

Medicaid changes challenge hospitals to do things differently

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Published 08:01 p.m., Monday, February 6, 2012

Page 1 of 1

The goal is lofty: improve and expand health care for millions of Texans.

But with billions of dollars at stake and the new project under way before the rules are even written, decisions made over the next few months are causing anxiety in many Harris County hospitals.

The new rules - part of a complicated, first-of-its-kind project approved by the federal government - will determine who gets paid for providing charity care, and how much. Hospitals that historically received the most government reimbursement for charity care are not guaranteed to prosper under the new rules.

"Hospitals that treat a disproportionate share of people without insurance, underinsured or on Medicaid should see a higher payment and that those who don't should see a reduction," says [Stephanie Goodman](#), spokeswoman for the [Texas Health and Human Services Commission](#), which will administer the program.

Still, even hospitals that treat a lot of those patients are worried about how the rules will work. [Dan Wolterman](#), president of the 11-hospital [Memorial Hermann Healthcare System](#), says he has no idea what impact the project will have - "it could be anywhere from very positive to exceedingly negative."

HCHD leading way

The Harris County Hospital District has been tapped by the state to bring all the parties together and draft a plan. On Wednesday, it will jumpstart the process with a meeting at [Rice University](#) to be attended by 48 "stakeholders" - representatives from hospitals, health care agencies, political and business entities.

District President [David Lopez](#), who began meeting with local health care officials even before the project was approved in December, knows it is making people uneasy.

"There's a lot of angst because they don't understand it," says Lopez.

No one can, because the rules aren't yet written.

"Until we know what priorities the collaborative group comes up with, we don't know what's going to be reimbursed," said [Alec King](#), vice president for finance with [Texas Children's Hospital](#), where about half of patients are on Medicaid or another public insurance program.

The project, known as Medicaid 1115 Waiver, is an effort to cut health care costs while gearing up to treat more people when the Affordable Care Act takes effect in 2014. It is expected to add more than 2 million people to the 3.3 million already on Medicaid in Texas.

The theory is that better coordination and new cost-saving strategies - ideas include reducing the number of infections spread in hospitals to more better treatment for people with behavioral health problems - will save money over time, allowing the system to expand without spending more.

The waiver will bring the state \$29 billion in Medicaid funding over the next five years, more than double the amount under the old system. Lopez says the hospital district could receive as much as \$45 million more annually.

For-profit hospitals

But public health systems - nine of which will anchor the program across the state - won't get all the money. And that's one place where potential conflict could come.

"If you distribute all of the money to public hospitals but public hospitals aren't treating all the patients, you've got a problem," said Dr. [Bruce Malone](#), president of the [Texas Medical Association](#). "You can have a combination of not-for-profit and for-profit hospitals that can suffer significantly if those funds are distributed in a nontraditional way."

Goodman says for-profit hospitals are the most likely to lose under the new system because they provide less Medicaid and charity care. [HCA](#) Gulf Coast drew \$657 million in supplemental Medicaid money in 2010, according to [Kaiser Health News](#), but in August wrote in a filing with the [Securities Exchange Commission](#) that the new waiver "could result in payment programs being reduced or eliminated."

An HCA spokeswoman declined to comment.

But Texas Rep. [Garnet Coleman](#), D-Houston, chairman of the [House County Affairs Committee](#), said the changes will simply correct a system that didn't always reflect how much indigent care a hospital provided.

Wolterman, whose Memorial Hermann system treats more Medicaid patients than any other institution in the city, chafes at the suggestion, arguing that "no hospital is getting enriched by Medicaid money."

Whatever emerges will be widely watched. California experimented with a similar pilot program for 16 counties, but Texas is the first to adopt a statewide Medicaid waiver.

The eventual plan, which will require state and federal approval, must be submitted by July.

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