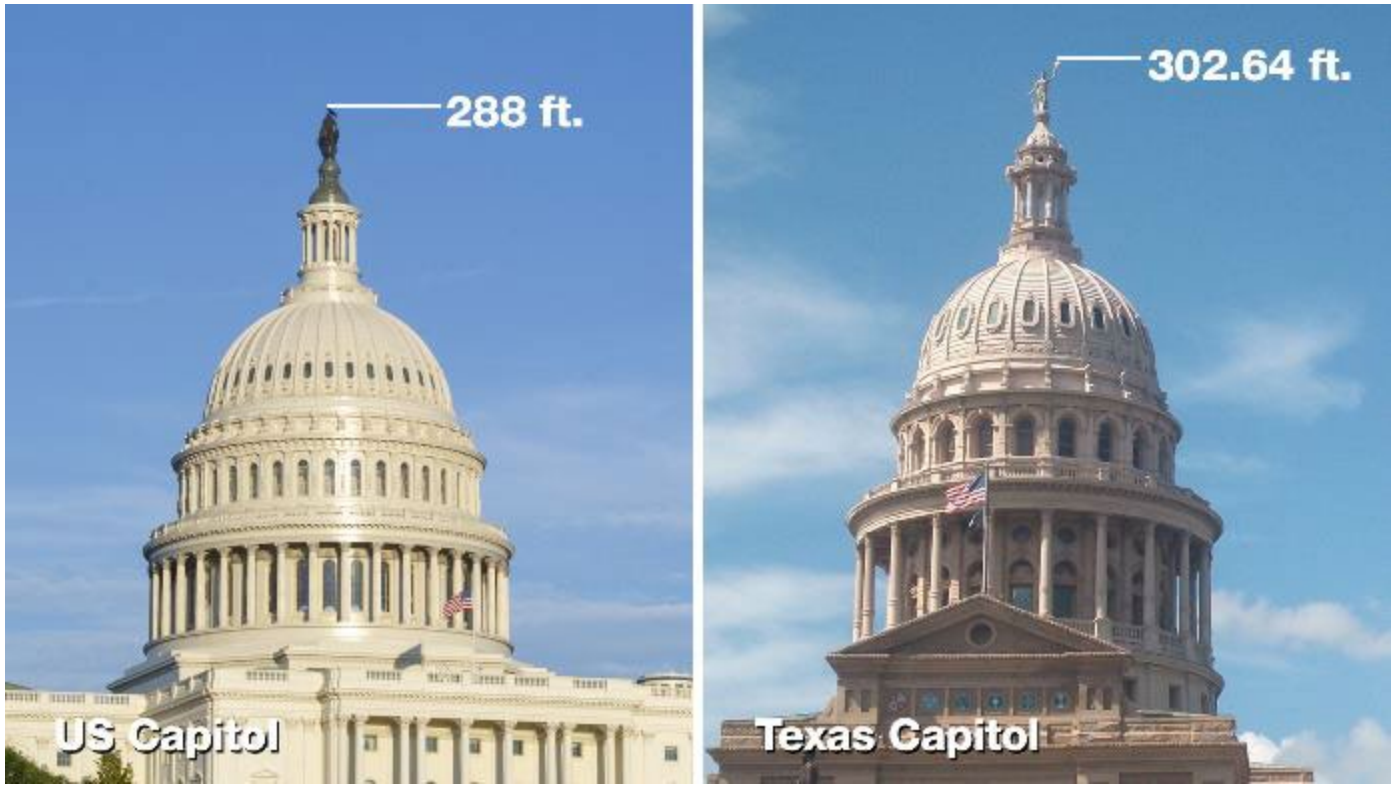
Inside the Domes: Medicaid Changes, the State Legislature, and What's Next for Texas

May 19, 2025



Federal Advocacy

THA Federal Budget Priorities

- Stop site-neutral payment policies
- Protect Texas' safety-net hospitals from devasting funding cuts
- Preserve state funding options for Medicaid
- Support rural hospitals by continuing critical payment programs
- Preserve premium tax credits helping Texans obtain affordable health insurance


Texas Hospital Association

Texas Hospitals 2025-2026

Federal Policy Priorities

THA priorities for the 119th Congress include:

