

# Rudd and Wisdom, Inc.

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July 12, 2022

Mr. Michael Joyner  
Chief Actuary  
Health and Human Services Commission  
4601 W. Guadalupe St.  
Austin, Texas 78751

Re: FY2023 Texas Incentive for Physician and Professional Services (TIPPS) Program

Dear Mr. Joyner:

This letter is intended to provide documentation for consideration of the reasonableness for the state fiscal year 2023 (FY2023) 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 – Uniform dollar increase paid to AHSC and IME. 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 March 2019 through February 2020 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	\$184,864,648	\$798,221,262	\$613,356,614
IME	12,470,948	95,349,699	82,878,752
Total	197,335,596	893,570,962	696,235,366

According to the analysis of average commercial reimbursement in the state of Texas, the Medicaid expenditures were \$696,235,366 less than the expected amounts according to the Truven database.

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 be equal to 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.

The Maximum UPL Room, \$696,235,366, amount has been grossed up for administrative fees (2.5%), risk margin (1.5/1.75%) and premium tax (1.75%) and included in the FY2023 STAR, STAR+PLUS and STAR Kids capitation rates in a manner consistent with the pre-print. Additional information regarding these calculations can be found in the FY2023 actuarial reports for each program.

## **Conclusions**

The Medicaid managed care reimbursement levels plus the projected TIPPS program value generate total reimbursement that is less than or equal to the estimated commercial reimbursement level according to the Texas Truven database.

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 fluid and cursive, with the first name "Evan" and last name "Dial" clearly distinguishable.

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