

DIRECTED PAYMENT PROGRAMS OVERVIEW – TEXAS AND BEYOND

August 2023



Objectives

Mechanics of Directed Payment Programs (DPPs)

Financing DPPs

Texas DPPs

DPPs Across the U.S.

Proposed Managed Medicaid Rule

Mechanics of DPPs



**What is a
DPP?**



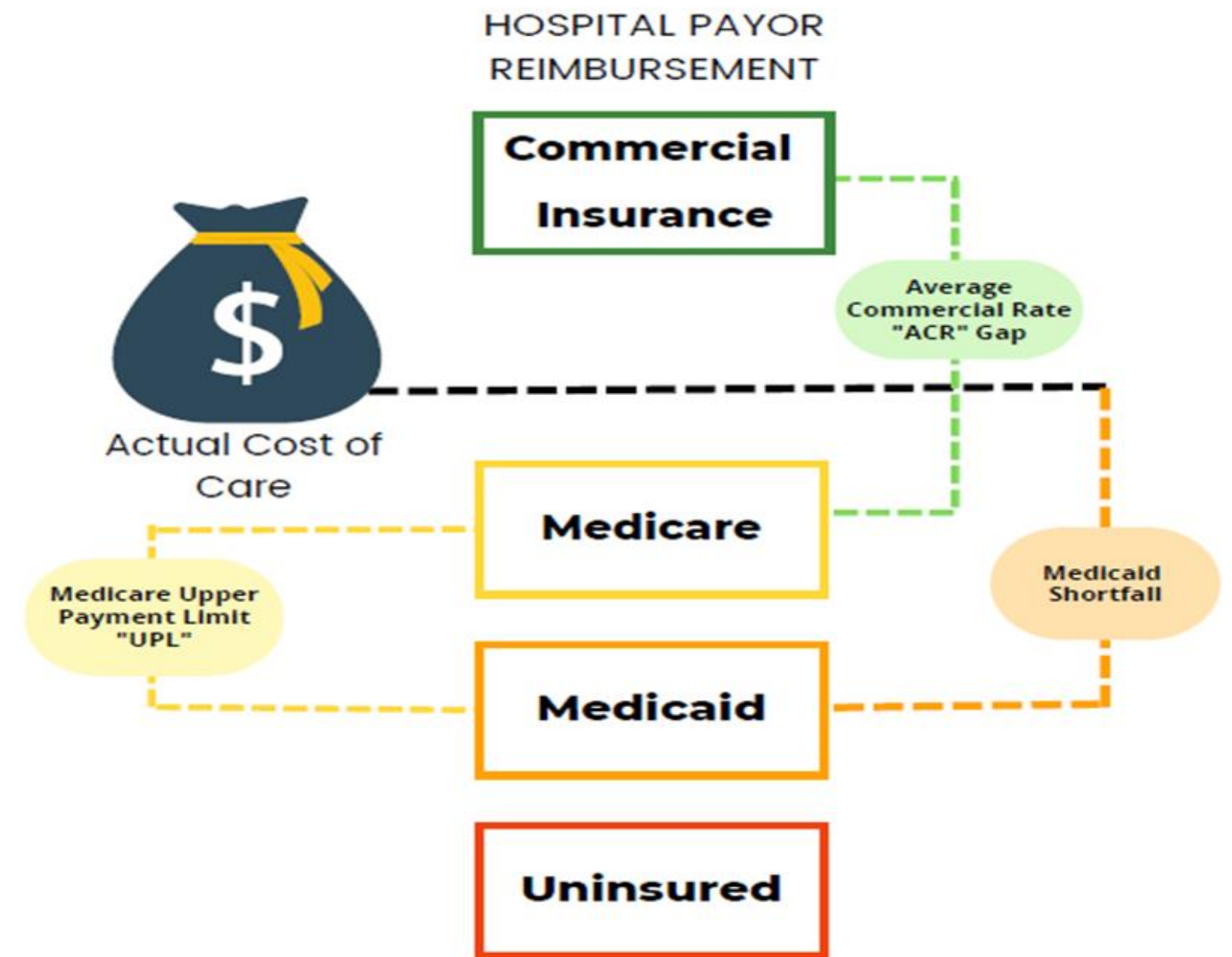
**Why Do
DPPs Exist?**



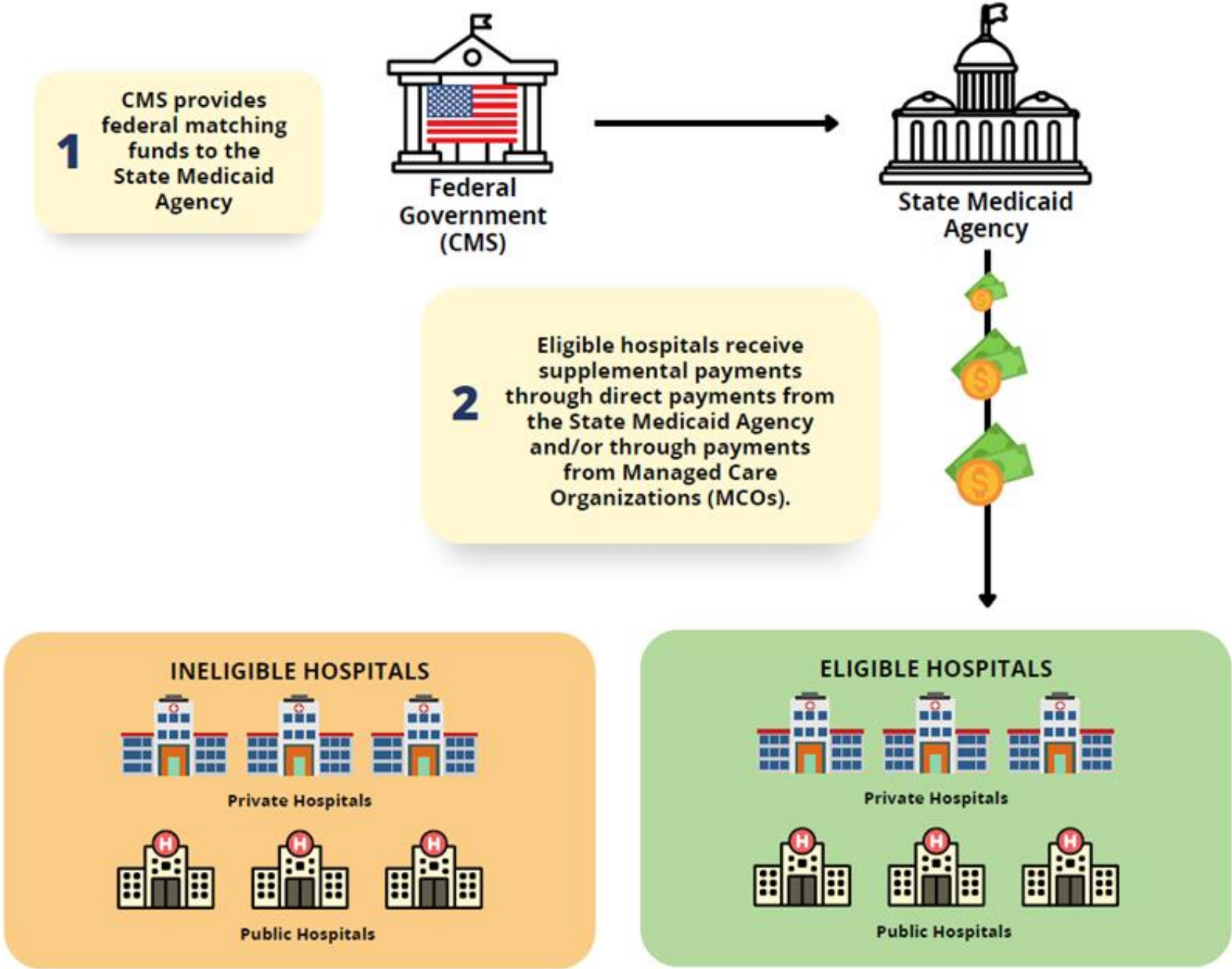
**Who is
Involved?**

Mechanics of DPPs

- Relevant Information of Calculations:
