

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Mitchell L. Bilbe, F.S.A.
Evan L. Dial, F.S.A.
Philip S. Dial, F.S.A.
Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
Brandon L. Fuller, F.S.A.
Shannon R. Hatfield, A.S.A.

Christopher S. Johnson, F.S.A.
Oliver B. Kiel, F.S.A.
Dustin J. Kim, A.S.A.
Edward A. Mire, F.S.A.
Rebecca B. Morris, A.S.A.
Amanda L. Murphy, F.S.A.

Michael J. Muth, F.S.A.
Khiem Ngo, F.S.A., A.C.A.S.
Timothy B. Seifert, F.S.A.
Chelsea E. Stewart, A.S.A.
Raymond W. Tilotta
Ronald W. Tobleman, F.S.A.
David G. Wilkes, F.S.A.

February 22, 2021

Ms. Rachel Butler
Chief Actuary
Health and Human Services Commission
4900 North Lamar
Austin, Texas 78751

Re: FY2022 Texas Incentive for Physician and Professional Services (TIPPS) Program

Dear Ms. Butler:

This letter is intended to provide documentation for consideration of the reasonableness for the state fiscal year 2022 (FY2022) Texas Incentive for Physician and Professional Services (TIPPS) directed payment program (DPP) made by the Texas Health and Human Services Commission (HHSC). The directed payments considered in this analysis include those paid through the STAR, STAR+PLUS, and STAR Kids managed care programs.

Background

Under the TIPPS program directed payments will be made to the following classes of providers:

1. Physician Practices associated with Academic Health Science Centers (AHSC).
2. Physician Practices associated with hospitals receiving Indirect Medical Education (IME) add-on.
3. Other- physicians who bill to Medicaid, including community physicians.

The total payments made under the program will be split into three components:

1. Component 1 - Per member per month (PMPM) paid to AHSC and IME providers based on the number of rendering providers. Component 1 represents 65% of the total program.
2. Component 2 – Uniform rate increase for AHSC and IME providers based on the utilization of services. Component 2 represents 25% of the total program.

3. Component 3 – Uniform rate increase for AHCS, IME and community providers based on the utilization of 10 procedure codes. Component 3 represents 10% of the total program.

Benchmarking

The TIPPS program cost has been determined based on a comparison of the Medicaid reimbursement to the average level of commercial reimbursement across the state of Texas. All directed payments are assumed to supplement the standard reimbursement paid by managed care organizations for the utilization of services by their Medicaid members.

This analysis relies heavily on information provided by HHSC including the following:

- Average commercial reimbursement by procedure code. This data was collected from the Truven database which is a proprietary database which included information on commercial insurance claims in Texas. The database includes health insurance claims across the continuum of care (e.g. inpatient, outpatient, outpatient pharmacy, carve-out behavioral healthcare) as well as enrollment data from large employers and health plans across the United States who provide private healthcare coverage for more than 50 million employees, their spouses, and dependents in Texas. The commercial payor information was summarized from this database and used to calculate an average commercial rate (ACR) for procedure codes for outpatient claims.
- List of IME and AHSC provider NPIs.
- Summarized data querying FY2019 STAR, STAR+PLUS and STAR Kids managed care encounter data. Data included claim level detail for all ASHC and IME providers by NPI, procedure code and included units, place of service code, type of service code, and paid amounts.

Calculations were performed on all claims for the AHSC and IME providers. We have reviewed the data and calculations for reasonableness but have not audited the encounter data or the Truven database. We have found no reason to doubt the information or methodologies utilized by HHSC in the calculation of the total UPL room for which the TIPPS program is eligible. Should this data prove to be inaccurate or incomplete adjustments may be necessary.

Methodology and Results

Based on the detail level encounter data an analysis was performed which compared managed care payments by procedure code and NPI to the average commercial reimbursement by procedure code. The difference between the managed care payment and the average commercial reimbursement was defined as the Upper Payment Limit (UPL) Room. An example of the calculations is shown below:

NPI	Proc Code	Quantity	Paid	Avg Comm. Reimb.	UPL Room
(A)	(B)	(C)	(D)	(E)	(F)
1003824038	90460	8,726	74,723	23.43	129,727
1013942150	90471	1,438	12,251	21.40	18,522

“Avg Comm. Reimb.” is defined as the average reimbursement paid by procedure code in Texas according to the Truven commercial reimbursement database. “UPL Room” is calculated as (C) x (E) – (D). If the total paid is greater than (C) x (E) then the UPL room is set to \$0.