1. STOP SITE-NEUTRAL PAYMENT POLICIES.

2. PROTECT TEXAS' SAFETY-NET HOSPITALS FROM DEVASTATING FUNDING CUTS.

3. PRESERVE STATE FUNDING OPTIONS FOR MEDICAID.

4. SUPPORT RURAL HOSPITALS BY CONTINUING CRITICAL PAYMENT PROGRAMS.

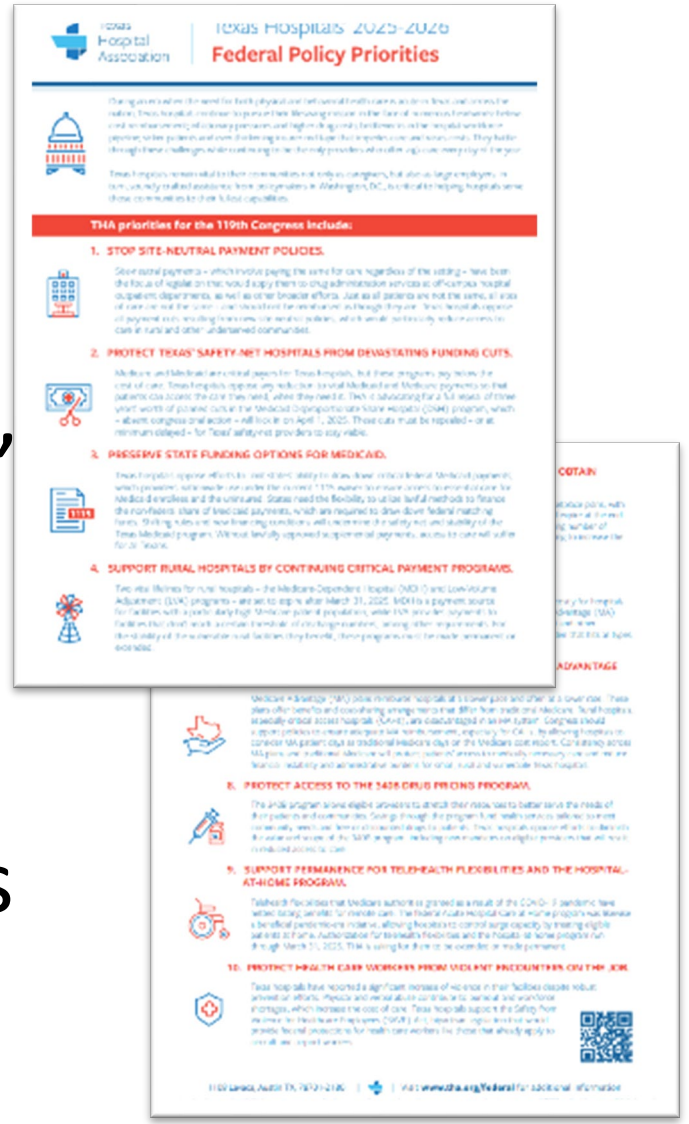
5. PROTECT ACCESS TO THE 340B DRUG PRICING PROGRAM.

9. SUPPORT PERMANENCE FOR TELEHEALTH FLEXIBILITIES AND THE HOSPITAL-AT-HOME PROGRAM.

10. PROTECT HEALTH CARE WORKERS FROM VIOLENT ENCOUNTERS ON THE JOB.

THA Federal Budget Priorities

- Streamline and reduce the burden of insurers' prior authorization requirements
- Align policies for, and reimbursement from, Medicare Advantage plans with those of traditional Medicare
- Protect the 340B drug pricing program
- Make permanent the telehealth flexibilities and Hospital-At-Home program
- Protect health care workers from violent encounters on the job



One Big, Beautiful Bill … and Footing the Bill

Overall savings target = $5 Trillion

Components of the President's plan include:

- Make permanent the 2017 tax cuts
- Exempt tips, overtime, and seniors' Social Security from income taxes
- Additional funding for border security
- Tax reductions for the middle class
- Doubles the child tax credit
- SALT tax credits

