



Hidalgo County Health and Human Services Department

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Iván Meléndez, M.D., M.B.A.
Health Authority / Chief Physician

Eduardo Olivarez
Chief Administrative Officer

March 22, 2016

Dear Mr. Govind:

We understand that Knapp Medical Center ("Knapp") intends to return \$4,755,273 in fiscal year ("FY") 2011 upper payment limit ("UPL") payments to the Texas Health and Human Services Commission ("HHSC"). The UPL payment to Knapp was generated by a **\$1,910,191.14** intergovernmental transfer ("IGT") that was approved by Hidalgo County Commissioners Court in 2011. The IGT was funded as part of an effort to improve access, delivery, efficiency and funding for our local healthcare safety-net system.

It is our understanding that HHSC generally returns the non-federal share of the returned UPL payments when a recoupment is identified. With respect to our current situation, however, we understand that Knapp is in a position to access additional FY 2012/Demonstration Year ("DY 1") Uncompensated Care ("UC") payments. Given that the South Texas Border region has a disproportionately high volume of patients that participate in Medicaid and that are unable to access insurance, it appears more appropriate that we utilize the non-federal share that might otherwise be returned for the purpose of helping Knapp--a major local safety-net hospital--access the additional DY 1 UC payments. Specifically, **Hidalgo County hereby requests that the \$1,910,191.14 in non-federal share funding from Knapp's return of FY 2011 UPL payments (1) not be returned to Hidalgo County, and (2) be used by HHSC as the non-federal share of DY 1 UC payments to Knapp.**

Historically, Hidalgo County has provided funding for supplemental payments to all eligible Hidalgo County hospitals on a pro rata basis. In other words, funding provided by Hidalgo County has been used to fund supplemental payments to all Hidalgo County hospitals in proportion to each hospital's ability to receive those payments. In this case, we understand that some other hospitals (namely, Mission Regional Medical Center ("Mission")) in Hidalgo also would be eligible to receive additional DY1 UC payments. However, Mission informed Hidalgo County that it does not wish to receive additional DY 1 UC payments at this time. (Please let us know if you wish to see written confirmation of this issue.) Thus, Hidalgo County desires that all of the **\$1,910,191.14** in non-federal share funding associated with Knapp's return of FY 2011 UPL payments be used to fund the non-federal share of DY 1 UC payments to Knapp.

We are grateful for HHSC's continued support of our local safety-net. This solution is the right one because it helps keep federal funds in our community, and it does so without creating \$1 of additional expense to Hidalgo County.

Please let me know if you have any questions.

Respectfully,

Ramon Garcia,
Hidalgo County Judge

From: "Govind,Selvadas (HHSC)" <Selvadas.Govind@hhsc.state.tx.us>

Date: Thursday, March 17, 2016 at 4:07 PM

To: Eddie Olivarez <eddie.olivarez@hchd.org>, Dinah Gonzalez <Dinah.Gonzalez@KnappMed.org>, Carlos Zaffirini <carlos@ahcv.com>, Charlie Luband <charles.luband@dentons.com>

Cc: "Leo,Monica (HHSC)" <Monica.Leo@hhsc.state.tx.us>, Rhonda Hites <Rhonda.Hites@hhsc.state.tx.us>

Subject: RE: Knapp

All,

The FMAP for the UPL payments that Knapp received in 2011 was 60.56% FFY 2011 and 58.22% in FFY 2012. The UPL payments made in November 2011 and December 2011 were thus made under the lower FMAP. Owing to the difference in FMAPs, the \$4,755,273 in DSH overpayment that Knapp is returning as UPL has a state share of \$1,910,191.14.

Hidalgo County has authorized HHSC to use \$1,875,479.67 of their funds for the UC IGT. This leaves a balance of \$34,711.47 that HHSC has to know how to deal with. Normally, we would just return the extra money to Hidalgo County but we did not want to presume the intentions of the County.

The tables below outline two possible scenarios: (1) where the balance of \$34,711.47 is returned to the County and (2) where the \$34,711.47 is also used for the DY1 UC payment. The second scenario would result in a higher UC payment to Knapp but in order to do so, HHSC would need authorization from the County to make use of the \$34,711.47 for this purpose.

Please let us know how you would wish to proceed.

