



## LEGISLATIVE BUDGET BOARD

# Long-term Care Funding

**PRESENTED TO SENATE COMMITTEE ON FINANCE  
LEGISLATIVE BUDGET BOARD STAFF**

**JUNE 2022**

# Statement of Interim Charge

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**Long-term Care Funding:** Examine state investments in the long-term care system. Study nursing facility funding issues and the impact of the pandemic on capacity and delivery of care. Explore nursing facility quality metrics and recommend strategies to improve the sustainability of the long-term care workforce.

# Presentation Overview

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- Medicaid overview and the related service delivery models
- Appropriations to the long-term care system
- One-time funding for Nursing Facilities
- Federal COVID-19 funding made available directly to Nursing Facilities

# Medicaid Overview

Medicaid is a jointly funded State-Federal program providing health coverage and services to low-income children and their families, pregnant women, seniors, and people with disabilities. As a requirement of participation, states must cover certain groups and have the option to cover additional groups.

## Basic Federal Requirements of Medicaid

### Entitlement

Any person eligible may in enroll.

### Statewideness

Services cannot be limited to certain geographic locations.

### Comparability

The same level of services must be available to all clients.

### Freedom of Choice

Clients may see any Medicaid health care provider who meets program standards.

# Service Delivery Models

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There are two service delivery models for Medicaid:

- **Fee-for-Service** (6.0 percent of clients) – payments are made directly to hospitals, providers, physicians, pharmacists, and other medical practitioners for services rendered.
- **Medicaid Managed Care** (94.0 percent of clients) – a health care delivery system where the state Medicaid agency, the Health and Human Services Commission (HHSC), enters into contractual agreements with managed care organizations (MCOs) to deliver services to clients through negotiated contracts with various service providers.