Targeted Reductions of $885 Billion in Medicaid

Texas Medicaid Is Different

- Texas operates a ***LEAN, cost-effective*** Medicaid program
- Managed care delivery system
- Eligibility categories close to federal minimums
- Provider-financed supplemental and directed payments
- National model of provider tax transparency and accountability
- **Texas has the LOWEST percentage of Medicaid spending above federal minimums of any state**

House Energy and Commerce Plan

Timeline

- Draft released May 11
- Mark-up occurred May 13-14 (26.5 Hour debate)
- 30-24 Party line vote

Expansion vs Non-Expansion State Discussion

- **Section 44132. Moratorium on new or increased provider taxes.** Freezes, at current **amounts and rates**, states' provider taxes in effect as of the date of enactment of this legislation and prohibits states from establishing new provider taxes.

- **Section 44133. Revising the payment limit for certain state directed payments.** Directs HHS to revise current regulations to limit state directed payments for services furnished on or after the enactment of this legislation from exceeding the **total published Medicare payment rate**. This section would not affect total payment rates for state directed payments approved **or for which preprints have been submitted** to CMS prior to this legislation's enactment.

- **Section 44303. Delaying DSH reductions.** Delays the Medicaid Disproportionate Share Hospital (DSH) reductions, currently **$8 billion reductions per year ($880 million to TX)** that are set to take effect for fiscal years 2026 through 2028, to instead take effect for fiscal years 2029 through 2031.

What Comes Next?

- The U.S. House must debate and vote
- The Senate must approve House version OR craft their own proposal
- Memorial Day vs. July 4th wrap

THEN…

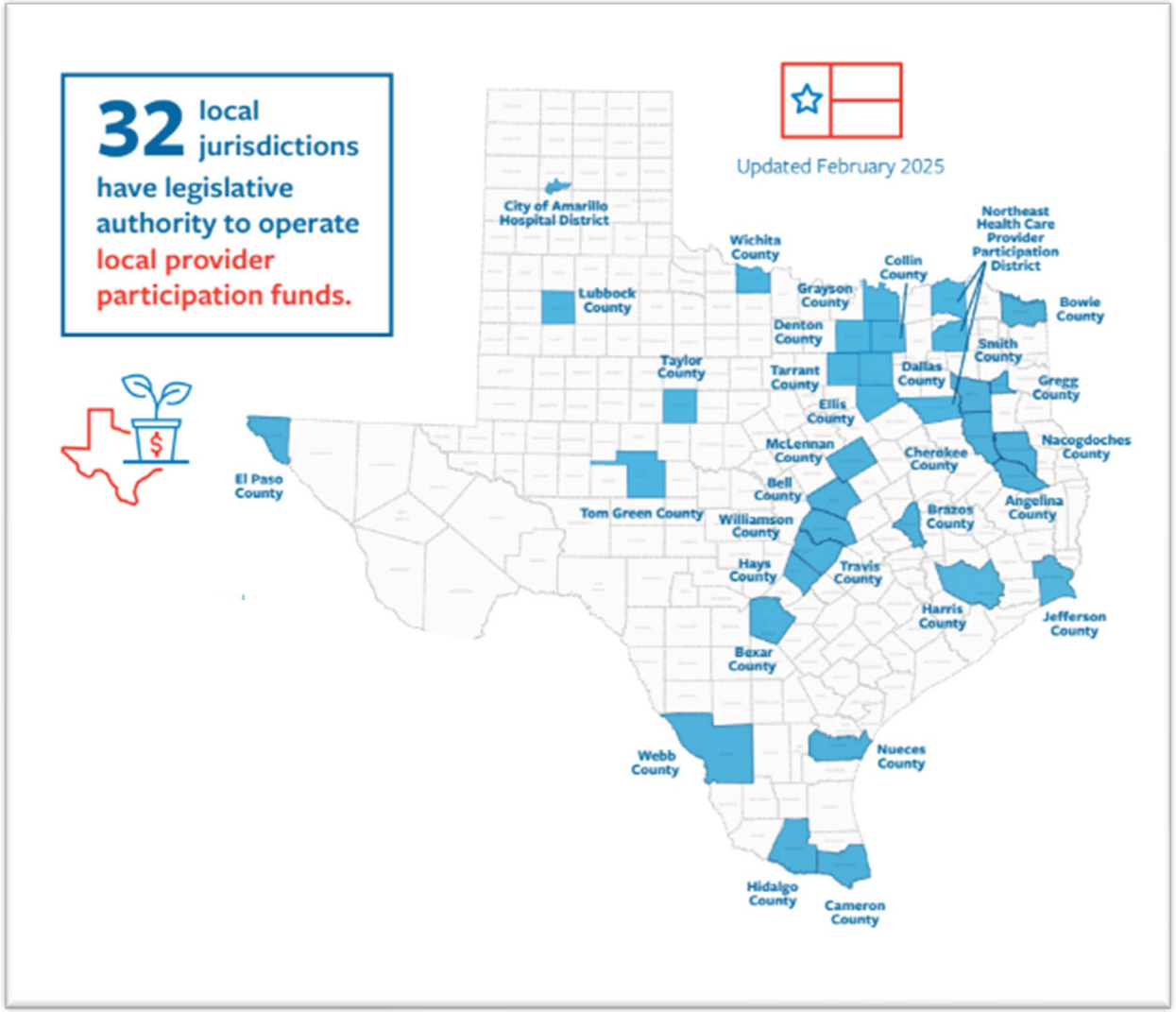
- **Before October 1, 2025**, Congress must act to extend several hospital-relevant federal programs and funding sources
  - Rural add-on payment extensions
  - Telehealth coverage flexibilities
  - Hospital-at-Home