Table 1 summarizes the results of benchmarking analysis.

TABLE 1			
	Medicaid Expenditures	Avg. Comm Reimb.	Maximum UPL Room
ASHC	\$181,240,397	\$729,049,456	\$547,809,059
IME	60,728,098	147,225,931	86,497,832
Total	241,968,495	876,275,387	634,306,891

According to the analysis of average commercial reimbursement in the state of Texas, the Medicaid expenditures were \$634,306,891 less than the expected amounts according to the Truven database.

The TIPPS program has been allocated \$600,000,000 in total funding which is less than the maximum commercial benchmark shown in Table 1. Table 2 breaks down the total funding between claims, administrative expenses, risk margin and taxes.

TABLE 2			
Total Program Funds	\$600,000,000		
Administrative Fee	15,000,000	2.50%	
Risk Margin	10,500,000	1.75%	
Premium Tax	10,500,000	1.75%	
TIPPS Payments	\$564,000,000		

The \$564,000,000 in TIPPS payments has been allocated to the ASHC and IME groups based on their proportional distribution in Table 1. Table 3 provides the breakdown by provider type.

TABLE 3			
	Maximum UPL Room	Distribution	TIPPS Payments
ASHC	\$547,809,059	86.4%	\$487,089,630
IME	86,497,832	13.6%	76,910,370
Total	\$634,306,891		\$564,000,000

Based on this analysis performed by HHSC we have observed the following:

- Prior to the consideration of the TIPPS directed payment, all managed care reimbursement was less than the Truven estimated commercial reimbursement.
- After consideration of the TIPPS directed payment, all managed care reimbursement will remain below the Truven estimated commercial reimbursement.

A trend adjustment has not been applied to the reimbursement level of the historical managed care claims as we do not believe the Medicaid managed care and commercial reimbursement trends will vary significantly such that the results would be materially different.

Component Level Results

Component 1 accounts for 65% of the total TIPPS program value and will be paid on a per member per month (PMPM) basis. Table 4 provides the breakdown of the Component 1 value by provider type and the corresponding PMPM.

TABLE 4			
	Component 1 Value	Distinct PCN (billing NPI)	PMPM
ASHC	\$316,608,260	508,654	\$51.87
IME	49,991,740	108,595	38.36
Total	366,600,000	617,249	

Component 2 accounts for 25% of the total TIPPS program value and will be paid as a uniform rate increase which varies by provider type. Table 5 provides the breakdown of the Component 2 value by provider type and the corresponding reimbursement increase.

TABLE 5			
	Component 2 Value	Total Medicaid Expenditures	Uniform Rate Increase
ASHC	\$121,772,408	\$181,240,397	67.19%
IME	19,227,592	60,728,098	31.66%
Total	141,000,000	241,968,495	

Component 3 account for 10% of the total TIPPS program value and will be paid as a uniform rate increase across 10 procedure codes. Component 3 applies equally to ASHC, IME and community providers. Table 6 provides the breakdown of the Component 3 value and the corresponding reimbursement increase.

TABLE 6			
	Component 3 Value	Total Medicaid Expenditures	Uniform Rate Increase
Total	\$56,400,000	\$264,747,486	21.3%

Component 3 includes the following procedure codes:

- 99201
- 99202
- 99203
- 99204
- 99205
- 99211
- 99212
- 99213

- 99214
- 99215

Conclusions

The Medicaid managed care reimbursement levels plus the projected TIPPS program value generate total reimbursement that is less than the estimated commercial reimbursement level according to the Texas Truven database. Exhibits 1 and 2 provide additional information regarding the calculations performed and the participating providers.

The information included in this report has been prepared for the Texas Health and Human Services Commission (HHSC). The report relies heavily on information and calculations performed by HHSC. Rudd and Wisdom, Inc. has reviewed the data and calculations for reasonableness and we have no reason to doubt the conclusions at this time. We have not performed an independent audit and should the data prove to be inaccurate or incomplete, adjustments to the TIPPS program may be necessary.

Statement of Qualification

I, Evan L. Dial, with the firm Rudd and Wisdom, Inc., Consulting Actuaries, am a Fellow of the Society of Actuaries (FSA). I am a member of the American Academy of Actuaries and meet the Academy's qualification standards for rendering this opinion.

