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Fiscal Year 2025 Medicaid Managed Care Hospital Payments

The Health and Human Services Commission (HHSC) has been working since September 2022 to evaluate the future of the Medicaid hospital financing system in a post-public health emergency environment. With the combination of new Medicaid fee-for-service and managed care rules, the unwinding of the Medicaid caseload coverage from the PHE, and the interplay of new supplemental payment programs (e.g. the private graduate medical education (GME) and Hospital Augmented Reimbursement program (HARP)), hospital financing in Medicaid and for the uninsured has been challenging to forecast. With the support of hospitals and their representatives, Medicaid managed care organizations and their representatives, industry subject matter experts, and the staff at the Centers for Medicare and Medicaid Services (CMS), HHSC has come to final decisions about the programs that will be implemented for state fiscal year 2025, as well as the various policy matters that are required for certain programs.

Aligning Technology by Linking Interoperable Systems (ATLIS)

A Limited Scale ATLIS will be launched for FY 2025.

HHSC has worked to develop the ATLIS program in an effort to introduce a new, innovative solution to support managed care organizations in improving the receipt of electronic data submissions from hospitals in their networks. The program serves a multitude of purposes, including and especially enabling forward momentum on various quality goals and the development of alternative payment models. The program will be focused for FY 2025 on implementing HIE solutions in STAR Kids between MCOs and Children's Hospitals, in STAR Plus between Rural and Urban hospitals, and in STAR in select service delivery areas (Bexar, Dallas, Jefferson, Nueces, and Tarrant). The MCOs will be eligible to earn percentages varying from 0.05% of their capitation to 5.00% of their capitation, depending on their achievement related to milestones related to certain provider classes within

their networks. The total program value will be restricted to ensure that the first and second years of the program are operationally manageable.

Comprehensive Hospital Increased Reimbursement Program (CHIRP)

CHIRP will be restricted to approximately $6.1 billion in hospital payments.

In evaluating the Medicare upper payment limit (UPL), average commercial reimbursement (ACR), and provider cost data, in combination with the forecasted changes in Medicaid managed care caseload, HHSC is observing the potential for significant changes in the potential CHIRP size. If left unrestricted, CHIRP is modeled that it could increase to as much as $7.2 billion in hospital payments – an increase of $1.1 billion from the estimated value of CHIRP for SFY 2024. HHSC is still waiting for CMS to determine the available budget neutrality room under the Texas 1115 Waiver. In the absence of that information, it is prudent that the state limit managed care expenditures until the budget neutrality room is established and HHSC can ensure with confidence that all Medicaid managed care expenditures will be eligible for federal financial participation (FFP).

CHIRP will introduce the Alternate Participating Hospital Reimbursement for Improving Quality Award (APHRIQA) at $1.2 billion

42 CFR 438.6(c) requires that directed-payment programs, including CHIRP, advance a quality goal or strategy. UHRIP, CHIRP's predecessor, existed solely as a uniform rate increase from December 1, 2017 through August 31, 2021; CHIRP has been in place since September 1, 2021 to now. While CMS has approved CHIRP (or UHRIP) to exist as a uniform rate increase only for more than 6.5 years, CMS has signaled strongly to Texas (and other states) that year-over-year improvement is necessary for annual reapproval of the program. Based upon the regulatory requirements, and the tenure and size of CHIRP, HHSC believes it is necessary and prudent to introduce a pay-for-performance component to CHIRP. HHSC has been discussing the design of APHRIQA with CMS since January 2024 and CMS has responded extremely favorably to the concept. CMS recently reviewed a draft pre-print that includes APHRIQA as a component of CHIRP and has not provided any feedback that indicates that they believe APHRIQA conflicts with the existing or new regulations. To ensure a timely approval of CHIRP, HHSC will pursue approval of CHIRP with this component incorporated.