What impact could federal Medicaid reforms have on Texas hospitals?

Local Participation Funds (LPPFs)

Local Matching Funds for Supplemental Payments

- As governmental entities, public hospital districts can IGT for themselves. Private hospitals cannot.
- **Local governments** in Texas use LPPFs to generate non-federal dollars from private hospitals.
- LPPF dollars are transferred to HHSC to fund Medicaid supplemental payments and draw down matching federal funds.
- LPPFs have operated in Texas since 2013.
- LPPFs are only authorized by the Texas Legislature.



Texas Hospital Directed Payment Programs, FY 2025

Program	Pays	Approved Size	LPPF Funded?
Comprehensive Hospital Increase Reimbursement Program (CHIRP)	Hospitals	$6.5 billion	Yes
Texas Incentives for Physicians and Professional Services (TIPPS)	Physician groups (hosp. affiliated)	$787 million	Yes
Rural Access to Primary and Preventive Services (RAPPS)	Rural health clinics (hosp. owned)	$22 million	Yes
Quality Incentive Payment Program (QIPP)	Nursing facilities (hosp. owned)	$1.75 billion	No
	TOTAL	**$9.1 billion**	

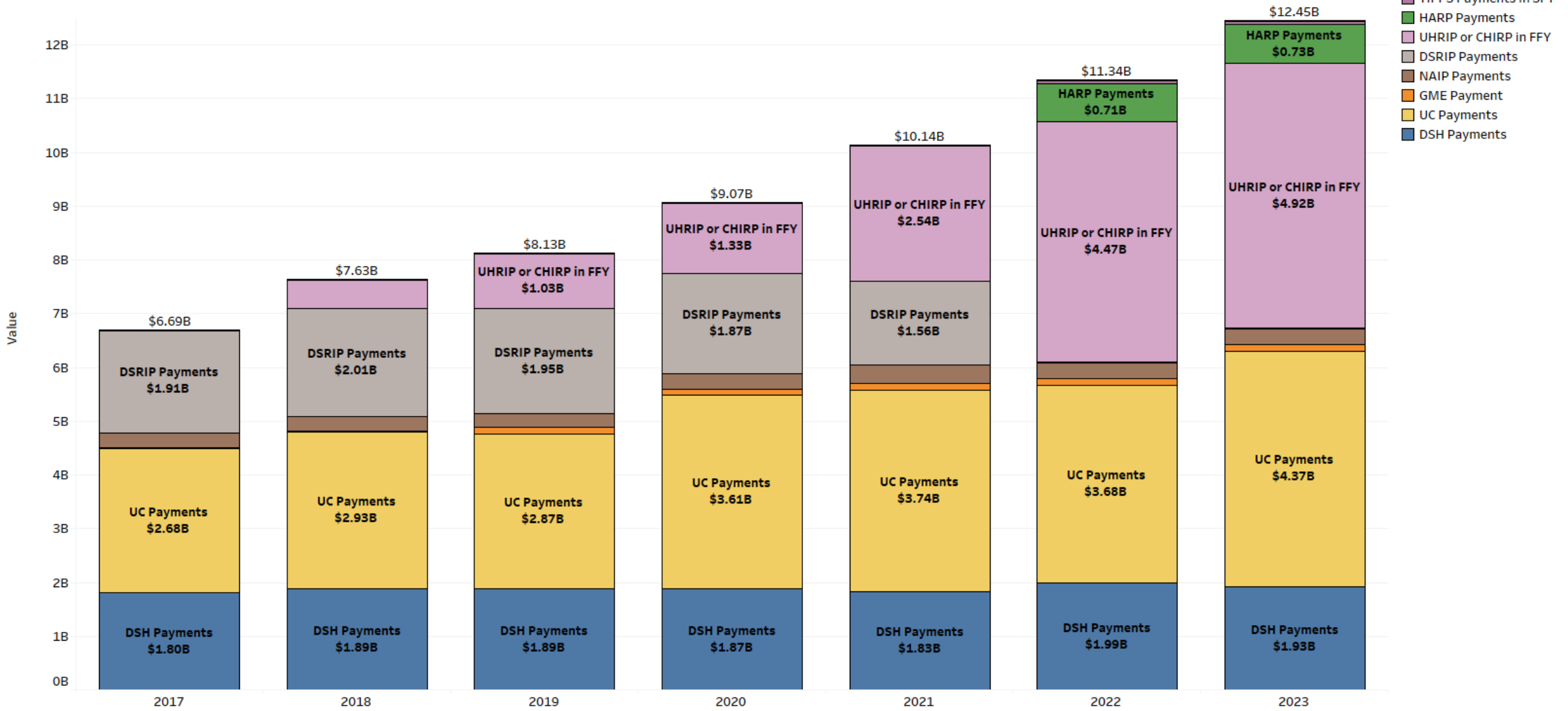
DPPs require annual CMS approval.

Texas Hospital Supplemental Payment Programs, FY 2025

Program	Pays	Approved Size	LPPF Funded?
Uncompensated Care (UC) pool	Hospitals (8% other)	$4.5 billion	Yes
Disproportionate Share Hospital (DSH)	Hospitals	$2.2 billion	No
Hospital Augmented Reimbursement Program (HARP)	Hospitals	$1.4 billion	Yes
Medicaid Graduate Medical Education (GME)	Hospitals	$360 million	Yes
Aligning Technology by Linking Interoperable Systems (ATLIS)	MCO incentive paying hospitals	$700 million	Yes
Network Access Improvement Program (NAIP)	Hospitals	$300 million	No
		TOTAL $9.5 billion	