 - Medicaid actuarial data
 - Medicare actuarial data
 - Hospital provided data
 - Payments and IGT's calculated
 - What is an IGT?



Mechanics of DPPs



*Not all hospitals that make IGTs or mandatory payments are eligible to receive supplemental payments. Hospitals must meet supplemental payment program criteria to be eligible for payments.

Financing DPPs

- Who can fund an IGT?

- What is an LPPF?

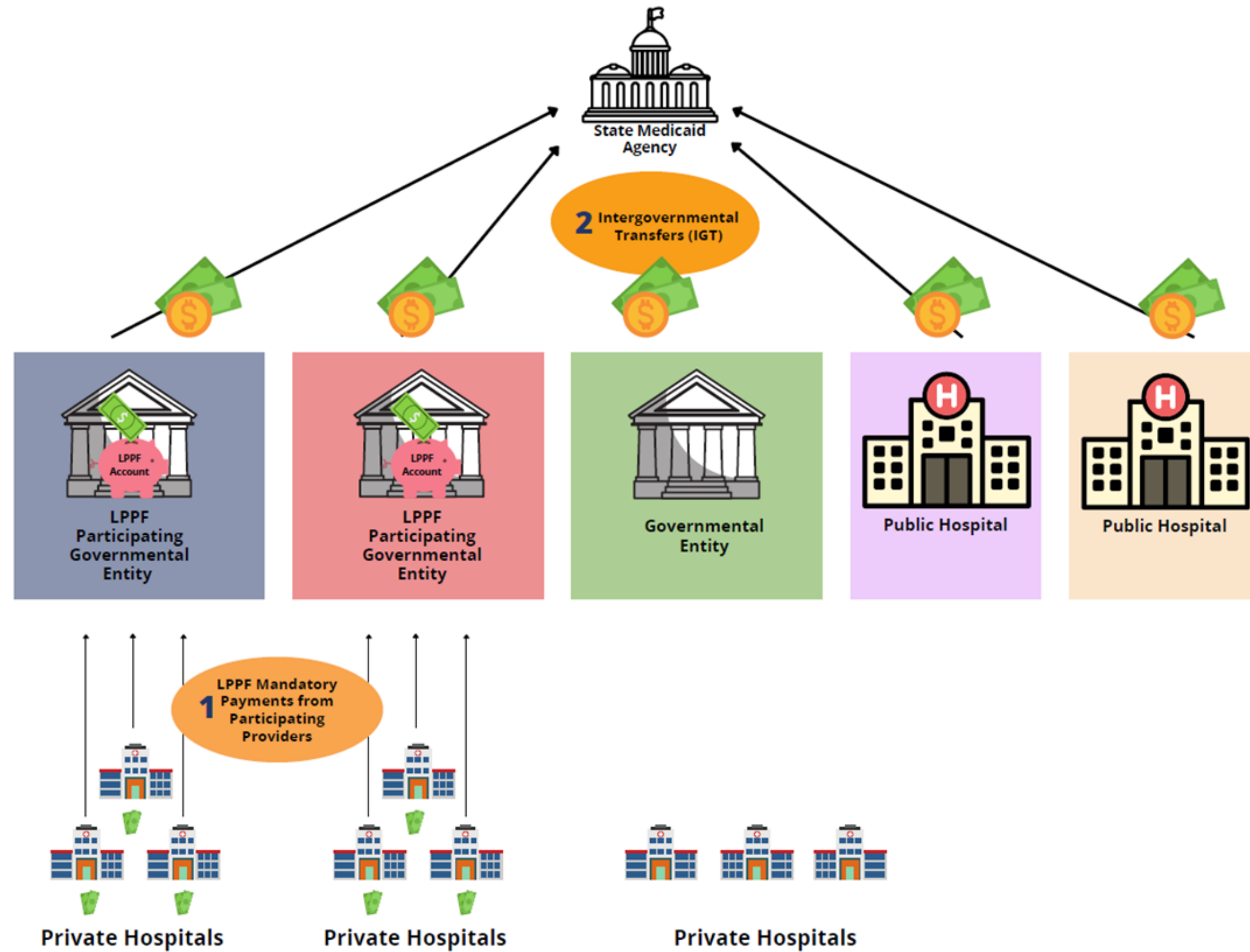
- Who can participate?

