

# *Health Care Finance Update*

Thursday, September 19, 2024

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Texas Hospital Association



# Learning Objectives

- Summarize current financial environment of hospitals in Texas.
- Describe the outlook for major government revenue streams, including Medicaid and Medicare
- Anticipate future funding challenges and advocacy opportunities to protect hospital funding in Texas



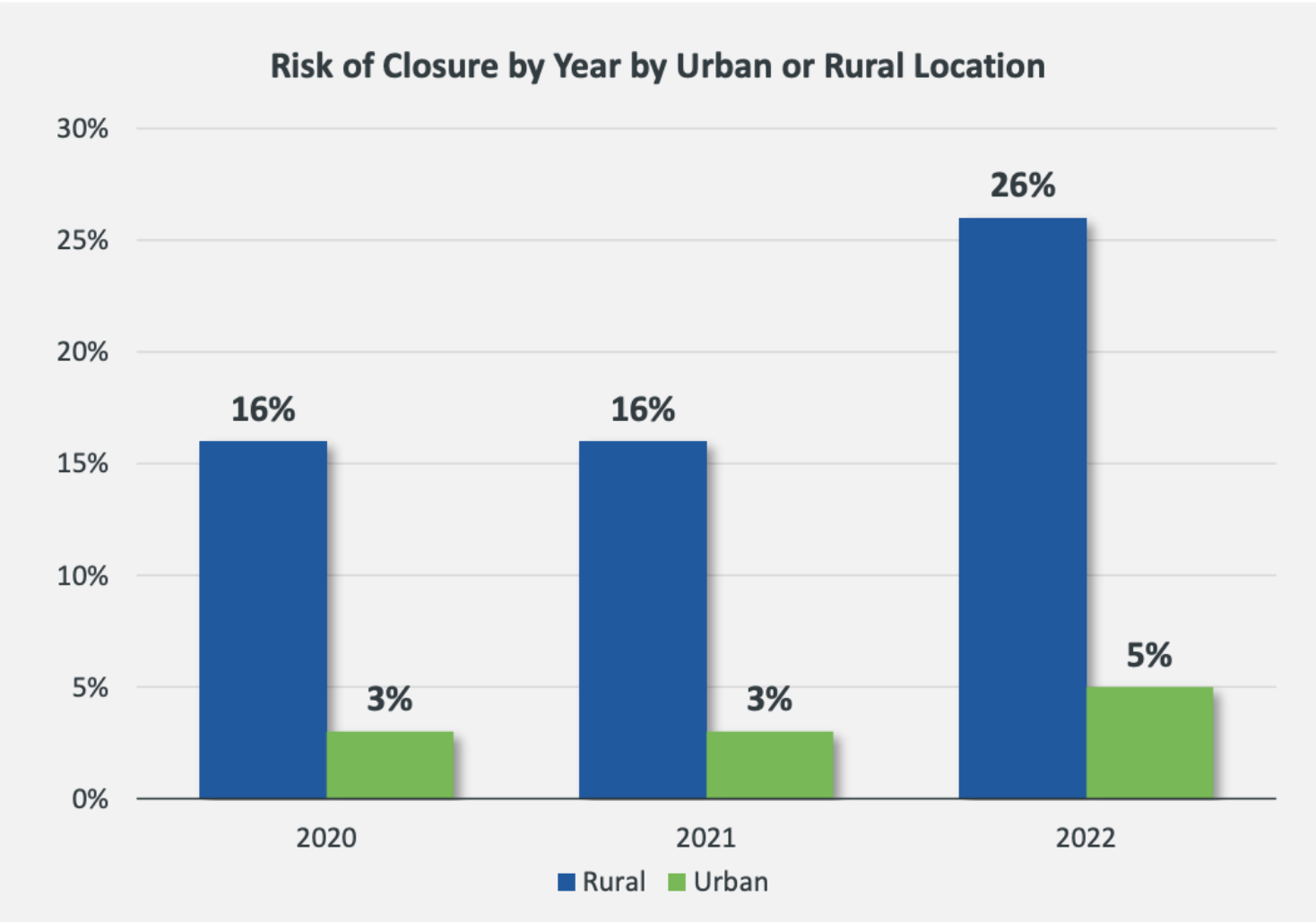
# Current Financial Environment



**Two years ago....**

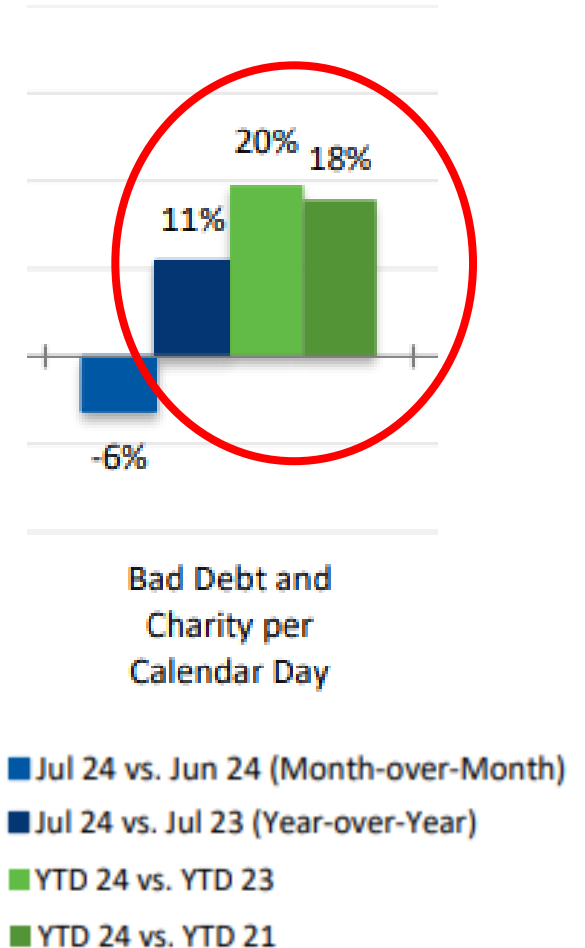
**KaufmanHall and THA reported 10% of Texas hospitals were at risk of closure.**

**What's happened since?**



# Hospital finances are healing after COVID

- **Margins are up more than 17%** compared to 2023, and have stabilized in a strong position relative to 2022, the worst financial year for hospitals since pre-pandemic.
- **Pre-pandemic volumes** are back.
- Revenue is up and expenses down per adjusted discharge due to delivering care in **appropriate settings** and **decreased reliance on contract labor**.
- Higher **bad debt and charity care** loads coincide with Medicaid coverage unwinding.
- **Outpatient revenue is up more than 40%** since 2020.



# Outlook for Government Payers

- **Medicare and other federal financing**
- Medicaid and other state financing