Sincerely

A handwritten signature in black ink that reads "Evan Dial". The signature is written in a cursive style with a horizontal line underneath the name.

Evan L. Dial, F.S.A., M.A.A.A.

Components Summary

Total Program Fund \$ 600,000,000
Gross Up Factors 106.38%
Program Funds, less Gross \$ 564,000,000

EXHIBIT 1

Component Percentages Component 1 65% Component 2 25% Component 3 10%

Class	AHSC/ IME/ Other Physician Expenditures	Total ACR Pool	ACR UPL	Room Percentage	Final UPL	Component Total Room	Tot Supp Pmt (bill)	Other Funds	Federal Funds	Distinct PCNs (billing NPI)	PMPM (billing NPI)	Uniform "Rate" Increase	Component 3 "Rate" Increase
Component 1													
HRI	\$181,240,397	\$ 564,000,000	\$487,089,630	86.36%	\$487,089,630	\$316,608,260	\$316,608,260	\$132,722,182	\$183,886,077	508,654.00	\$51.87	-	-
IME Add-on	\$60,728,098	\$ 564,000,000	\$76,910,370	13.64%	\$76,910,370	\$49,991,740	\$49,991,740	\$20,956,538	\$29,035,203	108,595.00	\$38.36	-	-
Component 2													
HRI	\$181,240,397	\$ 564,000,000	\$487,089,630	86.36%	\$487,089,630	\$121,772,408	\$121,772,408	\$51,046,993	\$70,725,414	-	-	67.19%	-
IME Add-on	\$60,728,098	\$ 564,000,000	\$76,910,370	13.64%	\$76,910,370	\$19,227,592	\$19,227,592	\$8,060,207	\$11,167,386	-	-	31.66%	-
Component 3													
HRI	\$181,240,397	\$ 564,000,000	\$487,089,630	86.36%	\$487,089,630	\$48,708,963	\$4,988,045	\$2,090,989	\$2,897,057	-	-	-	21.30%
IME Add-on	\$60,728,098	\$ 564,000,000	\$76,910,370	13.64%	\$76,910,370	\$7,691,037	\$190,993	\$80,064	\$110,929	-	-	-	-
Other physicians	\$264,747,486						\$51,220,962	\$21,471,827	\$29,749,134	-	-	-	-
Total HRI													
Total IME Add-on	\$60,728,098					\$487,089,630	\$443,368,713	\$185,860,164	\$257,508,548				
Total Other Physicians	\$264,747,486					\$76,910,370	\$69,410,326	\$29,096,809	\$40,313,517				
Grand Total	\$506,715,981					\$564,000,000	\$51,220,962	\$21,471,827	\$29,749,134				
						\$564,000,000	\$564,000,000	\$236,428,800	\$327,571,200				

ASHC and IME Providers

EXHIBIT 2

Billing Prov NPI	Billing Prov Name	Type
1316921026	BAYLOR COLLEGE OF MEDICINE	ASHC
1548453665	BAYLOR COLLEGE OF MEDICINE RADIOLOGY	ASHC
1881026664	BCM PHYSICIANS	ASHC
1184622847	CHI ST LUKES HEALTH BAYLOR	ASHC
1710959135	CHRISTUS TRINITY MOTHER FRANCES REHABILITATION	ASHC
1093810327	DELL SETON MEDICAL CENTER AT	ASHC
1053352914	HCHD COMMUNITY MEDICINE	ASHC
1174582050	M D ANDERSON HOSPITAL	ASHC
1740397066	TCOM HYPERBARIC OXYGEN	ASHC
1063699312	TEXAS A AND M PHYSICIANS	ASHC
1043245178	TEXAS TECH UHSC 2 PEDIATRICS	ASHC
1386675940	TEXAS TECH UHSC 2 PEDIATRICS	ASHC
1871525840	TEXAS TECH UHSC INTERNAL MEDICINE	ASHC
1346348463	TEXAS TECH UHSC SCHOOL/NURSI	ASHC
1033144175	TEXAS TECH UHSC SURGERY	ASHC
1013942150	TEXAS TECH UNIVERSITY HEALTH	ASHC
1083663363	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1568564789	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1972552263	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1063461358	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1083663363	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1154370443	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1184673469	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1225086820	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1245289537	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1306894175	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1336198621	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1356390645	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1427007715	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1508815895	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1518916808	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1538118823	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1548219827	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1609825991	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1699724989	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1790734085	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1801844402	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1861904898	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1881643179	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1972552263	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1982653275	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1003824038	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1124072681	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1225066277	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1316901135	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1538240478	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1548389554	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1598705055	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1720040603	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1265810642	TEXAS TECH UNIVERSITY HEALTH SCIENCES	ASHC
1780654301	THE UNIVERSITY OF TEXAS	ASHC
1831142751	THE UNIVERSITY OF TEXAS HEALTH	ASHC
1063400778	THE UNIVERSITY OF TEXAS HLTH	ASHC
1417941295	THE UNIVERSITY OF TEXAS HLTH	ASHC
1114992161	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1134173966	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1225082050	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1386619237	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC

