



## Texas Medicaid: After the Legislative Session

### *Expansion of Medicaid Managed Care* **Assumed Impact: \$386 million**

Beginning Sept. 1, 2011, Medicaid managed care will be expanded throughout the state. **Texas hospitals potentially could lose \$1.3 billion in state and federal supplemental Upper Payment Limit (UPL) funds over the biennium with the expansion of Medicaid managed care.** CMS typically does not allow for patients enrolled through Medicaid managed care to be counted in the UPL payment formula.

The Medicaid hospital UPL program was created to help offset Medicaid hospital funding shortfalls. These shortfalls exist in large part due to the Texas Legislature's decision to fund hospital inpatient payments at less than 60 percent of cost. Comprised of state share and federal matching Medicaid funds, UPL payments are used by Texas hospitals to partially mitigate the state's low Medicaid reimbursement. **The state share of Medicaid funds for these UPL payments is provided primarily by large hospital districts.**

*Texas HHSC currently is negotiating an 1115 demonstration waiver with CMS.*

The waiver will seek permission from CMS to preserve UPL funds during the expansion of Medicaid managed care in Texas. UPL funds would be distributed in two parts: one based on costs for uncompensated care and one based on incentives to redesign and improve care delivery.

#### **How can you help?**

Encourage CMS to consider whether the waiver satisfactorily addresses the following issues:

- The waiver must **account for demographic and inflationary factors** such as planned Medicaid expansions and the growth in the state's population, specifically Medicaid caseload and increased costs of Medicaid services.
- The waiver must **preserve Medicaid fee-for-service** UPL reimbursement for patients that are not eligible for managed care.
- If UPL payments to hospitals are contingent upon improved care delivery, the **measures used must be reasonably attainable** and consistent with established Medicare and national quality standards.

***Other Cost Containment Measures***  
**Assumed Impact: \$1.2 billion**

- Implementing a standard statewide payment rate to hospitals for Medicaid services
- Increasing neonatal intensive care management
- Transitioning hospital outpatient Medicaid payments to a fee schedule
- Reducing hospital emergency department rates for nonemergency-related visits
- Paying less for hospital outlier payments
- Adjusting amount, scope and duration for services
- Maximizing co-payments in all Medicaid programs
- Automatically enrolling patients into managed care plans
- Renegotiating more efficient contracts between the state and Managed Care Organizations
- Implementing quality-based payments in both Medicaid fee-for-service and managed care by reducing reimbursement for certain readmissions, and hospital-acquired conditions and adverse events
- Improving birth outcomes by reducing birth trauma and elective inductions
- Obtaining a federal waiver to achieve greater flexibility in eligibility and benefits in Medicaid and CHIP; consolidating funding streams; maximizing federal funds; and obtaining full federal funding for all treatment costs of undocumented immigrants