# Federal Fiscal Year 2025 IPPS Changes

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# Inpatient PPS – 2025 Payment Updates

	Final FFY 2024	Final FFY 2025	Percent Change
Federal Operating Rate	\$6,497.77	\$6,606.51 (proposed at \$6,666.10)	+1.67% (proposed at +2.59%)
Federal Capital Rate	\$503.83	\$510.51 (proposed at \$516.41)	+1.33% (proposed at +2.50%)

- Outlier threshold increased 8.0% to \$46,152





# Inpatient PPS – 2025 Payment Updates

**Table 1: Inpatient PPS Market Basket Updates, FY 2022 through FY 2024**

<b>Year</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>Total</b>
<b>Market Basket Update in Final Rule</b>	2.7%	4.1%	3.3%	10.1%
<b>Actual/Updated Market Basket Forecast</b>	5.7%	4.8%	3.5%	14.0%
<b>Difference in Market Basket Update and Actual Increase</b>	-3.0%	-0.7%	-0.2%	-3.9%



# Inpatient PPS – Wage Index Changes

- Maintenance of 5% stop-loss for wage index decreases
- Included CBSA Changes



# Counties Changing Between Urban and Rural

Counties That Would Become Urban (out of 54)			
FIPS Code	County Name	Proposed CBSA	Proposed CBSA Name
48007	Aransas	18580	Corpus Christi, TX
48035	Bosque*	47380	Waco, TX
48079	Cochran*	31180	Lubbock, TX
48169	Garza	31180	Lubbock, TX
48219	Hockley*	31180	Lubbock, TX
48323	Maverick*	20580	Eagle Pass, TX
48407	San Jacinto	26420	Houston-Pasadena-The Woodlands, TX