- Who authorizes?

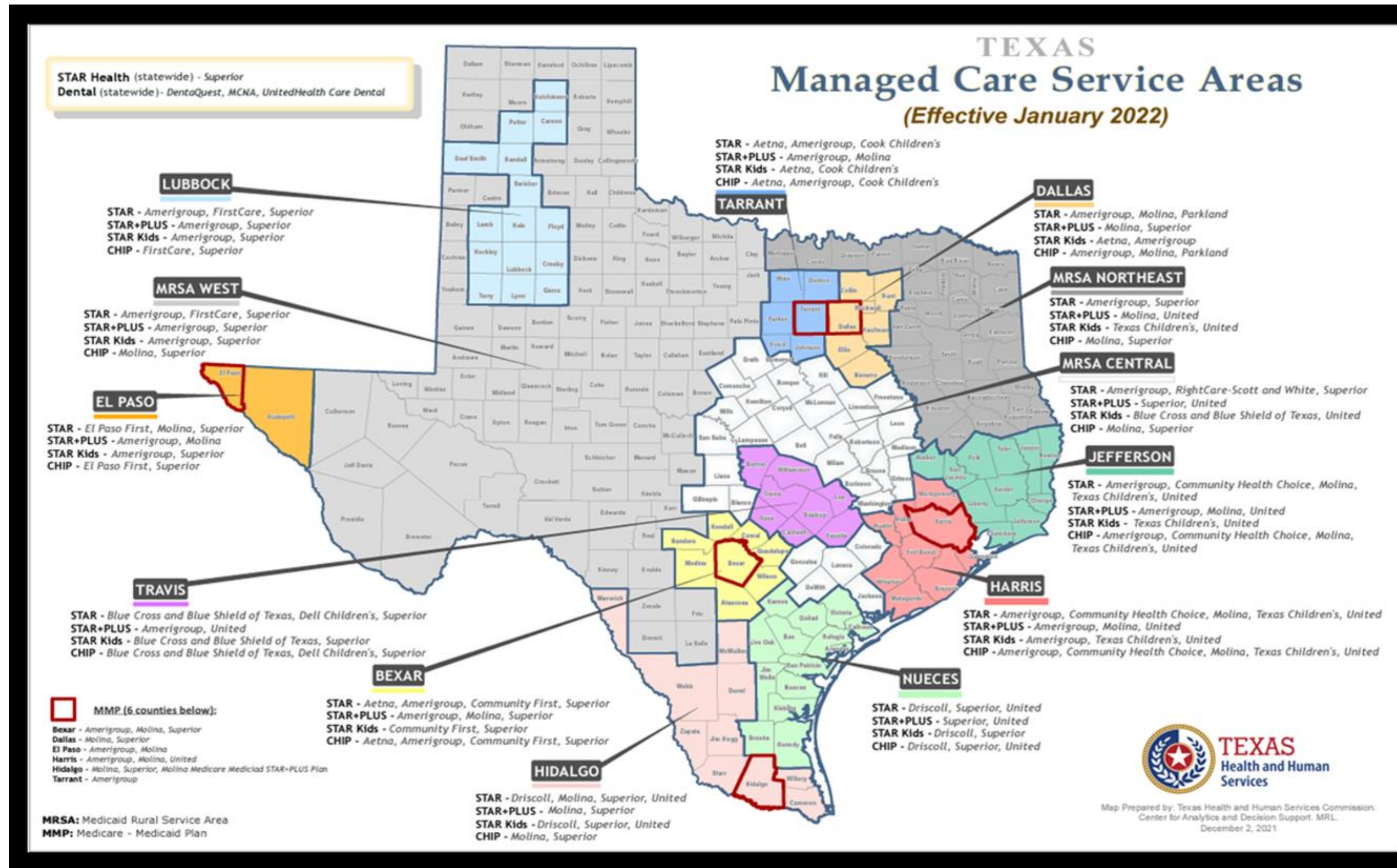
Legislation and Statutory Authority

Service Delivery Area	Jurisdiction	Enacted Bill	Session	Year Enacted	Health and Safety Code
Hidalgo	Cameron County	SB 1623	83R	2013	Chapter 288
Hidalgo	Hidalgo County	SB 1623	83R	2013	Chapter 288
Hidalgo	Webb County	SB 1623	83R	2013	Chapter 288
MRSA Central	Bell County	HB 2913	84R	2015	Chapter 297
MRSA Northeast	Bowie County	SB 1587	84R	2015	Chapter 292
MRSA Central	Brazos County	HB 3185	84R	2015	Chapter 296
MRSA Northeast	Cherokee County	SB 1587	84R	2015	Chapter 292
MRSA Northeast	Gregg County	SB 1587	84R	2015	Chapter 292
Travis	Hays County	HB 3175	84R	2015	Chapter 293
MRSA Central	McLennan County	HB 2809	84R	2015	Chapter 294
Lubbock	City of Amarillo Hospital District	SB 2117	85R	2017	Chapter 295A
MRSA Northeast	Angelina County	HB 2995	85R	2017	Chapter 291A
Dallas	Dallas County Hospital District	HB 4300	85R	2017	Chapter 298A
MRSA Northeast	Grayson County	HB 2062	85R	2017	Chapter 292A
MRSA Northeast	Smith County	HB 2995	85R	2017	Chapter 291A
Tarrant	Tarrant County Hospital District	SB 1462	85R	2017	Chapter 298B
MRSA West	Tom Green County	HB 3398	85R	2017	Chapter 293A
Travis	Williamson County	HB 3954	85R	2017	Chapter 292B
Lubbock	Lubbock County Hospital District	SB 2448	86R	2019	Chapter 298D
	Statewide	HB 4289	86R	2019	Chapter 300 & 300A
Dallas	Ellis County	HB 4548	86R	2019	Chapter 296A
Bexar	Bexar County Hospital District	SB 1545	86R	2019	Chapter 298F
Harris	Harris County Hospital District	HB 3459	86R	2019	Chapter 299
MRSA West	Wichita County	SB 2286	86R	2019	Chapter 292C
Travis	Travis County Hospital District	SB 1350	86R	2019	Chapter 298E
MRSA West	Taylor County	HB 1142	86R	2019	Chapter 293C
Nueces	Nueces County Hospital District	SB 2315	86R	2019	Chapter 298C
El Paso	El Paso County Hospital District	SB 1751	86R	2019	Chapter 298G
MRSA Northeast	Nacogdoches County Hospital District ^a	HB 4289	86R	2019	Chapter 300
Jefferson	Jefferson County ^b	HB 4289	86R	2019	Chapter 300