Thanks,
Selvadas

OPTION 1

Affiliation Number	Hospital Designation	TPI	Provider Name	Govt Entity	PD 3/25/16 DY1 58.22%/41.78%
529-08-0236-00063	Hospital Private	135035706	Knapp Medical Center	Hidalgo County	\$ 4,488,941.29
				Total Payment	\$4,488,941.29
				State Share (41.78%)	1,875,479.67
				Federal Share (58.22%)	2,613,461.62
				Total Payment	4,488,941.29

OPTION 2

Affiliation Number	Hospital Designation	TPI	Provider Name	Govt Entity	PD 3/25/16 DY1 58.22%/41.78%
529-08-0236-00063	Hospital Private	135035706	Knapp Medical Center	Hidalgo County	\$ 4,572,022.83
				Total Payment	\$4,572,022.83
				State Share (41.78%)	1,910,191.14
				Federal Share (58.22%)	2,661,831.69
				Total Payment	4,572,022.83

From: "Govind,Selvadas (HHSC)" <Selvadas.Govind@hhsc.state.tx.us>

Date: Tuesday, March 8, 2016 at 11:59 AM

To: Carlos Zaffirini <carlos@ahcv.com>

Cc: Charlie Luband <charles.luband@dentons.com>, "McDonald,Pam (HHSC)" <Pam.McDonald@hhsc.state.tx.us>, "Leo,Monica (HHSC)" <Monica.Leo@hhsc.state.tx.us>, "Dinah Gonzalez (KMC) (Administration)" <dinah.gonzalez@primehealthcare.com>, "Gloria Montalvo (KMC)" <GMontalvo@primehealthcare.com>, Rhonda Hites <Rhonda.Hites@hhsc.state.tx.us>

Subject: RE: Knapp Hospital and Hidalgo County

Carlos,

We will need written documentation. I have underscored the documentation we will need below. Specifically, we will need written documentation from Hidalgo County covering two issues and a separate written document from Knapp on one issue. Emails will suffice but they need to be from persons who have authority to bind the County and the hospital respectively.

The state match of the all funds recoupment would be returned to its IGT source, which in this case is Hidalgo County. However, upon Hidalgo County's written request, HHSC will not return the state match of the UPL repayment, \$1,875,479.67, to the County. Instead, also upon receipt of Hidalgo County's written request, the state match will be used to draw down a federal match of \$4,755,273 in order to make DY 1 (FFY 2012) UC payment to Knapp.

In addition, for our audit trail, we would need written confirmation from Knapp that it wishes to return \$4,755,273 in FFY 2011 UPL funds in order to reduce to zero the DSH overpayment identified in the audit of FFY 2011 DSH payments.

Rhonda or someone on her team can then work out the actual timing of the recoupment and the UC payment with folks from the hospital and from the county.

The process to begin processing the UC payment will only occur after Knapp has confirmed to the external accountants that the final reconciliation of Knapp's DY 1 UC payment is correct from their perspective.

Thanks,
Selvadas

From: Govind,Selvadas (HHSC)

Sent: Friday, March 04, 2016 5:04 PM

To: 'Carlos Zaffirini'

Cc: Charlie Luband; McDonald,Pam (HHSC); Leo,Monica (HHSC)

Subject: RE: Knapp Hospital and Hidalgo County

Carlos,

Just so we are all clear, attached is the document that we shared during our call and below is my understanding of Knapp's and the County's intended approach.

Knapp wants to repay \$4,755,273 in UPL that was paid to it in FFY 2011 in order to reduce to zero its FFY 2011 DSH overpayment that was identified in the audit. This repayment would be an all funds amount and includes Other Insurance in the computation of Knapp's FFY 2011 HSL.

The state match of the all funds recoupment would be returned to its IGT source, which in this case is Hidalgo County. However, upon Hidalgo County's written request, HHSC will not return the state match of the UPL repayment, \$1,875,479.67, to the County. Instead, also upon receipt of Hidalgo County's written request, the state match will be used to draw down a federal match of \$4,755,273 in order to make DY 1 (FFY 2012) UC payment to Knapp. This UC payment will only occur after the final reconciliation of Knapp's DY 1 UC payment is complete and that Knapp continues to have UC room as the preliminary figures indicate. The external accountants have been asked to expedite performing this reconciliation and HHSC should have the result within a week or so. The accountants are currently waiting for Knapp to provide some documentation to them.

Does the foregoing accurately capture Knapp and Hidalgo County's intention?

Regarding your comment on the rules, this is not a UC redistribution. It is a payment of UC monies to Knapp that was the result of identification of extra room through the reconciliation process. Hope that makes sense.

Please let us know when the County and Knapp have come to agreement on how to proceed and we can then discuss details about timing of the UPL recoupment and the UC payment.

If you would like to discuss, please let me know. I am out Monday but will be back in the office on Tuesday morning. And thank you for your kind words. I look forward to meeting you as well.

Regards,
Selvadas