

HHSC Statement on Managed Care Rates and Directed Payment Programs

The Texas Health and Human Services Commission (HHSC) is loading managed care rates for state fiscal year (FY) 2022, effective September 1, 2021. These initial rates will include the base rate, the Network Access Improvement Program (NAIP), and the Quality Incentive Payment Program (QIPP), which the Centers for Medicare & Medicaid Services (CMS) has indicated it is willing to approve as proposed by the state.

HHSC understands these rates represent a reduction when compared to the state directed payment programs (DPPs) we proposed for the next fiscal year. CMS has not approved those DPPs, however, and COVID-19 is again increasing across our state. HHSC must act now to provide near-term financial stability for our Medicaid providers while we work toward a long-term solution.

HHSC continues to evaluate the options put forward last Friday by CMS. As noted in our response to CMS, we remain concerned CMS' offer to continue the Delivery System Reform Incentive Payment (DSRIP) Program, the Uniform Hospital Rate Increase Program (UHRIP), and QIPP at the FY 2021 amounts does not provide for long-term financial stability for Texas Medicaid providers. It also represents a significant departure from the terms of the 1115 Texas Healthcare Transformation Quality Improvement Program Waiver approved by CMS in January 2021 (Waiver).

Specifically, under the Waiver terms, FY 2022 is our "budget neutrality base year." Our expenditures in FY 2022 will set the annual expenditure limit for the remainder of the 10-year waiver term. We have a number of concerns that, if not resolved, could significantly reduce our expenditures in FY 2022 and each year thereafter, inhibiting our ability to sustain provider payments going forward.

HHSC has worked in good faith to obtain CMS' approval to implement a DSRIP transition to DPPs that provides stability for the state's critical healthcare system. HHSC submitted the requests for approval of the DPPs to CMS in March of this year, well ahead of CMS' recommended submission timeline (90 days prior to implementation). The requests are in line with federal regulations, the DSRIP Transition Plan CMS approved in August 2020, and the estimated DPP amounts outlined in the waiver agreement CMS approved in January 2021. Since submitting the requests, we have made ourselves available to CMS and answered all of CMS' questions about our programs. We were surprised and deeply concerned by learning, weeks before the planned implementation dates, that CMS is withholding its approval.

Since the Uniform Hospital Rate Increase Program (UHRIP) is contemplated in either of the options CMS put forward in its August 13 letter to HHSC, our team is working to prepare to add UHRIP to the capitation rates while we continue considering options to preserve long-term stability for our safety-net. If HHSC receives approval, these rates may take effect as soon as the November 2021 capitation payments.

Texas takes seriously its responsibilities to preserve the state's critical healthcare safety-net and to join the federal government in working toward this shared goal. HHSC will provide an update on its response to CMS' offer at a later date.

Resources:

[Directed Payment Programs | Texas Health and Human Services](#)

[Provider Finance Department | Provider Finance Department \(texas.gov\)](#)

