

- SUBJECT:** Updating Medicaid reimbursement calculations for teaching hospitals
- COMMITTEE:** Human Services — favorable, without amendment
- VOTE:** 8 ayes — Frank, Hinojosa, Hull, Meza, Neave, Noble, Rose, Shaheen
- 0 nays
- 1 absent — Klick
- WITNESSES:** For — Amour Forse, Doctors Hospital at Renaissance (DHR Health); Maureen Milligan, Teaching Hospitals of Texas; Cameron Duncan, Texas Hospital Association; (*Registered, but did not testify:* Marisa Finley, Baylor Scott & White Health; Roberto Haddad, Doctors Hospital at Renaissance (DHR Health); Troy Alexander and Dan Finch, Texas Medical Association)
- Against — None
- On — (*Registered, but did not testify:* Victoria Grady, Health and Human Services Commission)
- BACKGROUND:** Some have suggested that the medical education add-on adjustment factor for urban hospitals does not account for changes to the number of interns and residents over the past decade, causing hospitals to receive payments based on outdated data. There have been calls for more frequent updates to the factor to ensure fair and accurate reimbursements for urban and rural teaching hospitals.
- DIGEST:** HB 2955 would require the Health and Human Services Commission (HHSC), on request from a teaching hospital, to update on a biannual basis the education adjustment factor used to calculate the medical education add-on to ensure urban teaching hospitals were accurately reimbursed for inpatient hospital care to Medicaid recipients. HHSC would have to use the most current Medicare education adjustment factor in effect at the time the commission made the update.

Definitions. The bill would define certain terms, including:

- "base standard dollar amount" as the standardized payment amount calculated by HHSC for costs incurred by prospectively paid hospitals that provided Medicaid inpatient hospital care;
- "medical education add-on" as an adjustment to the base standard dollar amount for an urban teaching hospital to reflect higher patient care costs relative to nonteaching urban hospitals;
- "children's hospital" as a hospital designated by the Centers for Medicare and Medicaid Services (CMS) as a children's hospital;
- "teaching hospital" as a hospital that incurred indirect costs for operating graduate medical education programs and for which CMS had calculated and assigned a percentage Medicare education adjustment factor; and
- "state-owned teaching hospital" as the University of Texas Medical Branch at Galveston, UT Health Science Center at Tyler, and UT M.D. Anderson Cancer Center.

The bill would define "urban hospital" as a hospital that was located in a metropolitan statistical area and was not a rural hospital, children's hospital, state-owned teaching hospital, or freestanding psychiatric facility. "Rural hospital" would mean a hospital enrolled as a Medicaid provider that was:

- located in a county with a maximum population of 60,000;
- designated by CMS as a critical access hospital, sole community hospital, or rural referral center and was not located in a metropolitan statistical area; or
- had 100 or fewer beds, was designated by CMS as a critical access hospital, sole community hospital, or rural referral center, and was located in a metropolitan statistical area.

Other provisions. If a state agency determined that a waiver or authorization from a federal agency was necessary for implementing any provision of the bill, the agency would be required to request the waiver

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

The 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, 2021.

NOTES:

According to the Legislative Budget Board, the bill would have a negative impact of about \$7.2 million to general revenue through fiscal 2023.