Financing DPPs



Texas Directed Payments Programs



Texas Directed Payment Programs

	CHIRP	TIPPS	RAPPS	DPP BHS	PHP-CCP
Pool Size	\$6.5 Billion	\$714 Million	\$23.5 Million	\$155 Million	\$500 Million
Hospital Classes	Children's, Rural, State-owned Non-IMD, Urban, Non-state-owned IMD, and State-owned IMD	IME, HRI and other Physician Groups	Hospital-based RHCs (Non-state government owned and Private) and Freestanding RHCs	Community Health Centers	IME, HRI and other Physician Groups
Quality?	Yes - Reporting Requirements	Yes - Reporting Requirements	Yes - Reporting Requirements	Yes - Reporting Requirements	Yes - Reporting Requirements
Type of Payment	Claim by Claim	C1: Monthly C2: Semi-Annually C3: Claim by Claim	C1: Semi-Annually C2: Claim by Claim	Claim by Claim	C1: Monthly C2: Semi-Annually C3: Claim by Claim

Comprehensive Hospital Increased Reimbursement Program (CHIRP)

- CHIRP is an update to the current Uniform Hospital Rate Increase Program (UHRIP)
- Hospitals have separate rate add-ons percentages for inpatient and outpatient
- CHIRP is paid as a rate add-on to eligible Medicaid Managed Care claims, including STAR and STAR Plus
- The CHIRP program is optional, and the ACIA component of program is optional
- CHIRP is currently the largest DPP in Texas.
- Currently the largest benefactor of the program are children's hospitals.

Texas Incentives for Physicians and Professional Services (TIPPS)

- There are three categories of providers who are eligible to participate in TIPPS:
 - Health Related Institutions (“HRI”)
 - Indirect Medical Education (“IME”)
 - Other Physician Groups
- HRI and IME providers suggested to IGT for the other physician groups (Class 3).
- Funding determinations are made by SDA.
- Managed Care Programs include STAR, STAR Plus, and STAR Kids.
- There are a minimum of 250 Medicaid managed care members serviced.
- The TIPPS program is optional.

Rural Access to Primary and Preventive Services (RAPPS)

- RAPPS is a directed payment program that would incentivize primary and preventive services for Medicaid-enrolled individuals in rural areas associated with rural health clinics (RHC)
- The pool size is \$23.5 million
- Payments increase based on Medicare equivalent
- Types of RHCs eligible include Hospital-based RHCs (Non-state government owned and Private) and Freestanding RHCs
- Eligible RHCs must provide at least 30 Medicaid managed care encounters per year
- Funding determinations are made by SDA, if the SDA is not fully funded all components would be reduced proportionally
- Managed Care Programs include STAR, STAR Plus, and STAR Kids

Recent Approvals: HARP and GME for Privates

HOSPITAL AUGMENTED REIMBURSEMENT PROGRAM (HARP)

- HARP was approved for publics and NSGO on August 31 of 2022 and was recently approved for privates on August 15th of 2023.
- The program would run from October 1 to September 30.
- The pool size is approximately \$1.4 billion.
- There are 5 classes of Hospitals - NSGO, Private, SGO, Private IMD, and SGO IMD.
- Payments are based off of your IP and OP UPL Gap for each individual hospital.
- Payments are then reduced by a class based "haircut" not to exceed the UPL GAP Class total.
- IP and OP payments are calculated separately and each have different payment reduction percentages.
- This program is retroactive back October 1st of 2021.

MEDICAID GRADUATE MEDICAL EDUCATION (GME)

- GME was recently approved for privates on August 15th of 2023. Publics and other non-private hospitals have participated in the program since 2020.
- The program will run from October 1 to September 30.
- The pool size was projected to be \$220 million in total.
- There are 3 classifications of Hospitals - Governmental, State, and Non-governmental.
- Payments are based off of Medicare per resident amounts, FTEs and Medicaid utilization.
- Medicaid GME will be retroactive to April 1st of 2019.
- This program is paid semi-annually with IGT's likely occurring in January and July.