# Changes in Lugar Counties

County Being Redesignated as LUGAR			
FIPS County Code	County Name	Proposed FY 2025 CBSA Code	Proposed FY 2025 CBSA Name
48283	La Salle	29700	Laredo, TX
48315	Marion	30980	Longview, TX
48391	Refugio*	18580	Corpus Christi, TX
48399	Runnels*	41660	San Angelo, TX



# Wage Index Aside

- Bridgeport Hospital, et al., v. Becerra
  - Potential impact of court decision to vacate CMS wage index redistribution policy (low-wage index hospitals)
    - D.C. Circuit determined that CMS lacked statutory authority to make redistributions (July 23, 2024)
    - Previous court decision remanded the rule (2022) and told CMS to recalculate the wage indexes
    - How will CMS respond?
      - Take it to the Supreme Court
      - Application to hospitals outside the appeal
      - Potential for repayment/recoupment



# Social Determinants of Health Diagnosis Codes

- o Z59.10 - Inadequate housing, unspecified
- o Z59.11 - Inadequate housing environmental temperature
- o Z59.12 - Inadequate housing utilities
- o Z59.19 - Other inadequate housing
- o Z59.811 - Housing instability, housed, with risk of homelessness
- o Z59.812 - Housing instability, housed, homelessness in past 12 months
- o Z59.819 - Housing instability, housed unspecified



# Low-Volume Hospital Adjustment

- Current: hospitals located more than 15 miles from another subsection (d) hospital, with fewer than 3,800 total discharges
- On 1/1/25:
  - Be located more than 25 road miles from another subsection (d) hospital; and
  - Have fewer than 200 total discharges (All Payer) during the fiscal year.

(21 total hospitals)



# Calendar Year 2025 Proposed OPPS Changes

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# Outpatient PPS – 2025 Proposed Payment Updates

	Final CY 2024	Proposed CY 2025	Percent Change
OPPS Conversion Factor	\$87.382	\$89.379	+2.29%

- Outlier threshold increased 3.2% to \$8,000



# Outpatient PPS – 2025 Proposed Payment Updates

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# Outpatient PPS – 2025 Proposed Payment Updates

	Final Payment Rate 2024	Proposed Payment Rate 2025	% Change
APC 5851: Intensive Outpatient (3+ services) for CMHCs	\$87.66	\$114.79	+30.95%
APC 5852: Intensive Outpatient (4+ services) for CMHCs	\$157.58	\$159.43	+1.17%
APC 5853: Partial Hospitalization (3+ services) for CMHCs	\$87.66	\$114.79	+30.95%
APC 5854: Partial Hospitalization (4+ services) for CMHCs	\$157.58	\$159.43	+1.17%
APC 5861: Intensive Outpatient (3+ services) for Hospital-based IOPs	\$259.40	\$270.77	+4.38%
APC 5862: Intensive Outpatient (4+ services) for Hospital-based IOPs	\$358.21	\$414.33	+15.67%
APC 5863: Partial Hospitalization (3+ services) for Hospital-based PHPs	\$259.40	\$270.77	+4.38%
APC 5864: Partial Hospitalization (4+ services) for Hospital-based PHPs	\$358.21	\$414.33	+15.67%



# Additional Proposed OPPS Changes

- Optional Medicaid Clinic Services Four Walls Exceptions
  - Clinic services covering the care and treatment of outpatients with behavioral health disorders, including mental health and substance use
  - Clinic services furnished by a clinic located in a rural area
- Changes to the Review Timeframes for the Hospital Outpatient Department (OPD) Prior Authorization Process
  - MACs will need to align with MA requirements
- Medicare for Individuals Currently or Formerly in the Custody of Penal Authorities
  - Individuals who are under supervised release or required to live under home detention



# Questions?

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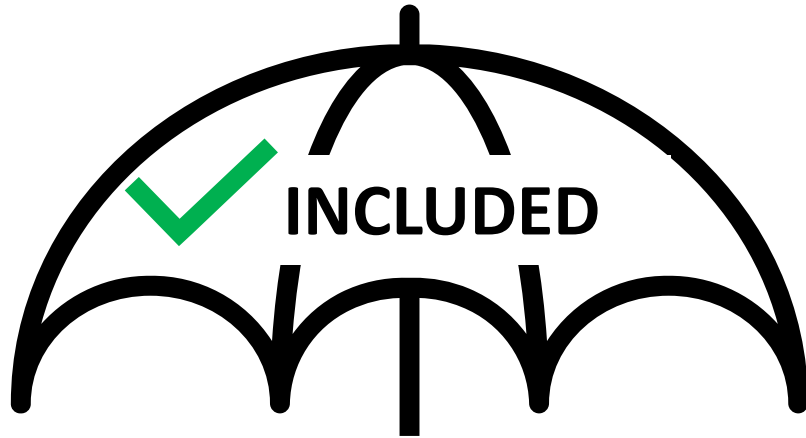


