

**WILLIAMSON COUNTY & CITIES HEALTH DISTRICT
MEMORANDUM**

Date: February 2, 2011

To: Judge Gattis and County Commissioners

From: Bride Roberts, Williamson County & Cities Health District

Subject: Recommendation concerning Medicaid payment rate reduction

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Issue

The Texas Health and Human Services Commission has just announced a 2% cut to Medicaid payment rates, effective 2/1/11.

Payments for county indigent health care services are based upon Medicaid rates. However, for our local program, adopting this immediate rate reduction could be detrimental.

Concerns

- The TMHP rates (in electronic format) which are loaded into the Third Party Administrator payment system will not be automatically revised. Instead, payments will need to be reduced by 2% after processing each claim. This would necessitate a manual process by the TPA for each payment, driving up processing time and costs. The presently contracted TPA has indicated that they will have to reconsider payment rates before taking this on.
- Reducing payments to our local providers could result in those providers ceasing to accept our patients.
- Payments to hospitals would also be reduced. That's an issue for our partner hospitals in the WCCS hospital affiliation.
- The legislature has proposed to cut Medicaid rates by 10% in the next biennium. If implemented, these same concerns will need to be addressed at that time.

Financial Impact

The financial impact of a 2% reduction in payments, based on \$7 million projected expenditures may be estimated at \$140,000 over one year. Because it would be imposed in the second quarter of the fiscal year, the reduction in expenditures may be ~\$105,000.

Recommendation:

Consider maintaining local indigent health care program payment rates at current levels.

Comments

Five years ago, Texas Medicaid cut payments to providers by 2.5%, for two years. Williamson County Commissioners chose not to impose that cut on our providers. This was very well received by our local providers, who indicated that they viewed it as an important show of support from the county and participation was not impacted locally.

Again, this issue must be addressed again if the legislature acts to further reduce Medicaid payment rates across the next biennium. By electing to postpone implementing any reductions until the full impact is appreciated, Williamson County could use this time to more fully consider a single local response and all potential consequences.