ASHC and IME Providers

EXHIBIT 2

Billing Prov NPI	Billing Prov Name	Type
1588804496	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1598789984	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1750411286	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1770894396	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1811039381	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1871729376	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1982850699	THE UNIVERSITY OF TEXAS SOUTHWESTERN	ASHC
1407845084	TTHSC OB/GYN	ASHC
1174660260	UNIV OF HOUSTON COLLEGE OF	ASHC
1861493140	UNIV OF HOUSTON COLLEGE OF	ASHC
1053416289	UNIVERSITY OF NORTH TEXAS	ASHC
1144328634	UNIVERSITY OF NORTH TEXAS	ASHC
1336244557	UNIVERSITY OF NORTH TEXAS	ASHC
1376645564	UNIVERSITY OF NORTH TEXAS	ASHC
1417054024	UNIVERSITY OF NORTH TEXAS	ASHC
1548226988	UNIVERSITY OF TEXAS MEDICAL	ASHC
1477960730	UNIVERSITY OF TEXAS RIO GRANDE	ASHC
1518984988	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	ASHC
1811962673	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	ASHC
1841510427	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	ASHC
1659595445	UNTHSCFW	ASHC
1699870998	UNTHSCFW DEPT OF FAMILY MEDICI	ASHC
1760424873	UT DENTISTRY SAN ANTONIO	ASHC
1073066239	UT HEALTH AUSTIN	ASHC
1245612225	UT HEALTH AUSTIN	ASHC
1720051717	UT HEALTH SCIENCE CENTER AT	ASHC
1003028945	UT PHYSICIANS	ASHC
1013390988	UT PHYSICIANS	ASHC
1033157821	UT PHYSICIANS	ASHC
1043422975	UT PHYSICIANS	ASHC
1154740926	UT PHYSICIANS	ASHC
1225110984	UT PHYSICIANS	ASHC
1225242092	UT PHYSICIANS	ASHC
1245617521	UT PHYSICIANS	ASHC
1376957829	UT PHYSICIANS	ASHC
1427479484	UT PHYSICIANS	ASHC
1508243874	UT PHYSICIANS	ASHC
1780128199	UT PHYSICIANS	ASHC
1811371966	UT PHYSICIANS	ASHC
1811442403	UT PHYSICIANS	ASHC
1851705305	UT PHYSICIANS	ASHC
1871037754	UT PHYSICIANS	ASHC
1356722458	UT PHYSICIANS SPECIALTY SERVICES	ASHC
1801945027	UT PHYSICIANS SPECIALTY SERVICES	ASHC
1588965131	UT PHYSICIANS-TRAUMA SERVICES	ASHC
1104891050	UT SOUTHWESTERN MED CNTR	ASHC
1205880036	UT SOUTHWESTERN MED CNTR	ASHC
1669442281	UT SOUTHWESTERN MED CNTR	ASHC
1750351375	UT SOUTHWESTERN MED CNTR	ASHC
1760452387	UT SOUTHWESTERN MED CNTR	ASHC
1760452767	UT SOUTHWESTERN MED CNTR	ASHC
1770537508	UT SOUTHWESTERN MED CNTR	ASHC
1942270566	UT SOUTHWESTERN MED CNTR	ASHC
1083669766	UT SOUTHWESTERN MSP	ASHC
1235384199	UT SOUTHWESTERN MSP	ASHC
1275838732	UT SOUTHWESTERN MSP	ASHC
1306890132	UT SOUTHWESTERN MSP	ASHC
1396832713	UT SOUTHWESTERN MSP	ASHC

