

**WILLIAMSON COUNTY & CITIES HEALTH DISTRICT
MEMORANDUM**

Date: March 15, 2011

To: Judge Gattis and County Commissioners

From: Bride Roberts, Williamson County & Cities Health District

Subject: Further discussion concerning Medicaid payment rate reduction

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Issue

The Texas Health and Human Services Commission announced a 2% cut to Medicaid payment rates, effective 2/1/11. On February 8, the court voted to delay action on reducing indigent health care payments to providers, and instructed me to return to court for further discussion of the issue.

The court instructed me to:

- Investigate the increased cost of Third Party Administrator (TPA) services, and to
- Meet with Scott & White administrators to learn whether payment rate cuts might discourage them from being providers for this program.

Report

I. TPA costs

WEB-TPA, the currently contracted TPA, has determined that implementing the Medicaid payment rate reduction would necessitate an additional manual process to process claims. Their cost would be \$0.35 more per claim. So the processing cost per claim would be \$7.35 per claim instead of \$7.00 per claim. The TPA currently processes 1500-2000 claims per month, so we may estimate an increase of approximately \$8400 per year in claims processing costs.

Under our present arrangement with WCCS, the non-profit hospital coalition, these costs are paid by WCCS, not directly by Williamson County. However, this is a increased administrative cost for WCCS.

II. Scott & White

Scott & White Healthcare (S&W) is a major provider of clinic, specialty and hospital services for the Williamson County indigent health care program. I met with Chris Kriczky, Director of Clinic Operations, to discuss how reduced payment rate might be received. As Chris affirmed to me, part of the mission of S&W is to serve the low income uninsured population. He assured me that if payment rates are reduced by 2%, S&W will continue to serve this program. The larger question: what if the legislature reduces Medicaid rates by 10 or 12% later this year? Chris agreed to discuss this question with other S&W administrators and will inform me of the response.

II. WCCS hospital affiliation

Stephen Elwell, representing WCCS, has given this opinion:

Generally, in order to take a conservative compliance position with regard to the federal Stark laws, we cannot recommend that WCCS change providers' rates more often than once per

year. This is in order to comply with Stark's requirements that physician reimbursement be set in advance, for at least one year's time.

The contracts with most of the providers say "PROVIDER shall be reimbursed at the rate of 100% of the current Texas Medicaid allowable fee schedule in effect as of the date of service." The Lone Star Circle of Care agreement has slightly different language, but with the same practical effect. Unfortunately, we haven't been unable to figure out a way to avoid applying the 2% change implemented by the State, while following the Stark law. The best option we've come up with is to wait until the agreements have been in place a year, and then discuss a rate change with the providers.

So, unless the language in WCCS provider agreements is amended, the payment rates must be in accord with the specified Medicaid rates at the date of service.

Summing up

It appears that we are bound to implement the Medicaid payment rate cut in order to comply with the terms of our provider contracts. Exception: the base payment rate for primary care office visits, \$70, is also specified in the provider contracts.

In order to allow time for WEB-TPA to implement the rate change, we request that Williamson County adopt the revised Medicaid rate effective 4/1/11.

This issue will arise again if the legislature acts to further reduce Medicaid payment rates across the next biennium. The proposed budget calls for a reduction of 10%, possibly 12% in provider payments. As decisions are made, and more information becomes available, we will continue to inform you on the issue.