All Other Supplemental Programs

DSH: Disproportionate Share Hospitals

UC: Uncompensated Care Program

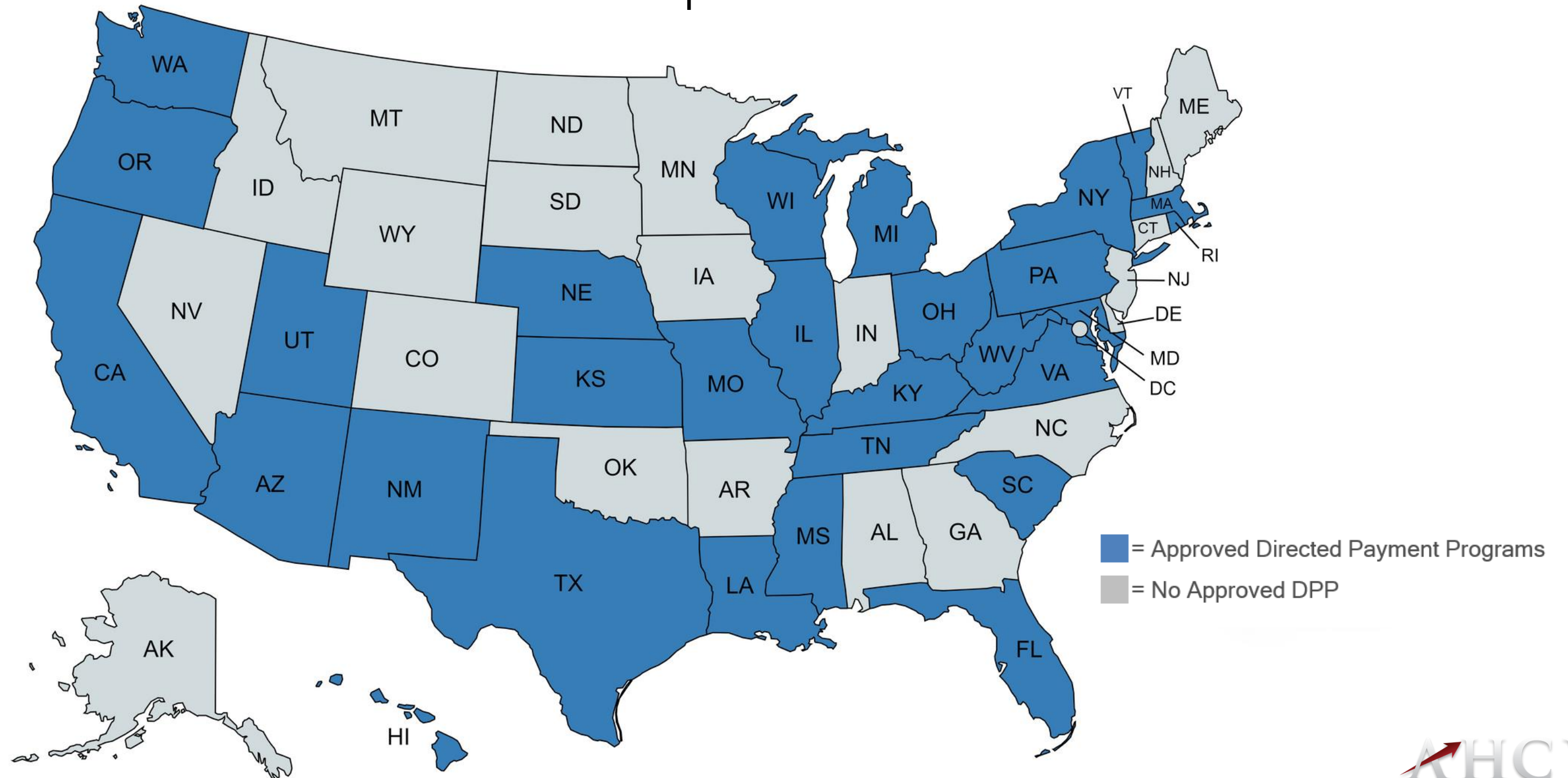
QIPP: Quality Incentive Payment Program

NAIP: Network Access Improvement Program

PHP-CCP: Public Health Provider - Charity Care Pool