# Outlook for Government Payers

- Medicare and other federal financing
- **Medicaid and other state financing**



# What Medicaid Hospital Supplemental Payments are in the 1115 Waiver?



Uncompensated  
Care (UC)

Directed Payment  
Programs (DPP)



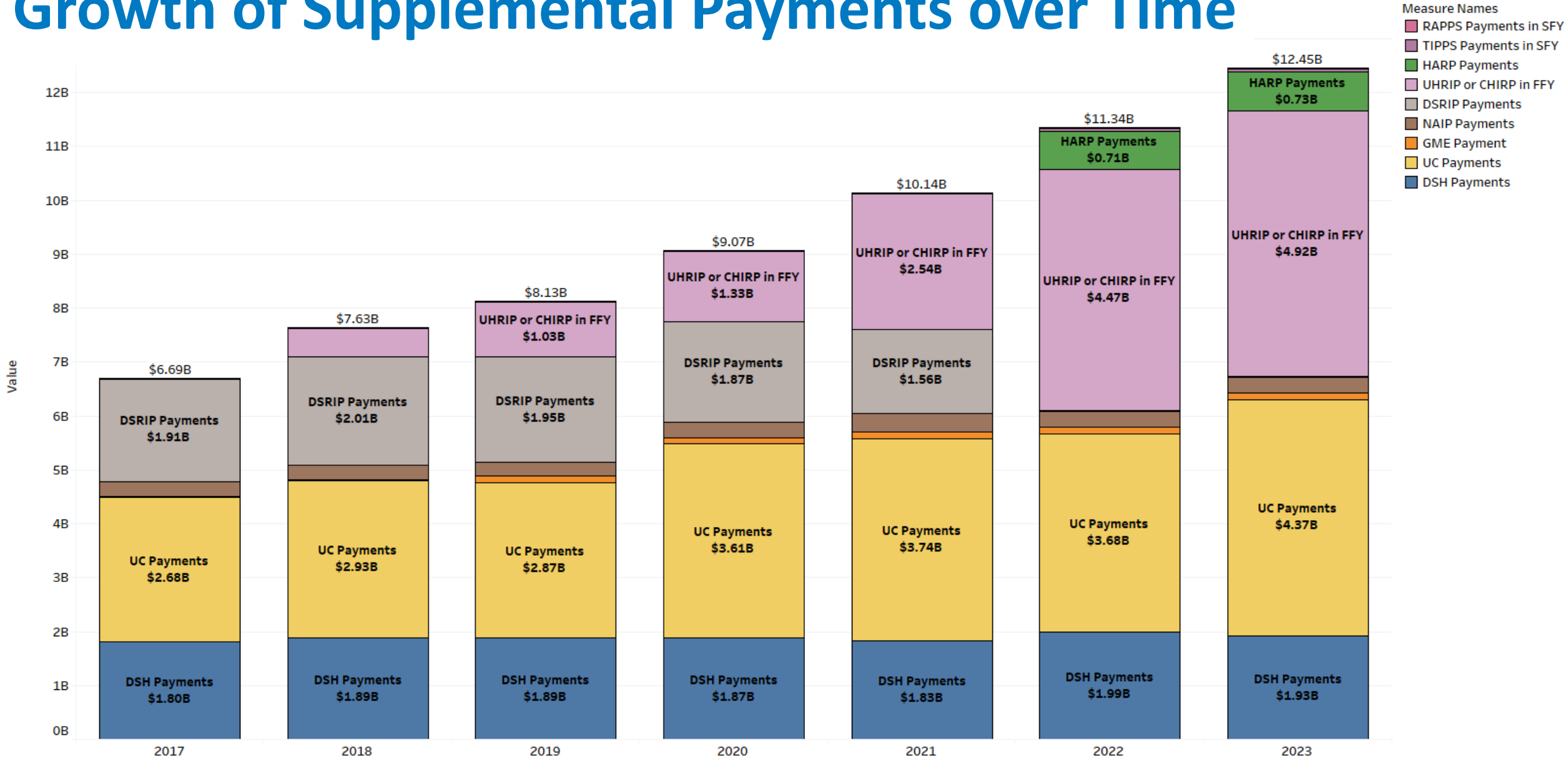
**NOT INCLUDED**

Disproportionate Share  
Hospital (DSH)

