SUBJECT: Updating Medicaid reimbursement calculations for teaching hospitals

COMMITTEE: Human Services — committee substitute recommended

VOTE: 9 ayes — Frank, Hinojosa, Clardy, Deshotel, Klick, Meza, Miller, Noble, Rose

0 nays

WITNESSES: For — Roberto Haddad, Doctors Hospital at Renaissance; (*Registered, but did not testify*: Dan Posey, Baylor Scott and White Health; Elvia Lopez, City of Edinburg Texas, Edinburg Economic Development Corporation; Carlos Cardenas, Doctors Hospital at Renaissance; Aimee Bertrand, Harris County Commissioners Court; Michelle Romero, Texas Medical Association)

Against — None

On — Victoria Grady, Health and Human Services Commission; Maureen Milligan, Teaching Hospitals of Texas

BACKGROUND: Some have suggested that the education adjustment factor, used to calculate the adjustment to the base standard dollar amount for an urban teaching hospital as part of Medicaid reimbursement, is out of date and causes certain hospitals to receive overpayments while others are underpaid. It has been suggested that a more frequent update to the factor is needed to ensure fair and accurate reimbursements for urban and rural teaching hospitals.

DIGEST: CSHB 2798 would require the Health and Human Services Commission (HHSC) to update at least annually the education adjustment factor used to calculate the medical education add-on using the most current available data to ensure urban teaching hospitals were accurately reimbursed for inpatient hospital care to Medicaid recipients. The data used would have to include the number of interns and residents enrolled in a hospital's teaching program and the Medicare education adjustment factor in effect

at the time the commission made the update.

**Definitions.** The bill would define certain terms, including:

- "base standard dollar amount" as the standardized payment amount calculated by HHSC for costs incurred by prospectively paid hospitals that provided Medicaid inpatient hospital care;
- "medical education add-on" as an adjustment to the base standard dollar amount for an urban teaching hospital to reflect higher patient care costs relative to nonteaching urban hospitals; and
- "teaching hospital" as a hospital that incurred indirect costs for operating graduate medical education programs and for which the Centers for Medicare and Medicaid Services (CMS) had calculated and assigned a percentage Medicare education adjustment factor.

"State-owned teaching hospital" would mean the University of Texas (UT) Medical Branch at Galveston, UT Health Science Center at Tyler, and UT M.D. Anderson Cancer Center.

The bill would define "urban hospital" as a hospital that was located in a metropolitan statistical area and was not a rural hospital, children's hospital, state-owned teaching hospital, or freestanding psychiatric facility. "Rural hospital" would mean a hospital enrolled as a Medicaid provider that was:

- located in a county with a maximum population of 60,000;
- designated by CMS as a critical access hospital, sole community hospital, or rural referral center and was not located in a metropolitan statistical area; or
- had 100 or fewer beds, was designated by CMS as a critical access hospital, sole community hospital, or rural referral center, and was located in a metropolitan statistical area.

**Study.** As soon as practicable after the bill's effective date, HHSC would be required to conduct a study evaluating the effectiveness of using the Medicare education adjustment factor to calculate the medical education

add-on used to reimburse teaching hospitals for providing inpatient hospital care under Medicaid. HHSC would have to develop and make recommendations on alternative factors and methodologies for calculating and annually updating the add-on that:

- best recognized higher costs incurred by teaching hospitals; and
- mitigated issues identified with using the adjustment factor without reducing reimbursements to urban teaching hospitals that maintained or increased the number of interns and residents.

By December 1, 2020, HHSC would have to report its findings and recommendations to the governor, the legislative standing committees with primary jurisdiction over Medicaid and state finance and appropriations, and the Legislative Budget Board.

If a state agency determined that a waiver or authorization from a federal agency was necessary for implementing any provision of the bill, the agency would be required to request the waiver or authorization and could delay implementing the provision until the waiver or authorization was granted.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2019.

NOTES:

According to the Legislative Budget Board, CSHB 2798 would have a positive impact to general revenue related funds of about $760,732 in fiscal 2020-21.