



HFMA TEXAS STATE CONFERENCE

MEDICAID UPDATE

May 18, 2025

Michael Nunez | Todd Ramberg



Federal Update



House/Senate budget reconciliation discussions

- Directed Payment Programs (DPP) impact – frozen at current levels? \$'s or %?
- Local Provider Participation Pool (LPPF) impact – also frozen at current levels? \$'s or %?
 - Current 6% of hospitals' net patient service revenue
- Changes to hold harmless standard – replacing mathematical test with CMS discretion?
 - Impact on ability to fund via LPPFs?
- House Budget Committee on May 16th voted against advancing the Budget Reconciliation Bill. Negotiations will continue about changes some Representatives desire.

Future Average Commercial Rates (ACR) Percentages Planned by HHSC (may be impacted by federal freeze)

- SFY 26, 90% of ACR
- SFY 27, 95% of ACR
- SFY 28, 100% of ACR

- SFY 2026 IGT #1 due in June 2025

SFY 2026 Changes

- Pool increased from \$6B in 2025 to \$9B in 2026
- Average commercial rate calculated on class basis
- STAR Kids added (major increase for children's hospitals)
- Separate IP/OP rates for STAR, STAR+Plus, and STAR Kids

Issues to Remember

- No CHIRP paid on out-of-network claims
- No CHIRP paid on low-level ED services (except for rural hospitals)



CHIRP

Outlook

Under May 2024 Rulemaking

- CMS adopted Medicaid managed care rule (5/10/2024)
- Texas is unique and pays a claims-based add-on rather than lump sum
- CMS affirmed states are allowed to have Medicaid managed care companies make add-on payments up to Average Commercial Rates (ACR)
- States can choose to include or exclude out-of-network providers but must specify in the preprint (Texas excludes out-of-network providers)
- Future requirement that providers attest they do not participate in any hold harmless arrangement – this prohibition reaches purely private mitigation arrangements (effective January 1, 2028)



UHRIP

Uniform Hospital Rate Increase Payment

- First component of CHIRP
- Provides a uniform rate increase payment and is open to all hospitals



ACIA

Average Commercial Incentive Award

- Second component of CHIRP
- Optional pay-for-performance component and is open to urban and children's hospitals for SFY 2025



APHRIQUA

Alternate Participating Hospital

Reimbursement for Improving Quality Award

- Third component of CHIRP
- Optional pay-for-performance component and is open to urban and children's hospitals for SFY 2025
- 1st 2025 payment (20%) from MCOs paid in January 2025
- 2nd 2025 payment (20%) from MCOs scheduled for May / June 2025
- Final 2025 payment (60%) from MCOs scheduled for August / September 2025



Aligning Technology by Linking Interoperable Systems for Member Health Outcomes Program

- Improving the receipt of electronic data submissions from hospitals in their network.
- Additional payment to MCOs separate and above capitation for services as an incentive to meet quality targets set by the state under separate federal authority – 438.6(b)
- Maximum pool size \$1.7B annually. HHSC will implement a “limited scale” ATLIS program starting in SFY 2025 with a \$700 million statewide pool
- 1st 2025 IGTs in February 2025, with payment to providers in March / April 2025
- 2nd 2025 payment to providers are scheduled for August 2025

Disproportionate Share (DSH)



Congress delays Medicaid DSH reductions through September 30, 2025

- Remaining Medicaid DSH reductions still scheduled for FFY26, FFY27 and FFY28, *although recently released House Medicaid funding package indicated proposals to delay to FFY29, FFY30 and FFY 31*



2025 IGT call schedule for May 2025, Settlement date of July 2, 2025

- 2025 Interim payments, based on ACA reduction, were made in November / December 2024
- “Catch up” Final 2025 payment will be made in July 2025

Uncompensated Care (UC)



2025 Update

- 2nd 2025 payment scheduled for September 2025
- High Impecunious Charge Hospital (HICH) pool size, yet to be determined
 - DY11 (2022) – approximately \$600 million
 - Not to exceed \$1 billion in FY 2028

Outlook Beyond 2025

- \$3.9B pool in FY 2022, grew to \$4.5B for FY 2023-2027
- Resizing in FY 2027 based on FY 2025 data for FY 2028; projected at \$3B

HARP & GME



HOSPITAL AUGMENTED REIMBURSEMENT PROGRAM

- Rate Increase on fee-for-service (non-MCO) Medicaid claims
- CMS approved in August 2023 (retro to October 2021)
- 2nd 2025 IGT and payments to providers scheduled for May 2025



MEDICAID DIRECTED GRADUATE MEDICAL EDUCATION PAYMENTS

- Reimburses inpatient direct GME costs
- CMS approved in August 2023 for private hospitals (retro to April 2019)
- 2nd 2025 IGT and payments to providers scheduled for July 2025

Issues to Watch

- GME payments offset HARP payments; HHSC intends to pay GME first
- Retro payments count against retro cap for DSH audit and UC reconciliation

Network Access Improvement Program (NAIP) • •



Currently available to Public Hospitals

- Pass-through payment to MCO's based on Medicaid membership
- Health Related Institutions were phased out in 2023
- State Fiscal Year calendar
- Program being phased out in 2027



Program Year 2026 Schedule

- Monthly IGT schedule with payment from MCOs to providers, usually in the subsequent month

Quality Incentive Payment Program (QIPP)



Quality Incentive Program for Nursing Homes

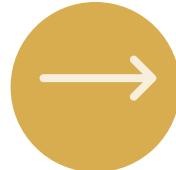
- Non-state government owned entities (NSGO)
- Privately-owned facilities (Medicaid NF % greater than or equal to 65%)
- State Fiscal Year calendar



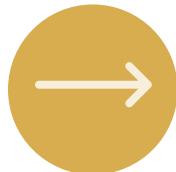
Program Year 2026 Schedule

- March 2025, Enrollment period begins
- April 2025, Enrollment period ends
- July 2025, IGT due for 1st half of 2026
- December 2025, IGT due for 2nd half of 2026
- Quarterly Scorecard publications in March, June, September December with payment at the end of the month

TX Legislative Update



Legislative Session ends on June 2, 2025



Facility Fees (SB 1232), Senator Hancock, Representative Frank

- NPI implementation in 2029?
 - Opportunity to continue to oppose with 2027 and 2029 legislature
 - Site of service indicator instead



Direct Pay (HB 1612)

- Moved out of committee
- Applies to uninsured
- Cash price, 25% above generally amounts billed or 50% above lowest contracted rate?
- No Senate author
- House bill is moving “rather slowly”

TX Legislative Update (continued)



Executive Order GA-46, Immigration Status Hospital Costs

- 1st reporting on March 1, 2025 (for November 2024)
- New form was released on April 9, 2025
- Next reporting due on June 1, 2025 (for Dec 2024 / Jan 2025 / Feb 2025)



LPPF Bills

- SB 1934, modify 6% calculation
- Technical questions for HHSC may still exist



Medicaid Funding

- Status quo
- No rate enhancements

TX Legislative Update (continued)



THA “End of Session” Webinar / Virtual Meeting

- Thursday, May 29th, 10:30 to 11:30am CT



QUESTIONS

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