ASHC and IME Providers

EXHIBIT 2

Billing Prov NPI	Billing Prov Name	Type
1548215247	UT SOUTHWESTERN MSP	ASHC
1750334272	UT SOUTHWESTERN MSP	ASHC
1780639328	UT SOUTHWESTERN MSP	ASHC
1932174984	UT SOUTHWESTERN MSP	ASHC
1972579365	UT SOUTHWESTERN MSP	ASHC
1114024718	UTHSCSA REHAB MEDICINE	ASHC
1942241146	UT-MED THE GROUP PRACTICE OF	ASHC
1700831484	UTSW MEDICAL CTR AT DALLAS	ASHC
1578533196	UTSW MSP GENERAL SURGERY	ASHC
1639124332	UTSW MSP NEUROSURGERY	ASHC
1851361471	UTSW MSP OPHTHALMOLOGY	ASHC
1871563494	UTSW MSP PSYCHIATRY	ASHC
1053832253	UTSWMC OBSTETRICS & GYNECOLOGY	ASHC
1194083311	WEST TEXAS A&M UNIVERSITY	ASHC
1598744856	BAPTIST MEDICAL CENTER	IME
1447250253	BAYLOR UNIV MED CENTER ASC	IME
1184622847	CHI ST LUKES HEALTH BAYLOR	IME
1194743013	CHILDREN'S MEDICAL CENTER DALLAS	IME
1285280057	CHRISTUS GOOD SHEPHERD MEDICAL CENTER	IME
1295736734	CHRISTUS HEALTH ARK-LA-TEX	IME
1194787218	CHRISTUS SANTA ROSA CHILDRENS HOSPITAL	IME
1821004151	CHRISTUS SANTA ROSA HEALTHCARE CORP	IME
1689641680	CHRISTUS SPOHN HOSPITAL CORPUS CHRISTI	IME
1891765178	COOK FORT WORTH CHILDRENS	IME
1508810573	CORPUS CHRISTI MEDICAL CENTER	IME
1437171568	COVENANT CHILDRENS HOSPITAL	IME
1972517365	COVENANT MEDICAL CENTER	IME
1891789772	DBA HOUSTON METHODIST BAYTOWN HOSPITAL	IME
1093810327	DELL SETON MEDICAL CENTER AT	IME
1548286172	DRISCOLL CHILDRENS HOSPITAL	IME
1124092036	GOOD SHEPHERD MEDICAL CENTER MARSHALL	IME
1205900370	HARRIS COUNTY HOSPITAL DISTRICT	IME
1962455816	HCA HOUSTON HEALTHCARE CONROE	IME
1811942238	HCA HOUSTON HEALTHCARE KINGWOOD	IME
1073043592	HCA HOUSTON HEALTHCARE MEDICAL CENTER	IME
1982666111	HERMANN HOSPITAL	IME
1891882833	HILLCREST BAPTIST MEDICAL CT	IME
1740450121	HOUSTON NORTHWEST URGENT CARE CENTER	IME
1730132234	MEMORIAL HERMANN HEALTH SYSTEM	IME
1275592131	METHODIST CHARLTON MEDICAL CENTER	IME
1255325817	MIDLAND MEMORIAL HOSPITAL	IME
1679578439	MOTHER FRANCES HOSP REG HLTH	IME
1467442418	NORTHWEST TEXAS HEALTH CARE SYSTEM	IME
1932123247	PARKLAND MEMORIAL HOSPITAL	IME
1093708679	PROVIDENCE HEALTH CENTER	IME
1942294939	SAINT JOSEPHS HOSPITAL	IME
1518000306	SHRINERS HOSPITAL FOR CHILDREN	IME
1669513941	SHRINERS HOSPITALS FOR CHILDREN	IME
1124074273	SOUTHWEST TEX METHODIST HREV	IME
1477643690	TEXAS CHILDRENS HOSPITAL	IME
1760628184	TEXAS SCOTTISH RITE HOSPITAL FOR	IME
1548387418	THE METHODIST HOSPITAL	IME
1750819025	TOMBALL REGIONAL MEDICAL CENTER	IME
1821011248	UNIVERISTY HEALTH SYSTEM	IME
1316936990	UNIVERSITY MEDICAL CENTER OF EL	IME
1114903523	WADLEY REGIONAL MEDICAL CENTER	IME
1417471467	WEATHERFORD HEALTH SERVICES, LLC	IME