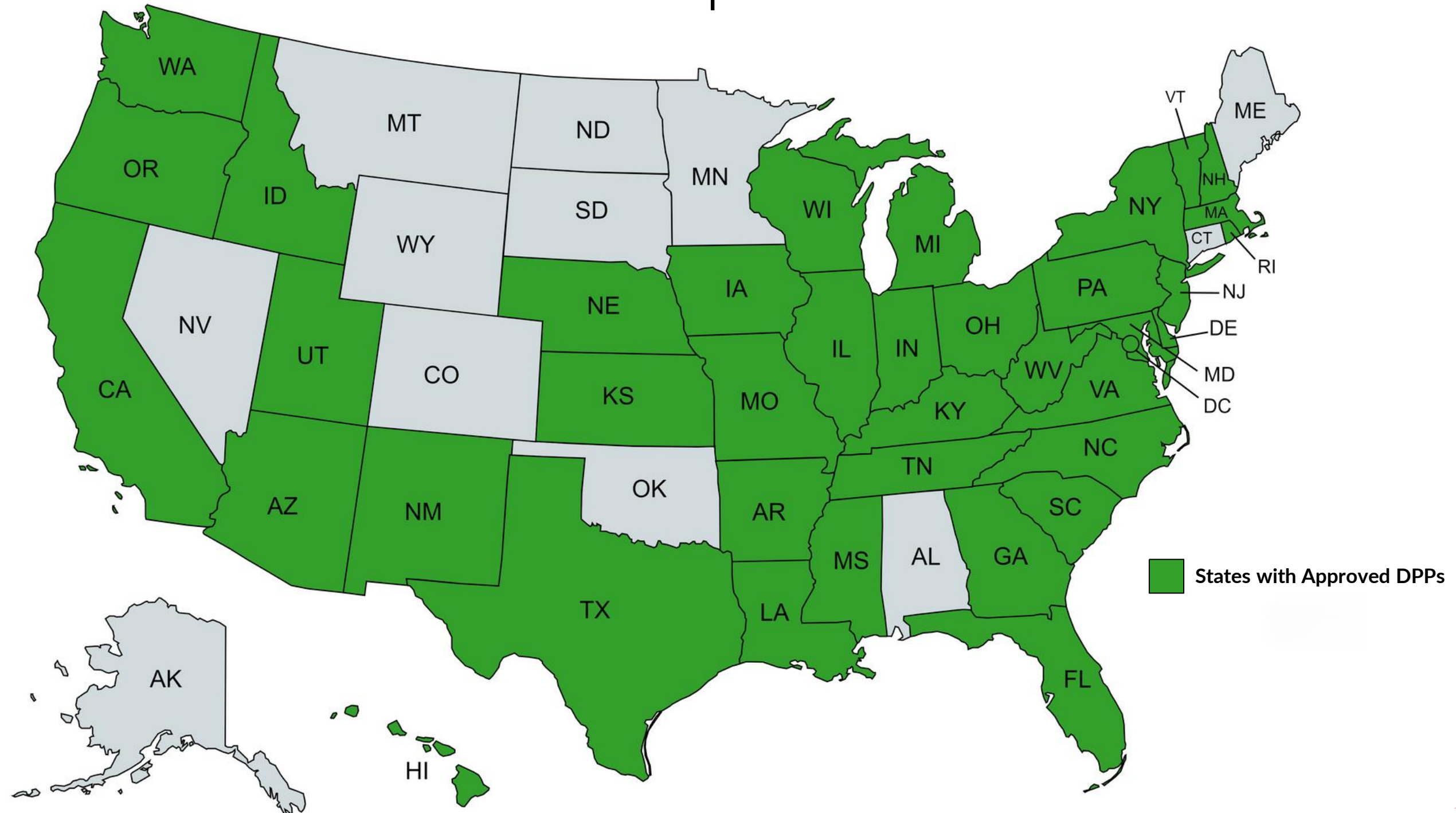
DPPs Across the United States

In 2019, 29 states had received CMS approval for a DPP that benefits hospitals:



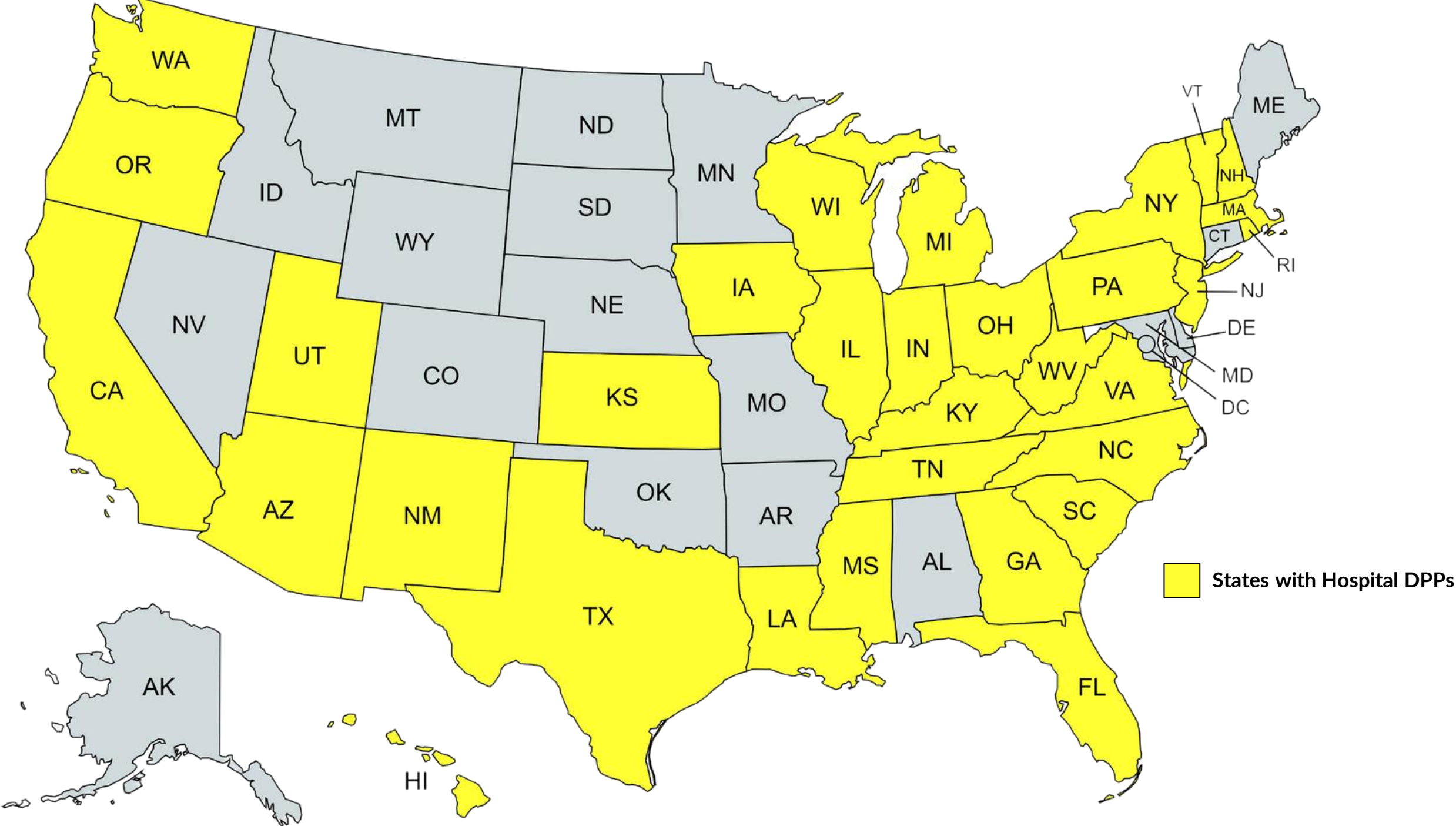
DPPs Across the United States

In 2023, 38 states have received CMS approval for a DPP that benefits hospitals:

