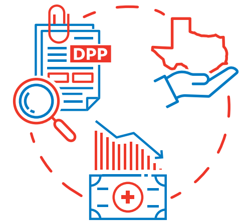
Texas Hospital Association

Texas' Medicaid Directed Payment Programs Sustain the Safety Net

Results of analysis performed by Dobson DaVanzo & Associates, LLC (2022)
Commissioned by the Texas Hospital Association

BACKGROUND

Under the Texas Healthcare Transformation and Quality Improvement Program (THTQIP) Section 1115 Waiver, Texas now operates five Medicaid directed payment programs (DPPs). DPPs enhance payments to Medicaid providers, bringing reimbursement closer to the actual cost of care.



DPP	Name	Amount (STATE FISCAL YEAR 2022)	Benefiting	Approval delayed thru Mar. 2022
CHIRP	Comprehensive Hospital Increase Reimbursement Program	$4.7 billion	Hospitals	Yes
TIPPS	Texas Incentives for Physicians and Professional Services	$600 million	Physician groups, including those affiliated with hospitals	Yes
RAPPS	Rural Access to Primary and Preventive Services	$11 million	Rural health clinics, including hospital-based clinics	Yes
QIPP	Quality Incentive Payment Program	$1.1 billion	Nursing facilities, including public hospital-owned	No
DPP-BHS	Directed Payment Program for Behavioral Health Services	$176 million	Community mental and behavioral health providers	No

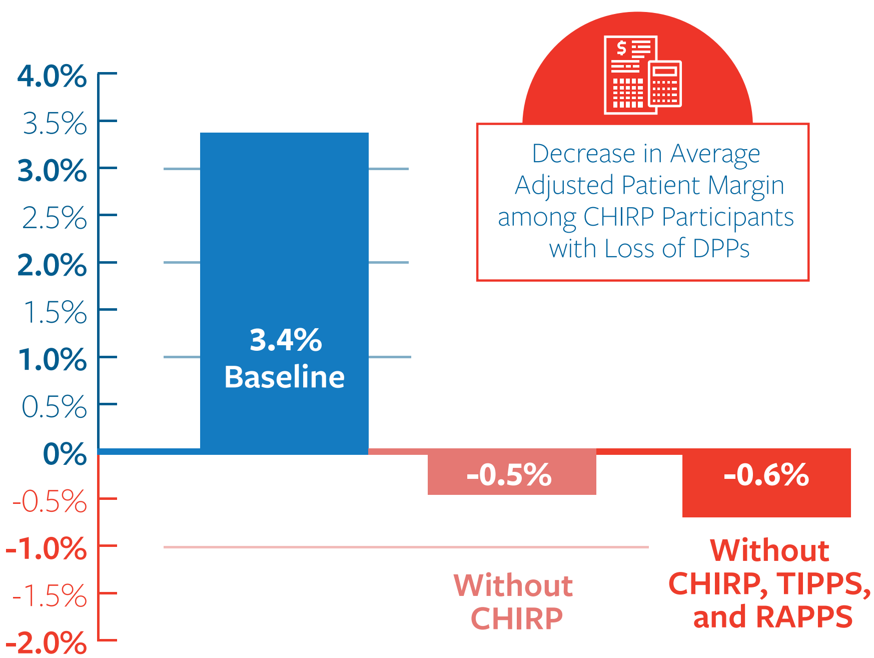
The Centers for Medicare and Medicaid Services (CMS) withheld approval of three DPPs – CHIRP, TIPPS, and RAPPS – from September 2021 through March 2022 due to a dispute over Texas' method of financing the nonfederal share of payments. **During the delay, hospitals lost more than $7 million per day in reimbursement for Medicaid patient care.** CMS eventually approved the programs, but reserved its authority to disallow payment or withhold future approvals if it finds Texas' method of finance to be impermissible.

STUDY OBJECTIVE

Determine how the financial performance of Medicaid safety-net hospitals in Texas would suffer under loss of three key state directed payment programs: CHIRP, TIPPS, and RAPPS.

KEY FINDINGS

Loss of CHIRP, TIPPS, and RAPPS would reduce participating hospitals' average adjusted margins by 4%, **and drive participants' average adjusted margins into negative territory.**



KEY FINDINGS BY HOSPITAL TYPE

- Participating safety-net hospitals of all types would experience operating losses without CHIRP, TIPPS, and RAPPS.
- Baseline negative adjusted margins in **small, rural, and critical access hospitals** would fall 1-2%.
- **Children's hospitals would see the greatest magnitude of decrease** in adjusted patient margin, approximately 11%.

Hospitals	Baseline	Adjusted patient margin	
		Without CHIRP	Without CHIRP, TIPPS, and RAPPS
Urban/Rural Status			
Urban (259)	**4%**	0%	0%
Rural (132)	**-5%**	-7%	-7%
Bed Size			
Fewer than 26 (97)	**-8%**	-8%	-9%
26 to 80 (99)	**5%**	3%	3%
81 to 200 (98)	**3%**	0%	0%
Greater than 200 (97)	**4%**	0%	-1%
Type			
Short Term Acute Care (230)	**4%**	0%	0%
Critical Access Hospital (77)	**-16%**	-17%	-17%
Psychiatric Hospital (41)	**9%**	8%	8%
Rehabilitation Hospitals (26)	**9%**	9%	9%
Children's Hospitals (10)	**4%**	-7%	-7%

CONCLUSION

- **Texas' Medicaid DPPs are an essential pillar of financial stability for Texas safety-net hospitals of all types.** CHIRP, TIPPS, and RAPPS keep statewide average adjusted patient margins in positive territory and contribute an average of 4% to hospitals' overall profitability.
- **Loss of CHIRP, a nearly $5 billion program, would drive the greatest degree of financial harm to hospitals.** Select hospitals and hospital types would experience further adjusted margin declines from loss of TIPPS and RAPPS.
- Any future interruption, disallowance, or disapproval of DPPs – similar to the lapse that occurred in SFY 2022 – would prove destabilizing to the financial position of all CHIRP-participating hospitals and to Medicaid patients receiving hospital care.

METHODS AND DATA SOURCES

Dobson DaVanzo & Associates, LLC, calculated adjusted patient margins for 394 CHIRP-participating hospitals using 2019 Medicare Cost Report Worksheet G-3 figures and federally approved SFY 2022 DPP payment modeling performed by the Texas Health and Human Services Commission. Baseline adjusted patient margins were derived by subtracting operating expenses from adjusted patient revenues.

For each DPP component, margin impacts were assessed by subtracting Medicaid program revenues from adjusted patient revenues and subtracting suggested intergovernmental transfer amounts from operating expense.

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