Hospital Augmented  
Reimbursement Program (HARP)

Graduate Medical Education  
(GME)

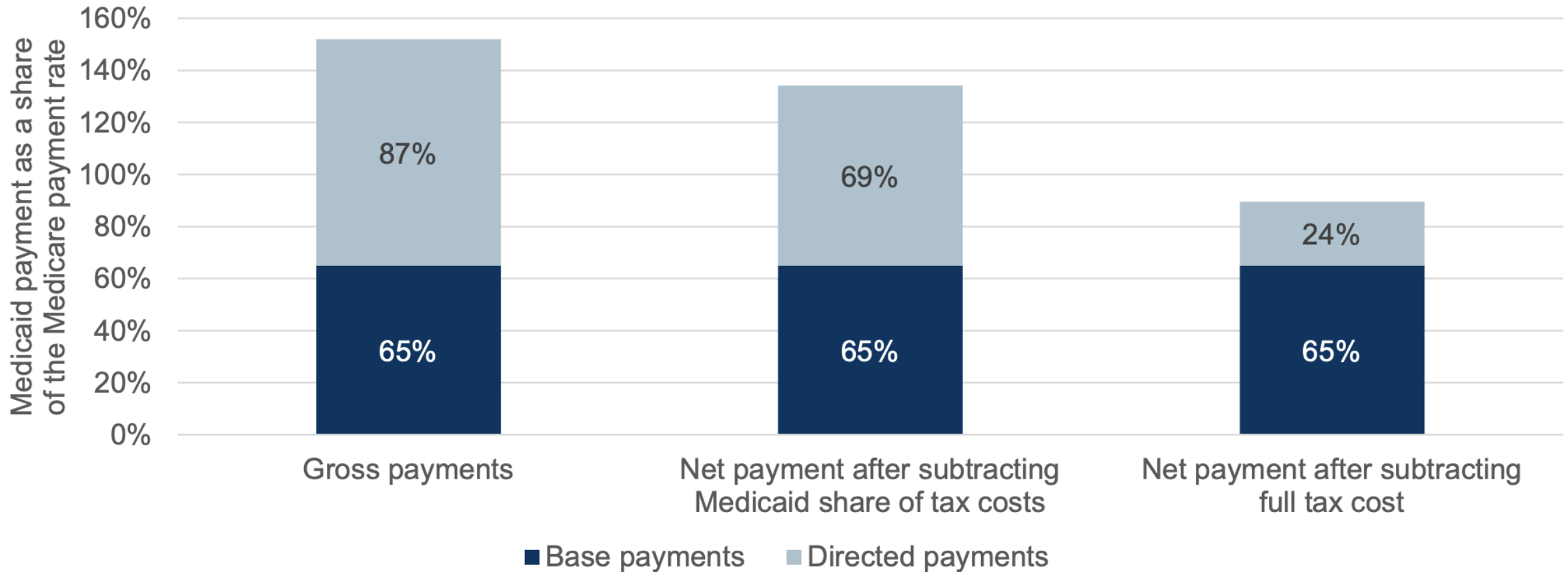
# Growth of Supplemental Payments over Time



RAPPs Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments and DSH Payments for each FFY Year. Color shows details about RAPPs Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments and DSH Payments. The marks are labeled by RAPPs Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments and DSH Payments. Details are shown for RAPPs Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments and DSH Payments.