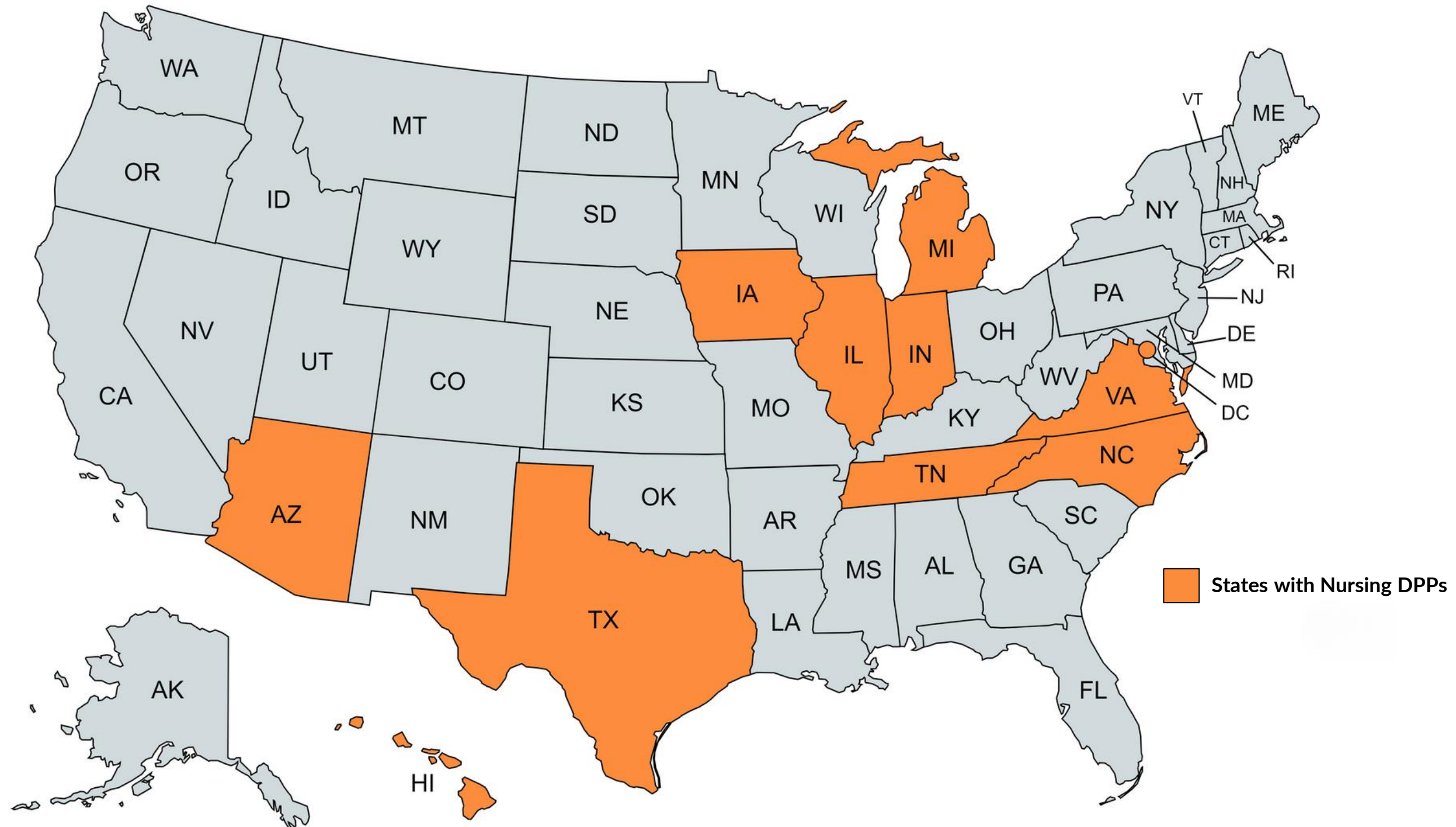


 States with Approved DPPs

DPPs Across the United States



DPPs Across the United States



Current DPP Trends

Current States with Average Commercial Rate DPP

- Arizona
- Kentucky
- Louisiana
- Texas
- Virginia

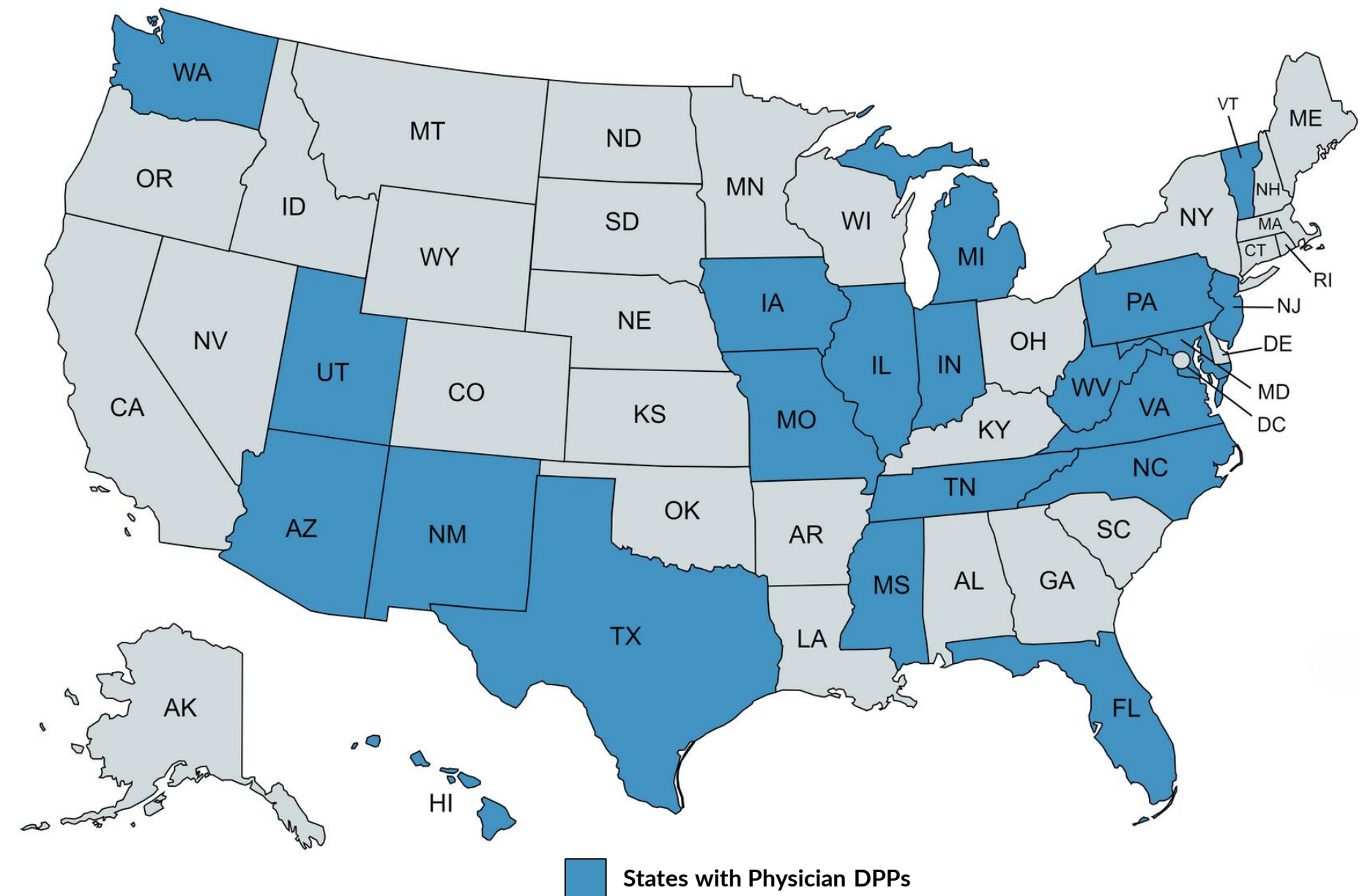
States Looking to Move to Average Commercial Rate DPP