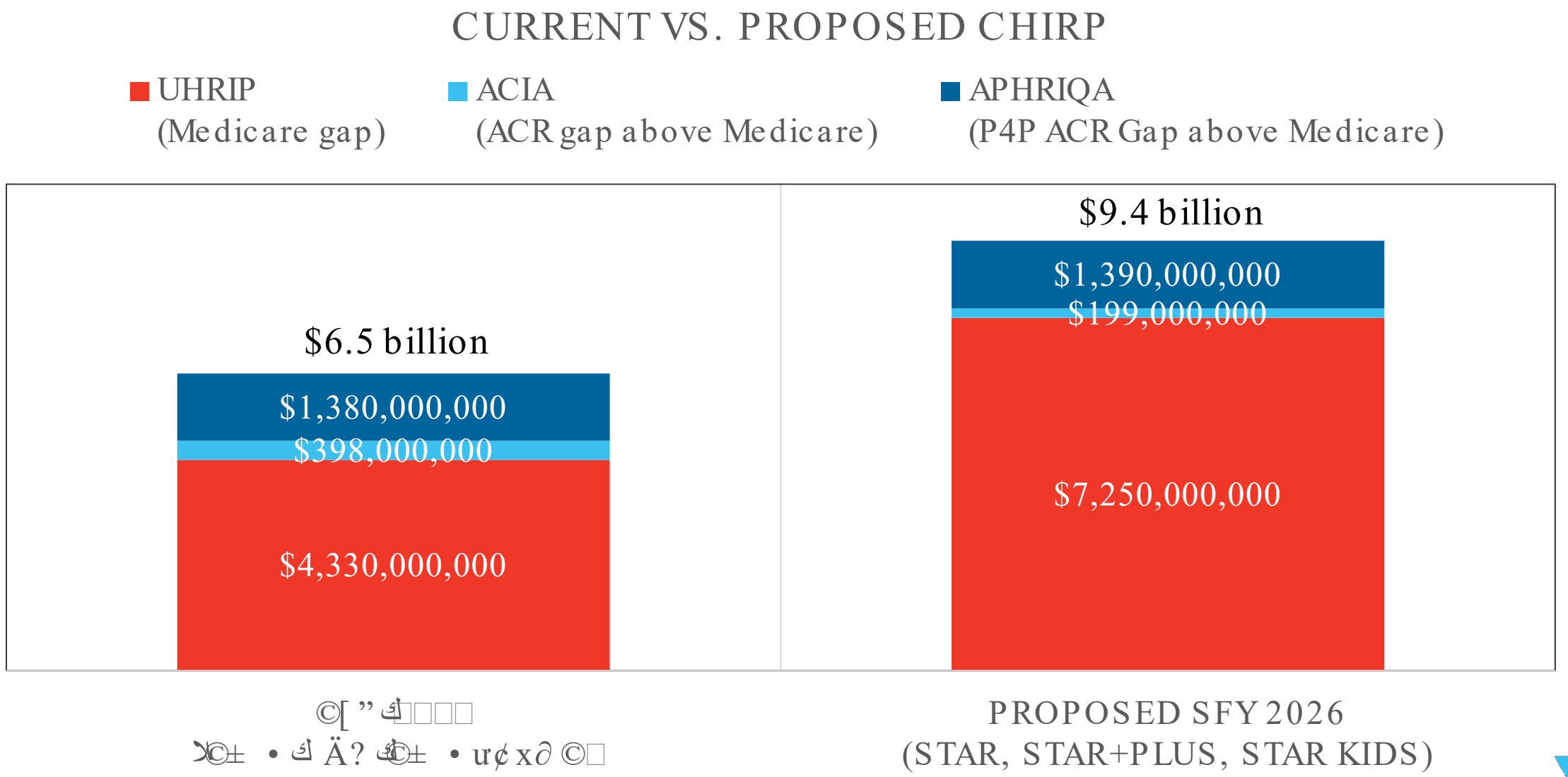
Supplemental payments do not require annual CMS approval.

Growth of Supplemental Payments over Time



RAPPS Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments and DSH Payments for each FFY Year. Color shows details about RAPPS Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments and DSH Payments. The marks are labeled by RAPPS Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments, DSH Payments, RAPPS Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC Payments and DSH Payments. Details are shown for RAPPS Payments in SFY, TIPPS Payments in SFY, HARP Payments, UHRIP or CHIRP in FFY, DSRIP Payments, NAIP Payments, GME Payment, UC