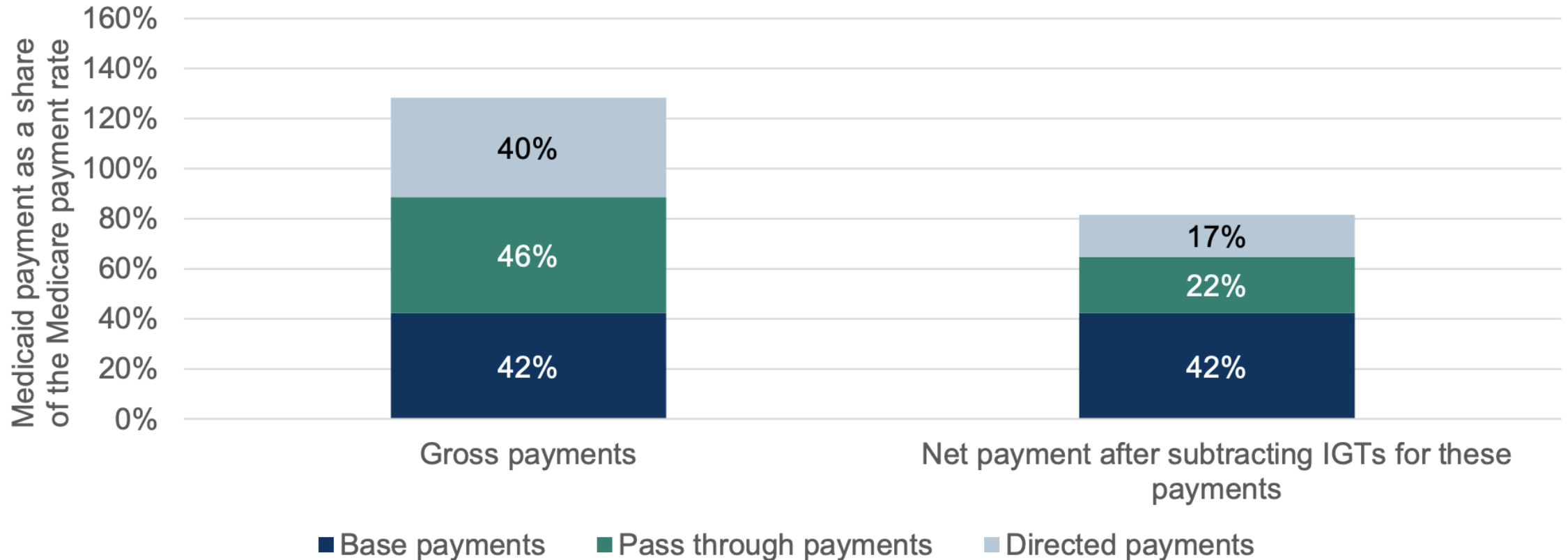
# Example of Gross and Net Medicaid Managed Care Payments for a Private Texas Hospital, 2022



**Notes:** Analysis excludes fee for service base and supplemental payments.

**Source:** MACPAC, 2024, analysis of managed care directed payment pre-print and Rider 15(b) annual report

# Example of Gross and Net Medicaid Managed Care Payments for a Public Texas Hospital, 2022



**Notes:** IGT is intergovernmental transfer. Analysis excludes fee for service base and supplemental payments.

**Source:** MACPAC, 2024, analysis of managed care directed payment pre-print and Rider 15(b) annual report

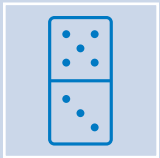
# Medicaid Supplemental Payments Update



Directed Payment Programs and Financing



New arrivals! Introducing ATLIS and APHRIQA



Maximizing Available Dollars in 2025 and Beyond



# Texas Hospital Directed Payment Programs, FY 2025

Program	Type	Pays	Approved Size
Comprehensive Hospital Increase Reimbursement Program (CHIRP)	DPP	Hospitals	\$6.5 billion
Texas Incentives for Physicians and Professional Services (TIPPS)	DPP	Physician groups (hosp. affiliated)	\$787 million
Rural Access to Primary and Preventive Services (RAPPS)	DPP	Rural health clinics (hosp. owned)	\$22 million
Quality Incentive Payment Program (QIPP)	DPP	Nursing facilities	\$1.75 billion
			<b>TOTAL \$9.1 billion</b>

DPPs require annual CMS approval.



