SUBJECT: Creating a city of Amarillo hospital district provider participation program

COMMITTEE: County Affairs — favorable, without amendment

VOTE: 8 ayes — Coleman, Springer, Biedermann, Neave, Roberts, Stickland, Thierry, Uresti

0 nays

1 absent — Hunter

SENATE VOTE: On final passage, May 4 — 31-0, on Local and Uncontested Calendar

WITNESSES: No public hearing

BACKGROUND: The Medicaid sec. 1115 transformation waiver is a five-year demonstration project in effect through December 2017. The sec. 1115 waiver provides supplemental funding to certain Medicaid providers in Texas through the uncompensated care pool and the Delivery System Reform Incentive Payment (DSRIP) pool. The Health and Human Services Commission has requested an additional 21-month extension of the sec. 1115 waiver, through September 30, 2019.

The uncompensated care pool payments help offset the costs of uncompensated care, including indigent care, provided by local hospitals. DSRIP pool payments are incentives to hospitals and other providers to improve the health of patients and enhance access to and the quality and cost-effectiveness of health care.

Under the sec. 1115 waiver, eligibility for the uncompensated cost pool or DSRIP pool requires participation in a regional health care partnership, in which governmental entities, Medicaid providers, and other stakeholders develop a regional plan. Governmental entities must provide public funds called intergovernmental transfers to draw down funds from these pools.

Since 2013, the Legislature has authorized several counties and one city to

create a local provider participation fund to access federal matching funds under the sec. 1115 waiver.

DIGEST:

SB 2117 would specify that the purpose of the bill would be to authorize the district to administer a health care provider participation program to provide additional compensation to hospitals in the district by collecting mandatory payments from each hospital in the district to be used to provide the nonfederal share of a Medicaid supplemental payment program and for other authorized purposes.

The bill would allow the board of hospital managers for the Amarillo hospital district to authorize the district to participate in a health care provider participation program if a majority of the board voted for it. If the board authorized the Amarillo hospital district to participate in the health care provider participation program, the board:

- could require an annual mandatory payment to be assessed on the net patient revenue of each non-public hospital that provided inpatient hospital services that was located in the district; and
- would require each non-public hospital that provided inpatient hospital services to submit a copy of any financial and utilization data required by and reported to the Department of State Health Services.

The mandatory payment would be collected at least annually but not more often than quarterly. In the first year of requiring the mandatory payment, the payment would be assessed on the net patient revenue for a hospital as reported to the Department of State Health Services. If the hospital did not report any data, the net patient revenue would be the amount of the revenue in the hospital's Medicare cost report submitted for the previous fiscal year or for the closest subsequent fiscal year for which the hospital submitted the Medicare cost report. The district would update the amount of the mandatory payment annually. The district could contract for the assessment and collection of mandatory payments under the bill. The bill would specify other requirements for the mandatory payment.

The aggregate amount of the mandatory payments could not exceed 6 percent of the aggregate net patient revenue of all paying hospitals in the district. The board of hospital managers for the Amarillo hospital district would be required to set the mandatory payments to an amount that would together generate sufficient revenue to cover the administrative expenses of the district related to the bill, fund an intergovernmental transfer, or make other payments authorized under the bill. The amount of revenue from mandatory payments that could be used for administrative expenses could not exceed $25,000, plus the cost of collateralization of deposits.

If the board demonstrated to the paying hospitals that the costs did exceed $25,000 in any year, the Amarillo hospital district could use additional revenue from mandatory payments received under the health care provider participation program to compensate the district for its administrative expenses. A paying hospital could not unreasonably withhold consent to compensate the district for administrative expenses. A paying hospital also could not add a mandatory payment as a surcharge to a patient or insurer. A mandatory payment under the bill would not be a tax under applicable Texas law.

In each year that the board authorized a health care provider participation program, the bill would require the board to hold a public hearing on the amounts of any mandatory payments that the board intended to require during that year and how the revenue from those payments would be spent. The bill would require the board to publish notice of the hearing at least five days before the hearing in a newspaper in general circulation in the district. The board would also be required to give written notice of the hearing to the chief operating officer of each non-public hospital providing inpatient hospital services in the district.

The bill would specify how the collected funds would be deposited and secured. The bill would specify what the local provider participation fund would include and how the funds would be deposited and secured.

Money deposited to the local provider participation fund only could be used to:

- fund intergovernmental transfers from the Amarillo hospital district to the state to provide the non-federal share of a Medicaid supplemental payment program authorized under the state Medicaid plan, the sec. 1115 waiver, or a successor waiver program authorizing similar Medicaid supplemental payment programs, or payments to Medicaid managed care organizations that were dedicated for payment to hospitals;
- pay costs associated with indigent care provided by non-public hospitals that provided inpatient hospital services in the district;
- pay the administrative expenses of the district;
- refund a portion of a mandatory payment collected in error; and
- refund to paying hospitals a proportionate share of the money that the district received from the Health and Human Services Commission that was not used to fund the nonfederal share of Medicaid supplemental payment program payments or that the district determined could not be used to fund the nonfederal share of the payments.

The bill would specify that the money in the local provider participation fund could not be commingled with other district funds and that money from intergovernmental transfers could not be used by the Amarillo hospital district or another entity to expand Medicaid coverage under the federal Affordable Care Act.

If any provision or procedure under the bill caused a mandatory payment to be ineligible for federal matching funds, the board could provide by rule an alternative provision or procedure that conformed to federal Medicaid and Medicare requirements. A rule adopted under the bill could not create, impose, or materially expand the legal or financial liability or responsibility of the district or a non-public hospital that provided inpatient hospital services in the district beyond the provisions of the bill.

If, before implementing any provision of the bill, a state agency determined that a waiver or authorization from a federal agency was necessary for implementation of that provision, the bill would direct the

agency to request the waiver or authorization and the agency could delay implementing the provision until the waiver or authorization was granted.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017.

SUPPORTERS SAY:

SB 2117 would allow the city of Amarillo's hospital district to draw down federal dollars through the existing sec. 1115 Medicaid waiver to lower the burden of providing uncompensated health care in that district, if the hospital district's voted to do so. The city does not have an existing mechanism to draw down these funds.

The city of Amarillo's non-public hospitals currently spend hundreds of millions of dollars each year to provide uncompensated health care services through their hospitals, and the ability to draw down federal funds through the bill would reduce their financial burden. The bill would not raise taxes, would not create an unfunded mandate, and would not require general revenue funds.

OPPONENTS SAY:

No apparent opposition.