ M)
Children's Hospital	\$31,297	\$133,897	327.8% \$102.6M	\$293,193	836.8% \$261.9M
Non-Transferring Public	\$570,085	\$573,269	0.6% \$3.2M	\$778,322	36.5% \$208.2M
Transferring Public	\$1,962,928	\$1,968,077	0.3% \$5.1M	\$2,106,215	7.3% \$143.3M
Private	\$4,517,951	\$4,643,290	2.8% \$125.3M	\$6,515,609	44.2% \$1997.7M
State IMD	\$422,576	\$422,715	0.0% \$0.1M	\$423,036	0.1% \$0.5M
State Teaching	\$117,414	\$118,767	1.2% \$1.4M	\$209,877	78.7% \$92.5M
Physician Group Practices	N/A	N/A	N/A	N/A	N/A
Ambulance	N/A	N/A	N/A	N/A	N/A
Dental	N/A	N/A	N/A	N/A	N/A
Total	\$7,622,252	\$7,860,015	3.1% \$237.8M	\$10,326,253	35.5% \$2,704M

DSH Payment Impact Summary

Estimated DSH Payment Impact of Capping Other Insurance (OI)/Medicare Payments at Medicaid Allowable Costs and Excluding OI/Medicare Costs

in Thousands

Ownership	2017 DSH	Scenario 1 Cap Medicare & OI Payments		Scenario 2 Exclude Medicare & OI Payments	
		Modified 2017 DSH	Impact (% \$ M)	Modified 2017 DSH	Impact (% \$ M)
Children's Hospital	\$61,846	\$63,811	3.2% \$2M	\$99,208	60.4% \$37.4M
Non-Transferring Public	\$166,035	\$165,431	-0.4% \$-0.6M	\$156,491	-5.7% \$-9.5M
Transferring Public	\$768,287	\$766,441	-0.2% \$-1.8M	\$724,989	-5.6% \$-43.3M
Private	\$458,671	\$458,069	-0.1% \$-0.6M	\$423,739	-7.6% \$-34.9M
State IMD	\$298,564	\$298,673	0.0% \$0.1M	\$298,928	0.1% \$0.4M
State Teaching	\$47,754	\$48,732	2.0% \$1M	\$97,802	104.8% \$50M
Physician Group Practices	N/A	N/A	N/A	N/A	N/A
Ambulance	N/A	N/A	N/A	N/A	N/A
Dental	N/A	N/A	N/A	N/A	N/A
Total	\$1,801,157	\$1,801,157	0.0% \$0M	\$1,801,157	0.0% \$0M

UC Payment Impact Summary

Estimated UC Payment Impact of Capping Other Insurance (OI)/Medicare Payments at Medicaid Allowable Costs and Excluding OI/Medicare Payments

in Thousands

Ownership	2017 UC	Scenario 1 Cap Medicare & OI Payments		Scenario 2 Exclude Medicare & OI Payments	
		Modified 2017 UC	Impact (% \$ M)	Modified 2017 UC	Impact (% \$ M)
Children's Hospital	\$80,518	\$114,066	41.7% \$33.5M	\$116,814	45.1% \$36.3M
Non-Transferring Public	\$244,938	\$241,729	-1.3% \$-3.2M	\$308,202	25.8% \$63.3M
Transferring Public	\$754,247	\$730,651	-3.1% \$-23.6M	\$566,882	-24.8% \$-187.4M
Private	\$1,732,570	\$1,735,735	0.2% \$3.2M	\$1,902,107	9.8% \$169.5M
State IMD	\$6,941	\$6,698	-3.5% \$-0.2M	\$4,758	-31.4% \$-2.2M
State Teaching	\$23,013	\$22,372	-2.8% \$-0.6M	\$24,517	6.5% \$1.5M
Physician Group Practices	\$105,330	\$101,642	-3.5% \$-3.7M	\$72,210	-31.4% \$-33.1M
Ambulance	\$152,053	\$146,729	-3.5% \$-5.3M	\$104,242	-31.4% \$-47.8M
Dental	\$391	\$377	-3.5% \$0M	\$268	-31.4% \$-0.1M
Total	\$3,100,000	\$3,100,000	0.0% \$0M	\$3,100,000	0.0% \$0M

UC + DSH Payment Impact Summary – Scenarios 1 & 2

Estimated UC + DSH Impact of Capping Other Insurance (OI)/Medicare Payments at Medicaid Allowable Costs

in Thousands

Ownership	2017 DSH and UC Include Medicare & OI Payments (No Capping)			Scenario 1 Cap Medicare & OI Payments				Scenario 2 Exclude Medicare & OI Payments			
	UC	DSH	Total	Modified 2017 UC	Modified 2017 DSH	Total	Impact (% \$ M)	Modified 2017 UC	Modified 2017 DSH	Total	Impact (% \$ M)
Children's Hospital	\$80,518	\$61,846	\$142,364	\$114,066	\$63,811	\$177,877	24.9% \$35.5M	\$116,814	\$99,208	\$216,023	51.7% \$73.7M
Non-Transferring Public	\$244,700	\$166,035	\$410,735	\$241,496	\$165,431	\$406,927	-0.9% \$-3.8M	\$306,862	\$156,491	\$463,352	12.8% \$52.6M
Transferring Public	\$754,247	\$768,287	\$1,522,535	\$730,651	\$766,441	\$1,497,092	-1.7% \$-25.4M	\$566,882	\$724,989	\$1,291,871	-15.1% \$-230.7M
Private	\$1,732,808	\$458,671	\$2,191,479	\$1,735,968	\$458,069	\$2,194,037	0.1% \$2.6M	\$1,903,446	\$423,739	\$2,327,185	6.2% \$135.7M
State IMD	\$6,941	\$298,564	\$305,504	\$6,698	\$298,673	\$305,371	0.0% \$-0.1M	\$4,758	\$298,928	\$303,686	-0.6% \$-1.8M
State Teaching	\$23,013	\$47,754	\$70,767	\$22,372	\$48,732	\$71,104	0.5% \$0.3M	\$24,517	\$97,802	\$122,319	72.8% \$51.6M
Physician Group Practices	\$105,330	\$0	\$105,330	\$101,642	\$0	\$101,642	-3.5% \$-3.7M	\$72,210	\$0	\$72,210	-31.4% \$-33.1M
Ambulance	\$152,053	\$0	\$152,053	\$146,729	\$0	\$146,729	-3.5% \$-5.3M	\$104,242	\$0	\$104,242	-31.4% \$-47.8M
Dental	\$391	\$0	\$391	\$377	\$0	\$377	-3.5% \$0M	\$268	\$0	\$268	-31.4% \$-0.1M
Total	\$3,100,000	\$1,801,157	\$4,901,157	\$3,100,000	\$1,801,157	\$4,901,157	0.0% \$0M	\$3,100,000	\$1,801,157	\$4,901,157	0.0% \$0M