- Michigan
- Mississippi
- New Mexico
- Tennessee
- Wisconsin

Current DPP Trends

Physician DPPs

- Currently, many of the Physician DPPs are isolated only to governmental and academic hospitals due to funding the non-federal share
- Texas Physician DPP program (Texas Incentives for Physicians and Professional Services) allows all physicians to participate
- States are looking to create or expand existing Physician DPPs in order to address access issues with primary care physicians. Examples of some states looking to create and expand existing Physician DPPs:
 - District of Columbia
 - Florida
 - Idaho
 - Louisiana
 - Wisconsin




Current DPP Trends

Quality

- CMS is focused on making sure DPPs improve the quality of care to Medicaid beneficiaries
- Some states like Texas and Wisconsin only have to report on quality metrics but not have to meet quality metrics in order to receive DPP payments
- Other states like Florida and Mississippi, quality metrics have to be met in order to receive payments
- A few of the many challenges with implementing meaningful improvements in quality are as follows:
 - Establishing reasonable quality metrics
 - Coordinating with the managed care companies to make sure quality goals are aligned
 - Real time data in order to measure quality performance during the program year

Proposed Medicaid Managed Care Rule

Proposed Rule titled Medicaid Program; Medicaid and Children's Health Insurance Program (CHIP) Managed Care Access, Finance, and Quality

- Released by CMS on May 3, 2023
- Comment period closed July 3, 2023, with hundreds of comments submitted
- Uncertain timeline for finalization
- Three key provisions 

Funding & Spending Limits

Average Commercial Rates (ACR)

Appeals

Proposed Medicaid Managed Care Rule

Financing & Spending Limits

Financing

- In the preamble to the proposed rule, CMS included similar language as their February 2023 Informational Bulletin regarding issues with State financing of the non-federal share of DPPs, include use of health care-related taxes and intergovernmental transfer (IGT) arrangements.
- CMS expressed concern with impermissible hold harmless arrangements resulting from private redistribution arrangements.
- CMS is proposing that providers attest that they do not participate in any impermissible hold harmless arrangements resulting from private redistribution arrangements.
- State of Texas sued CMS related to the February 2023 Informational Bulletin. On June 30, 2023, the U.S. District Court for the Eastern District of Texas enjoined CMS from enforcing the February Informational Bulletin and the policy stated therein.
- On August 18, 2023, the State of Florida filed a similar suit as Texas.

Spending Limits

- CMS has proposed setting a limit on total DPP expenditures on two methods:
 1. Percentage of the total costs for each Medicaid managed care program
 2. Percentage of the total costs related to specific services (Inpatient, Outpatient, Nursing Facility, Qualified Practitioner in Academic Center) for each Medicaid managed care program.

Proposed Medicaid Managed Care Rule

States with Potential DPP Losses Over \$1 Billion

RANK	STATE	POTENTIAL IMPACT
1	Texas	(5,092,000,000)
2	California	(4,160,000,000)
3	Tennessee	(3,373,000,000)
4	Louisiana	(2,553,000,000)
5	Florida	(2,345,000,000)
6	Indiana	(2,139,000,000)
7	Michigan	(1,896,000,000)
8	Virginia	(1,339,000,000)
9	Rhode Island	(1,019,000,000)

Proposed Medicaid Managed Care Rule

Average Commercial Rates (ACR)

- CMS proposes to formally incorporate the ACR as a regulatory limit on the projected total payment rate for the following:
 - Inpatient Hospital Services
 - Outpatient Hospital Services
 - Qualified Practitioner Services at an academic medical center
 - Nursing Facility Services
- States are required to provide two pieces of documentation:
 - An ACR demonstration
 - Total payment rate comparison to the ACR
- The ACR data must be specific to the State. CMS will not accept regional or national analyses.

Proposed Medicaid Managed Care Rule

Appeals

- Historically, disputes on DPP proposals would typically result in a state withdrawing the proposal.
- CMS proposes disputes go to U.S. HHS Department Appeals Board.
- Alternatively, CMS could permit appeals to the CMS Offices of Hearings and Inquiries (OHI) and CMS Administrator for final agency action.
- Proposed process would prevent states from filing suit against CMS.
- Many comments raised concerns about appeal timing and fairness.

Questions?

- Ryan Hales – Chief Financial Officer / Chief Operating Officer
- Colt Sullivan – VP of Finance – Texas Division
- Justin Flores – Finance Manager – Texas Division