# Medicaid Managed Care

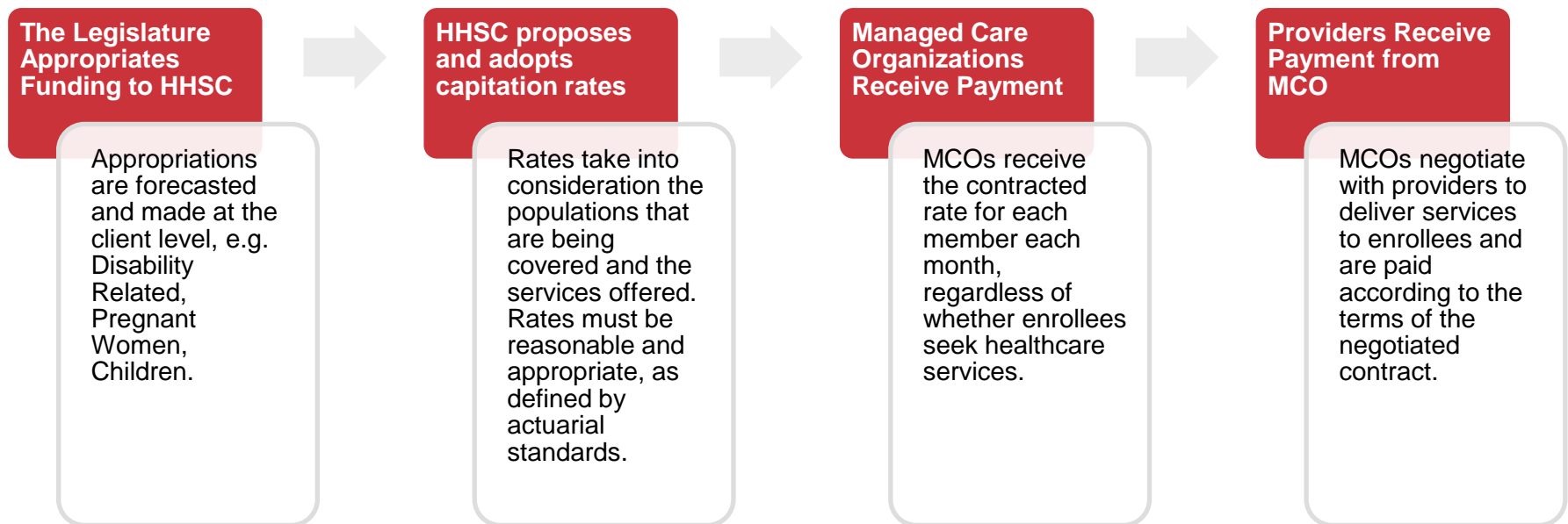


Over the last 20 years, HHSC has transitioned most clients away from the fee-for-service payment model.

HHSC now contracts with 17 managed care organizations, and three dental maintenance organizations, to coordinate care for Texas Medicaid and Children's Health Insurance Program (CHIP) Beneficiaries.

# Funding Managed Care

In a managed care system, HHSC pays a capitated rate, or fixed amount of money, per member per month to MCOs. This amount is fixed for 12 months but may be modified to account for new or developing situations, such as COVID-19.



# Long-term Care Funding

Nursing Facilities were carved into managed care in **March 2015**. After moving into managed care, funding for nursing facilities primarily flows through managed care organizations and is appropriated at the client level across the corresponding Medicaid strategies.

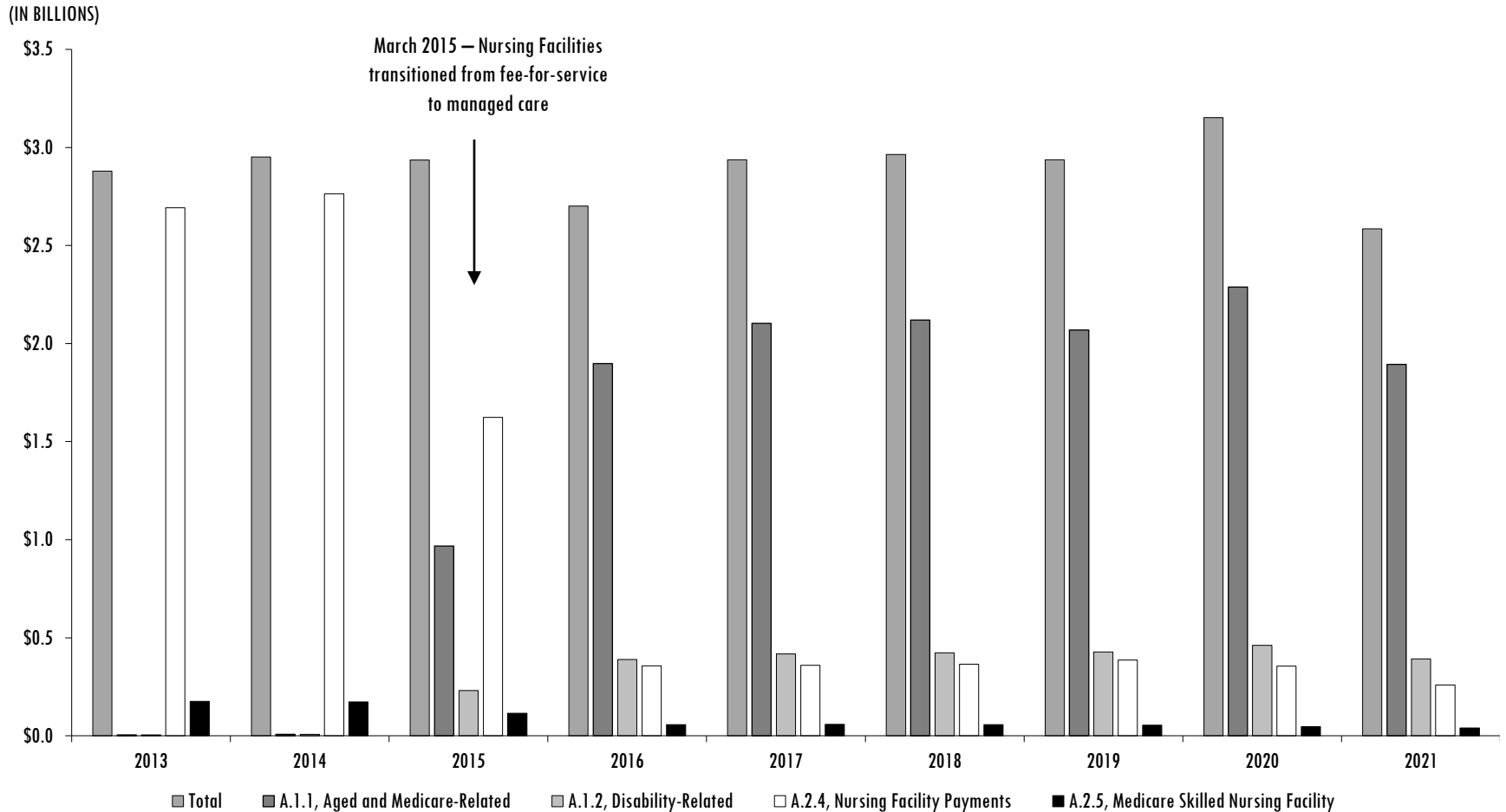
Currently, the following strategies in the General Appropriations Act

