

# Decrease in Hospital Funding Jeopardizes Access to Care

## **OVERVIEW**

The Uniform Hospital Rate Increase Program (“UHRIP”) budget for SFY2020 (i.e., Program Year (“PGY”) 3) is expected to be reduced by \$100 million from the previous year. This is of major concern to all providers due to the amount of changes to occur in SFY2020 and beyond that will reduce payments to safety-net providers. In SFY2020 non-governmental hospitals are expected to lose over \$2 billion in reimbursement to cover medical costs for Texas Medicaid members. For safety-net providers to stay revenue neutral during this change a budget increase to UHRIP is required. **The budget should increase from \$1.15 billion to \$3.0+ billion to all providers to continue providing the necessary care to Texas residents.** In addition to replacing the dollars lost from other programs within UHRIP, HHSC should use the available federal funds made available within the 1115 waiver.

Under budget neutrality, HHSC is leaving \$1.2 billion of available federal funds (Exhibit A) that could otherwise support uncompensated healthcare costs in Texas. Doing so will support hospitals that provide care to Texas’ Medicaid population, in particular safety-net hospital in rural communities, who rely on these funds to provide care (Exhibit B).

## **REIMBURSEMENT LANDSCAPE**

HHSC set a budget of \$1.15 billion for the Uniform Hospital Rate Increase Program for PGY3, \$100 million **less** than the PGY2 final budget. Other reimbursement sources are also diminishing:

- DSRIP is expected to decrease by \$190 million in SFY2020 (i.e., PGY3)
- DSH payments are expected to decrease by almost \$400 million in SFY2020

Furthermore, beginning in DY9, Uncompensated Care (UC) payments will no longer cover hospital’s Medicaid shortfall, approximately \$1.8 billion annually. This change will shift dollars away from hospitals that serve a high volume of Medicaid patients. UHRIP will become one of the few mechanisms to reimburse providers for uncompensated care associated with Medicaid patients.

## **Action Item**

1. HHSC increase UHRIP pool size to \$3.0 billion in SFY2020 (*Note: Increasing the pool does not impact Texas’s General Revenue*)
2. Increase subsequent years by the amount of funding decreased within other programs (i.e., DSRIP and DSH)

## Exhibit A

Texas Budget Neutrality Analysis (In Millions)	DY7	DY8	DY9	DY10	DY11	5 Yr Total
UC Funding	\$ 3,102	\$ 3,102	\$ 3,102	\$ 3,102	\$ 3,102	\$ 15,509
DSRIP Funding	\$ 3,100	\$ 3,100	\$ 2,910	\$ 2,490	\$ -	\$ 11,600
DSH Funding	\$ 1,887	\$ 1,887	\$ 1,501	\$ 1,269	\$ 1,038	\$ 7,582
UHRIP Funding	\$ 600	\$ 1,250	\$ 1,150	\$ 1,325	\$ 1,500	\$ 5,852
<b>Total</b>	<b>\$ 8,689</b>	<b>\$ 9,339</b>	<b>\$ 8,663</b>	<b>\$ 8,186</b>	<b>\$ 5,640</b>	<b>\$ 39,667</b>
<b>Decrease in Funding from Prior Year</b>	<b>\$ -</b>	<b>\$ 650</b>	<b>\$ (676)</b>	<b>\$ (476)</b>	<b>\$ (2,546)</b>	<b>\$ (3,049)</b>
<b>Available Budget Neutrality Cap</b>	<b>\$ 779</b>	<b>\$ 216</b>	<b>\$ 1,208</b>	<b>\$ 1,418</b>	<b>\$ 3,738</b>	<b>\$ 7,360</b>
<b>5 Year Rollover of Savings</b>	<b>\$ 1,614</b>	<b>\$ 1,614</b>	<b>\$ 1,614</b>	<b>\$ 1,614</b>	<b>\$ 1,614</b>	<b>\$ 8,069</b>
<b>Available Budget Neutrality Cap w/Savings Rollover</b>	<b>\$ 2,393</b>	<b>\$ 1,830</b>	<b>\$ 2,822</b>	<b>\$ 3,032</b>	<b>\$ 5,352</b>	<b>\$ 15,429</b>

## Exhibit B

