

Texas Healthcare Transformation and Quality Improvement Program
Uncompensated Care (UC) Pool
12.15.11

Purpose: To provide payments to help defray the costs of uncompensated care provided to Medicaid or Demonstration eligibles or to individuals who have no source of third party coverage, for the services provided by hospitals or other eligible providers.

There are two types of payments that can be made from the UC Pool: 1) Payments used to defray the actual uncompensated cost of medical services that meet the definition of “medical assistance” that are provided to Medicaid eligible or uninsured individuals incurred by hospitals, clinics or other provider types; and 2) Transition Payments (DY1 only).

Hospitals, Providers & Non-hospital Providers

Eligibility for UC

- The provider must have a legitimate source of the non-Federal share to support their UC payment. Legitimate sources of non-Federal share are state general revenue funds, transfers from units of local government (IGTs), and certified public expenditures.
- Private providers must have an executed indigent care affiliation agreement on file with HHSC.
- Private providers and their affiliated governmental entity must sign and submit the required certification to HHSC.
- Only providers participating in Regional Health Partnership (RHP) are eligible to receive a UC payment, although exceptions may be approved by HHSC and CMS on a case by case basis.
- Non-hospital providers listed below may be eligible to receive UC Payments:
 - ✓ Physician practice groups;
 - ✓ Government ambulance providers;
 - ✓ Government dental providers; and
 - ✓ Other providers in rural RHPs with no public hospital.

Payments

- Eligible hospitals will be eligible for Transition Payments in DY1. (See separate Transition Payments document.)
- HHSC is developing a UC Cost Reporting Application with industry input. Once approved by CMS, hospital reporting on this document will be required as one condition for UC payments starting in DY2.
- UC costs must be claimed in accordance with CMS approved claiming protocols for each provider type as reported on the UC Cost Reporting Application.
- Once the UC Application is finalized and approved, eligible hospitals have the option to submit a UC application for UC Payments in DY1, in lieu of transition payments. UC payments are subject to reconciliation provisions.
- For UC payments, the total payments under the Medicaid State Plan, DSH, UC payments and Transition Payments cannot exceed the actual cost of providing services to Medicaid beneficiaries and the uninsured as defined in the cost claiming protocol.
- All applicable inpatient and outpatient hospital UC payments, including Transition Payments received by a hospital provider count as title XIX revenue and must be included in offsetting revenue in the State’s annual DSH audit reports. Providers

receiving both DSH and UC payments cannot receive total payments under the State plan and the UC Pool that exceed the hospital's total eligible uncompensated costs.

- UC payments for physicians, non-physician professionals, and pharmacy and clinic costs are not considered inpatient or outpatient Medicaid payments for purpose of DSH limits and the DSH audit rule.

UC Application

- To qualify for a UC payment, a hospital is required to submit an annual UC Cost Reporting Application due by September 30th of each year. Reported hospital data has to be consistent with Medicare 2552-96 cost report, or for non-hospital providers, a CMS approved cost report consistent with Medicare cost reporting principles.
- Hospitals are required to report data in a manner that is consistent with the Medicare 2552-96 cost report, or for non-hospital providers, a CMS approved cost report consistent with Medicare cost reporting principles that is two years prior to the DY in which UC Payments are to be made.
- Providers may request that cost and payment data from the data year be adjusted to reflect increases or decreases in costs resulting from changes in operations or circumstances. A provider may request that:
 - Costs not reflected on the filed cost report, but which would be incurred for the spending year, be included when calculating payment amounts; or
 - Costs reflected on the filed cost report, but which would not be incurred for the spending year, be excluded when calculating payment amounts.

These adjustments cannot be considered as part of the application for reconciliation of a prior year payment. These costs are subject to reconciliation to future year applications to ensure that providers actually incurred such eligible uncompensated costs.

UC Reconciliation

- Subsequent DY applications will be used to reconcile estimates for prior years.
- Overpayments that occurred in a prior year must be recouped from the provider and the FFP returned to CMS;
- If a provider demonstrates that it has allowable uncompensated costs consistent with the protocol that were not reimbursed through the initial UC Payment (based on application figures) and the State has available UC Pool funding for the year in which the costs were accrued, the State may provide reimbursement for those actual documented unreimbursed UC costs through a prior period of adjustment.

Deliverables Timeline for submission to CMS:

March 1, 2012

The State must submit to CMS for approval, a funding and reimbursement protocol that will establish rules and guidelines for the State to claim FFP for UC payments. At a minimum, the protocol must include:

- ✓ Precise definitions of eligible uncompensated provider costs and revenues that must be included in the calculation of UC.
- ✓ Identify the allowable source documents to support costs (detailed instructions regarding calculation of eligible costs, identification of the tool used by the State and providers to apply for UC payments, and a timetable and reconciliation of payments against actual cost documentation).
- ✓ Contain not only allowable costs and revenues; it will indicate the 12 month period for which the costs will apply.

The State must also submit a UC payment protocol for each non-hospital provider type that may seek UC payments.

December 1, 2012

Beginning with DY2, the State must provide CMS with the following information.

- ✓ UC payment applications submitted by eligible providers.
- ✓ Chart of estimated UC payments to each provider for a DY.

Within 90 days after the end of each DY, beginning with DY2, the State has to provide CMS with the following:

- ✓ UC payment applications submitted by eligible providers.
- ✓ A chart of actual UC payments to each provider for the previous DY.
- ✓ For reconciliation payments to providers, the UC payments made to the provider in the prior DY and the reconciliation costs against the actual payments made to said provider.