

Background:

For the Texas State Fiscal Year 2020, Texas Health and Human Services system published the Blueprint for a Healthy Texas, a business plan to guide activities. Included in that plan was an initiative related to supplemental and directed-payment programs with the goal described below:

Goal 1: Increase Oversight and Monitoring of Local Funding Structures

Improve accountability over the transfer of locally derived government funds by increasing oversight and monitoring of local funding structures.

Strategy

In FY 2020, more than \$10 billion in Medicaid payments will be made in Texas through supplemental and directed payment programs. To receive federal reimbursements for Medicaid services, public dollars from local governments are used as matching funds. HHS supports implementation and provides oversight of local fund transfers, including those of governmental agencies that operate Local Provider Participation Funds (LPPFs).

The federal government restricts the types of funds that can be used for the matching share of a Medicaid payment and requires HHS to ensure those conditions are met.

To improve oversight of local fund transfers, HHS is developing reporting mechanisms and implementing enhanced monitoring strategies.

HHS will also develop rules and an online reporting portal for governmental entities that operate LPPFs. We will assess how ongoing monitoring should occur for all other sources of the non-federal share of supplemental and directed payment programs.

Deliverables Deliverable	Target Completion
Implement reporting rules for governmental entities that operate LPPFs.	November 2019
Review and validate information reported to HHS by governmental entities that operate LPPFs quarterly.	January 2020 and ongoing
Develop and implement reporting portal for governmental entities that operate LPPFs.	January 2020
Complete data assessment for enhanced reporting and monitoring of additional local funding structures.	April 2020
Develop accountability monitoring plan for additional local funding structures.	August 2020

Fiscal Year 2021 Steps Taken:

Release of the Texas Monitoring Plan for Public Comment

Texas HHSC launched the LPPF reporting system and began collecting quarterly reports in 2020. After a few quarters of collecting quarterly reports, even in the midst of COVID-19, Texas focused efforts on developing the accountability monitoring plan for additional local structures. In addition, based upon lessons learned from the initial LPPF-specific quarterly reports, Texas made plans to refine the reporting required from governmental entities that operate LPPFs and to expand to other types of local fund sources in the future. The plan was posted for public comment in October and November 2020. The plan consists of 5 steps:

1. Annual survey
2. Risk assessment
3. Additional information for selected entities
4. Deep dive reviews
5. Determination

After receiving public comment, it became clear that additional resources for both staff and information technology systems would be necessary to successfully implement the plan as there are as many as 1500 identified different governmental entities that submit or certify local funds for use as non-federal share in the Medicaid program.

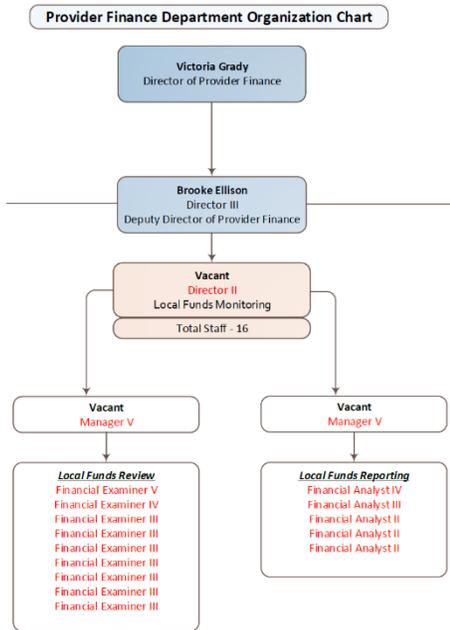
Investment in Resources Needed to Launch the Monitoring Plan

The 87th Texas Legislature met in Regular Session from January 12, 2021 through May 31, 2021. During the Regular Session, the Texas Legislature appropriated at least 14 Full Time Equivalent and capital authority for the information technology system necessary to implement the Monitoring Plan. The resources are appropriated to HHSC with an effective date of September 1, 2021.

On June 18, 2021, Senate Bill 1, 87th Texas Legislature, Regular Session, 2021, was signed into law. HHSC immediately put steps into motion to implement the creation of the resources. On August 2, 2021, the Director of Local Funds Monitoring position was posted and began accepting applications. The initial set of applications received have been reviewed and first round interviews are schedule for early September.

Fiscal Year 2022-23 Planned Steps:

Complete Staffing for All New Positions



HHSC plans to fill 17 full time equivalent positions to support the Local Funds Monitoring teams. The planned structure includes the Local Funds Review team of Financial Examiners who will be responsible for the implementation of steps 1 through 4 of the Monitoring Plan. The Local Funds Reporting team will be responsible for working HHSC legal counsel to complete step 5 of the monitoring plan. The Reporting team will also complete all federal and state reporting related to the use of local funds in the Medicaid program.

To ensure that the positions are filled timely, HHSC plans to use the dates below as goals (assuming applications are received from a sufficient pool of qualified candidates).

	Director and Managers	Financial Analyst IV and Financial Examiner V	Financial Analyst III and Financial Examiner IV	Financial Analyst II and Financial Examiner III
Positions Posted	8/2/2021	9/10/2021	10/8/2021	11/5/2021
Posting Closes	8/16/2021	9/24/2021	10/22/2021	11/19/2021
Interviews Begin	9/3/2021	10/1/2021	10/29/2021	11/26/2021
Offers Made	9/14/2021	10/12/2021	11/9/2021	12/7/2021
Potential Start Date	9/28/2021	10/26/2021	11/23/2021	12/21/2021

Finalize Monitoring Plan via Texas Rulemaking Procedures

While HHSC undertook a public comment process on the draft Monitoring Plan in October and November 2020, implementation of the plan will require the creation of formal Texas regulations via the Texas rulemaking procedures.

The proposed rules targeted date for publication is December 1, 2021. Assuming a public comment period of 30-days, as is typical, HHSC will likely need several weeks to review in January and February to examine all comments and make any necessary modifications in response to public comment.

The Final Rules will likely be published for adoption around March 31, 2022.

Implement Monitoring All Phases

HHSC will expand monitoring activities based upon provider type, volume of funds, and method of contribution according to the phases and targeted dates below.

Phase	Description	Target Implementation Date
1	Governmental entities operating Local Provider Participation Funds or other provider tax structures	Partially Implemented in 2020; Full Implementation on April 1, 2022
2	Governmental entities transferring non-LPPF funds to support Medicaid payment programs for hospital services	October 1, 2022
3	Governmental entities transferring non-LPPF funds to support Medicaid payment programs for non-hospital services, including nursing facility services, intermediate care facility services, and other acute or long-term care services	April 1, 2023
4	Governmental entities certifying public expenditures	October 1, 2023