



April 15, 2020

Ms. Sarah Hicks  
Budget & Policy Director  
Office of the Governor  
1100 San Jacinto, 4<sup>th</sup> Floor  
Austin, Texas 78701

Mr. Jerry McGinty  
Director  
Legislative Budget Board  
1501 North Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78701

Re: Request for Approval to Temporarily Implement Emergency Rate Increases for Certain Providers in response to COVID-19 (HHSC-2020-A-630)

Dear Ms. Hicks and Mr. McGinty:

In compliance with the 2020-21 General Appropriations Act, House Bill (H.B.) 1, 86th Legislature, Regular Session, 2019 (Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 14), the Health and Human Services Commission (HHSC) is requesting approval to increase reimbursement rates for several providers and services to support access and safety during the emergency declaration related to COVID-19.

### **Background**

On March 13, 2020, President Donald Trump issued Proclamation 9994 declaring a national emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak and Governor Greg Abbott declared a state of disaster in all Texas counties due to COVID-19. Subsequently, on March 19, Dr. John Hellerstedt issued a Public Health Disaster Declaration in Texas.

The Texas Medicaid program provides healthcare coverage through fee-for-service and managed care to millions of vulnerable Texans. HHSC has an obligation to ensure that Texans in the Medicaid program continue to receive access to medically necessary services and are not negatively impacted by COVID-19. In addition, reimbursement rates for providers do not contemplate the additional costs being incurred to provide safe and effective services amid a worldwide pandemic of this nature. As a result, we are recommending reimbursement rate increases for several different services in support of vulnerable clients who rely on these medically necessary services.

HHSC has received information about costs being incurred by providers directly and indirectly to support clients due to COVID-19. Additionally, we have heard from several

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providers who are experiencing unusual utilization patterns that are resulting in lost revenues. HHSC continues to examine this information and hold discussions with the Centers for Medicare and Medicaid Services (CMS) to determine how state relief solutions can complement relief opportunities that are being provided from our federal partners directly to healthcare providers.

HHSC plans to release information soon regarding plans to issue interim payments for certain services where the utilization patterns have been fairly stable. The payments would be based upon their anticipated use in order to help providers with cash flow. These payments will be subject to reconciliation based upon actual claims and would not result in any additional net expenditures for the state. Initial payments will likely be limited to fee-for-service Medicaid, but we will be discussing options with managed care organizations and CMS to potentially expand the ability to establish interim payments through Medicaid managed care. Medicare recently took a similar action to support providers, and we anticipate that the relief this may provide healthcare providers in Texas may be helpful while we work to implement additional reimbursement solutions.

HHSC anticipates that this request is only a first request and will be followed by subsequent requests for additional services and provider types as we are able to obtain additional federal guidance and develop reimbursement rates based on this guidance. Depending on duration and development of the Emergency Declaration, these rate actions may extend beyond the initial estimated time frame or could conclude at an earlier point. The federal authorization that will be pursued to implement these rate adjustments will automatically expire with the conclusion of the emergency period.

### **Proposed Rates**

Proposed reimbursement rate increases span multiple provider types and programs. Detailed information regarding the fiscal impact and proposed approach to rate increases proposed for each program or provider can be found in Attachment 1.

### **Cost Estimate**

All rate actions are assumed to begin on April 1, 2020, and conclude on August 31, 2020. Fiscal estimates are based upon historical use and do not contemplate changes to utilization that could occur as a result of COVID-19. Therefore, all fiscal estimates should be considered a *minimum* fiscal impact only; however, some providers report dropping utilization as individuals practice social spacing and non-emergency procedures and tests are deferred.

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All estimated fiscal impacts utilize an assumed enhanced FMAP rate of 32.91 percent (State) and 67.09 percent (Federal). The table below depicts the estimated fiscal impact of all rate actions proposed by HHSC.

**Table 1. Estimated Fiscal Impact of All Rate Actions**

	<b>SFY 2020 (April 1, 2020 – August 31, 2020)</b>	
GR	\$	110,086,679
FF	\$	224,421,617
AF	\$	334,508,296

All rate actions contained within this memorandum assume adjustment of the fee-for-service Medicaid fee schedule. We are uncertain whether the capitated rates will be able to be adjusted prospectively on the same time frame. Additionally, managed care plans may request that the increased rate amounts be paid either through a non-risk arrangement, outside the capitation rate, or be retroactively settled.