“Grandfathering” CHIRP



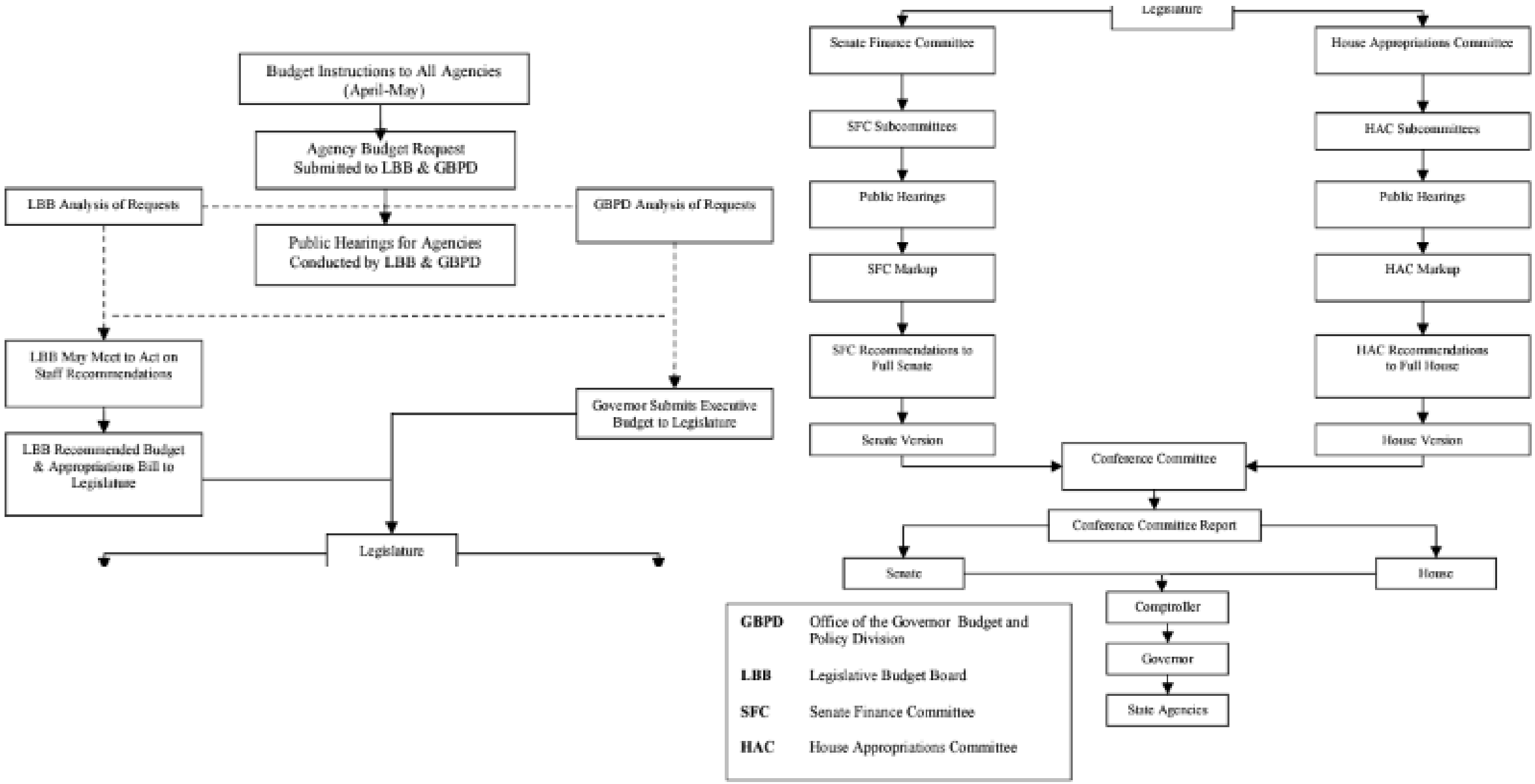
State Advocacy

Texas Legislature Overview

Texas Constitution determines:

- Biennial Regular Session for 140 Days
  - Special Session authority rests with Governor
- Convenes 2nd Tuesday of January of odd-numbered years
  - Bill filing began Nov. 11
  - 89th Texas Legislature Opened Jan. 14
  - Bill filing through March 14
  - **Sine Die (General) June 2!**

Legislative Budget Process



89th Session THA Budget Priorities

- Ensure continuation of Medicaid reimbursement add-on payments for trauma, safety-net and labor and delivery, including the rural add-on for labor and delivery care.
- Maintain funding for the state's trauma care network to ensure Texas hospitals' participation in this critical and voluntary program.
- Direct the Texas Health and Human Services Commission to model an inpatient hospital rate rebasing in collaboration with industry stakeholders.