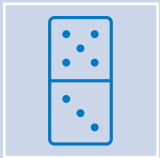
# Medicaid Supplemental Payments Update



Directed Payment Programs and Financing



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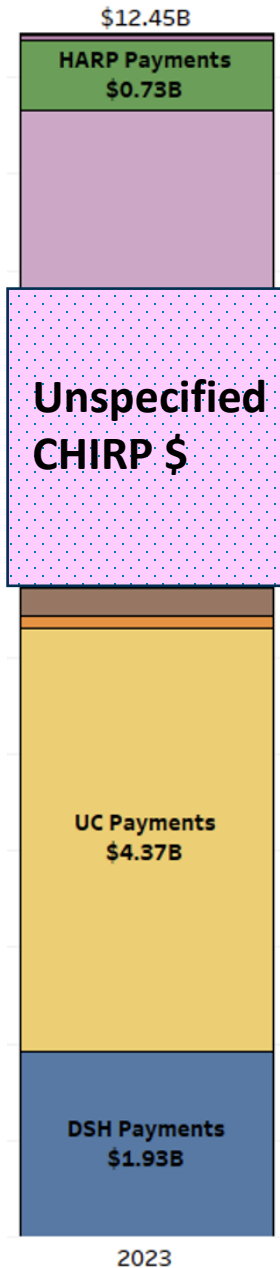
<b>What</b>	<b>Aligning Technology for Linking Interoperable Systems (ATLIS)</b>
<b>When</b>	FY 2025 (start date September 1, 2024)
<b>Who</b>	Children's, Rural, and Urban hospital classes
<b>Where</b>	Statewide, all SDAs
<b>Why</b>	To create new quality incentives for interoperability To protect the future size of the UC pool
<b>How</b>	Step 1: Reduce CHIRP rate increases Step 2: Create new MCO quality incentive program under 438.6(b) Step 3: Incentivize MCOs to pay hospitals for contributions to achieving metrics.



<b>What</b>	<b>Alternate Participating Hospital Reimbursement for Improving Quality Award (APHRIQA)</b>
<b>When</b>	FY 2025 (start date <del>September 1, 2024</del> )
<b>Who</b>	Children's and Urban hospital classes
<b>Where</b>	Statewide, all SDAs
<b>Why</b>	To advance quality by paying for performance To protect the future size of the UC pool
<b>How</b>	<p>Step 1: Reduce CHIRP rate increases</p> <p>Step 2: Fund ATLIS, then put the remainder into APHRIQA</p> <p>Step 3: CHIRP hospitals earn APHRIQA payment based on performance under new scoring system.</p> <ul style="list-style-type: none"> <li>• 6 measures, each with point value, must earn 50% of points to earn payment.</li> </ul>



# How will ATLIS and APHRIQA be created?



2023

**APHRIQA.** New pay-for-performance component of **CHIRP**.  
Children's and urban hospitals only.

**ATLIS.** New MCO quality incentive program.  
Children's, urban, and rural hospitals.

## CHIRP (APHRIQA)

- Directed payment under 438.6(c)
- HHSC can tell MCO when, why, and how much to pay
- UHRIP and ACIA = rate increases
- APHRIQA = earned quality incentives

## ATLIS

- MCO incentive payment under 438.6(b)
- HHSC cannot direct the provider payment!
- If MCO achieves HHSC's metric(s), it earns payment.
- Provider ATLIS payment is negotiated with MCO. If MCO achieves, it pays ATLIS to hospitals according to contracted terms.



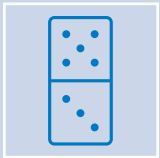
# Medicaid Supplemental Payments Update



Directed Payment Programs and Financing



New arrivals! Introducing ATLIS and APHRIQA



Maximizing Available Dollars in 2025 and Beyond



# Proposed Rule Changes – Sept. 13, 2024

- Domino effect of introducing ATLAS and APHRIQA
- Maximize available room in existing programs
- Provide additional protection for public and rural hospitals who depend proportionately more on UC.
- **Public comment underway.**



## Proposed Rule Amendments for DSH, HARP, UC, and CHIRP – Public Hearing on Sept. 26

The Texas Health and Human Services Commission (HHSC) will conduct a public hearing on **September 26, 2024 at 1:00 p.m.**, to receive public comments on proposed rule amendments to 1 Texas Administrative Code:

- Section 355.8065, concerning Disproportionate Share Hospital Reimbursement Methodology;
- Section 355.8070, concerning Hospital Augmented Reimbursement Program;
- Section 355.8212 concerning Waiver Payments to Hospitals for Uncompensated Charity Care; and
- Section 353.1306 concerning Comprehensive Hospital Increase Reimbursement Program.

# Questions?

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# Contact Us

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