We do not yet know what flexibility CMS may be able to provide to allow us to use a non-traditional reimbursement approach. By opening capitation rates up for a mid-year adjustment, other impacts outside of COVID would need to be considered to ensure capitation rates are actuarially sound. Any adjustments to the capitation rates require contract amendments that can take significant effort and time to implement.

Please let us know if you have any questions or need additional information. Victoria Grady, Director of Rate Analysis, serves as the lead staff on this matter and can be reached at (512) 431-7028 or by e-mail at [victoria.grady@hhsc.state.tx.us](mailto:victoria.grady@hhsc.state.tx.us).

Sincerely,



Phil Wilson  
Acting Executive Commissioner

Attachment

cc: Mr. Rob Coleman, Director of Fiscal Management, Comptroller of Public Accounts

**Fiscal Impact Summary**  
**Medicaid Rate Actions Related to COVID-19**

Topic	Supplies, Imaging, and Testing	Who this Impacts?	Why it is necessary?	What it Does?
	Total	This benefits certain physicians, laboratories, hospitals, and emergency medical services providers; who serve persons in all age groups and disability levels	This will increase reimbursement rates for certain procedure codes to the equivalent of Medicare in order to ensure access to certain laboratory and diagnostic testing related to diagnosing and treating COVID-19	Increases rates to 100% of Medicare; This includes the code of PPE for physicians.
GR	\$ 684,543			
FF	\$ 1,395,504			
AF	\$ 2,080,047			

Topic	Ambulance Treatment-in-Place	Who this Impacts?	Why it is necessary?	What it Does?
	Total	This benefits emergency medical services providers directly and hospital providers indirectly; who serve persons of all age groups and disability levels	This will allow EMS providers to treat persons in place, for issues within the scope of practice of the EMS provider, and receive reimbursement without transporting to the hospital. This should reduce unnecessary ER visits.	Establishes rate at 100% of Medicare
GR	\$ 2,242,324			
FF	\$ 4,571,181			
AF	\$ 6,813,505			

Topic	Day Habilitation	Who this Impacts?	Why it is necessary?	What it Does?
	Total	This benefits residential HCS providers; who are providing in-home day habilitation to persons with IDD residing in group homes	Providers are serving clients in-home and are able to bill for day hab; however, the current day hab rate assumes a staff to client ratio of approximately 1:8; services delivered in home usually have a ratio of 1:4 which is more expensive	Increases direct care staff reimbursement portions to align with additional staff requirements.
GR	\$ 3,764,218			
FF	\$ 7,673,699			
AF	\$ 11,437,917			

Fiscal Impact Summary  
Medicaid Rate Actions Related to COVID-19

Topic		Nursing Facilities		Who this Impacts?	Why it is necessary?	What it Does?
				This benefits nursing facilities; who serve persons with physical and health related issues that require nursing levels of care	Providers have indicated increased costs for wages due to the shortage of staff availability. This could include staff who are unable or unwilling to work for a variety of factors, to include obligations, potential exposure to COVID-19, etc. Additionally, there are increased costs for dietary and nutrition due to supply chain concerns.	Increases direct care staff wages by \$2 per hour; Increases dietary and PPE rate portions by 50%.
	Total					
GR	\$	45,376,850				
FF	\$	92,504,797				
AF	\$	137,881,647				

Topic		Outpatient Hospital Rates		Who this Impacts?	Why it is necessary?	What it Does?
				This benefits all hospital classes; who serve persons of all groups and levels of disability	Providers are reporting difficulty in maintaining staffing and other necessary requirements to maintain hospital operations. Currently, reimbursement rates only reimburse providers for less than 70% of costs; this would allow them to temporarily recover 100% of estimated costs on a prospective basis. This will ensure access for Medicaid clients for medically necessary outpatient procedures and will ensure providers are not unduly incentivized to admit clients for inpatient care.	Increases outpatient rates to 100% of current costs
	Total					
GR	\$	58,018,744				
FF	\$	118,276,436				
AF	\$	176,295,180				

Fiscal Impact Summary  
 Medicaid Rate Actions Related to COVID-19

Topic	Total of All Actions	Who this Impacts?	Why it is necessary?	What it Does?
	Total	Various Acute, Long-Term, and Hospital Providers; who serve vulnerable Texans, including children, the elderly, and persons with disabilities	To ensure Medicaid beneficiaries receive adequate and appropriate medically necessary services in the most cost effective setting; to maintain client safety and health during the public health emergency	
GR	\$ 110,086,679			
FF	\$ 224,421,617			
AF	\$ 334,508,296			