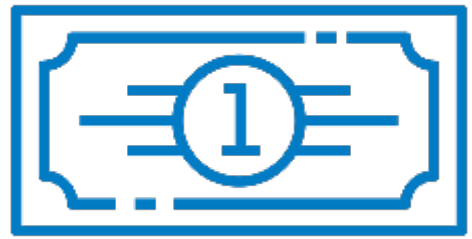
89th Session Budget Updates – Not Final

- Approx. **$4 billion increase** to Medicaid over last biennium in both House and Senate base budgets.
- In both House and Senate base budgets: Medicaid reimbursement add-on payments for trauma, safety-net and labor and delivery, including the rural add-on for labor and delivery care **all level funded**.
  - Rider that backfills trauma fund shortages with GR **maintained** in both base budgets.
- House - **$50M** for rural financial stabilization grants & Senate - **$75M**
- Both House and Senate fund the Mental Health Community Hospital section at **$701.5M** ($78M increase from last biennium)
  - Inpatient psychiatric beds are included
- Rural Hospital Telepsychiatry Consultations **maintained at $7.4M**

89th Session Budget Updates – Not Final

Workforce – House & Senate

- GME expansion grants now funded at $299M
- Loan repayment programs level funded
  - $35.5M for Physician Education Loan Repayment Program
  - $28M in biennium for Mental Health Loan Repayment Program
  - $7M for Nurse Faculty Loan Repayment Program
- Professional Nursing Shortage Reduction Program funded at $46.8M



Budget Conference Committee Priorities

- Adopt the Senate version of this rider as it is in Article II - **Consolidation of Data Collected from Hospitals**
- Adopt the House's update to Rider 19 to appropriate an additional $3.5 million in the 2026-27 biennium to the Department of State Health Services, for the purpose of **expanding the TexasAIM Program** and similar maternal safety initiatives
- Adopt House rider **directing HHSC to prepare a financial model and report on the development of hospital inpatient rates**.
- Adopt and fund the House rider **directing HHSC to add Partial Hospitalization Programs and Intensive Outpatient Therapy (PHP/IOP) services to the Medicaid program**. This improves the behavioral health continuum of care. ($7.5 million)
- Adopt and move to Article III the **funds for grants for clinical site nurse preceptor grant program, Clinical Site Innovation and Coordination Program, and Nursing Faculty Grant Programs** (funds SB 25, 88th Legislative Session) ($42,448,000)

Legislation We're Working On - ✓

- **HB 18** (Rural hospital programs) – needs to be set on Senate calendar
- **HB 1621** (BH tech grants) – passed the House, awaiting Senate committee assignment
- **HB 1142 / SB 636** (Mental health parity for TRS and ERS) – HB received in Senate
- **SB 815** (prohibits AI in utilization review) - needs to be set on House calendar
- **SB 1266** (Medicaid provider enrollment) - needs to be set on House calendar
- **SB 1934** (LPPF flexibility) – not yet heard in Senate Health and Human Services

Legislation We're Working On - 🤷 / ❌

- **HB 138** (Fiscal impact statements on insurance mandates) – needs to be set on Senate calendar
- **HB 216** (Billing requirements) - not yet heard in Senate Health and Human Services
- **HB 1612** (Cash price) – passed House, reported favorably from Senate Health and Human Services
- **SB 331** (More facilities subject to price transparency) - pending in House Public Health
- **SB 457** (Nursing facility expense ratio) - needs to be set on House calendar
- **SB 699 / HB 5396** (Inpatient rehab licensure) – not yet heard in Senate Health and Human Services
- **SB 1232** (Facility fees) – set on Senate intent calendar
- **SB 1318 / HB 4504** (Physician non-competes) – needs to be set on House calendar

Legislation We Worked On (RIP*)

- **HB 321** (Express lane eligibility) – passed the House 🥵
- **HB 2587** (Uncompensated care for undocumented patients) – died on House floor ☠️
  - **Executive order GA-46 still in effect!**
- **HB 2747** (Material change transactions) - died in House Calendars ☠️
- **HB 3265** (340B contract pharmacies) – died in House Calendars ☠️
- **HB 3708** (Charity care) – died in House Calendars ☠️
- **HB 4012** (Criminalizing billing disputes) – died on House floor ☠️

Contact Us

Anna Stelter
Vice President, Policy
Texas Hospital Association
Astelter@tha.org

Matt Turner, PhD
Senior Director, Health Care Policy
Texas Hospital Association
Mturner@tha.org