- **A.2.4, Nursing Facility Payments, and**
- **A.2.5, Medicare Skilled Nursing Facility**

primarily include funding for community services and supports for nursing facilities.



# Select Medicaid Expenses by Strategy



NOTES:

- (1) Data for 2021 may be adjusted for up to 12 months following the end of a fiscal year.
- (2) A.2.5, Medicare Skilled Nursing Facility, includes both Acute and Long-term expenses for Nursing Facilities.

SOURCES: Legislative Budget Board; Health and Human Services Commission.

# Nursing Facility Rate Increase

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## 2014 – 2015:

The Eighty-third Legislature, 2013, appropriated funding for a 2.0 percent rate increase to nursing facilities in fiscal year 2014 and a 4.0 percent increase in fiscal year 2015, including:

- **\$60.9 million in All Funds** (\$25.1 million in General Revenue) for fiscal year 2014; and
- **\$185.7 million in All Funds** (\$77.9 million in General Revenue) for fiscal year 2015.

# COVID-19 Add-on Rate

## 2020 – Present Day:

HHSC adopted a temporary COVID-19 rate add-on for Nursing Facilities. The \$19.63 per day rate add-on became effective April 1, 2020 and is expected to conclude at the end of the federally-declared Public Health Emergency (PHE). Providers can use the funding for COVID-19 related expenditures, such as:

- Direct care staff salaries and wages;
- Personal protective equipment; and
- Dietary needs/supplies.

HHSC estimates that **\$772.6 million in All Funds** (\$251.1 million in General Revenue) has been distributed to Nursing Facilities between April 1, 2020 and April 15, 2022 for this purpose.

# Coronavirus State Fiscal Recovery Funds

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## 2021:

Senate Bill 8, Eighty-seventh Legislature, Third Called Session, 2021 included \$378.3 million in Federal Funds to provide grants for staffing needs at nursing facilities, assisted living facilities, home health agencies, Intellectual or Developmental Disabilities (IDD) facilities, and community attendants. HHSC allocated the following for nursing facilities:

- **\$90 million** (\$75,000 per licensed facility) in direct awards; and
- **\$110.0 million** distributed via a competitive award process.

# COVID-19 Federal Funding Reporting Requirement

HHSC Rider 143, Reporting Requirement: COVID-19 Funding to Nursing Facilities and Hospitals, requires nursing facilities and hospitals contracting with HHSC to detail the total value and uses of COVID-19-related Federal Funds and unreimbursed expenses, in addition to temporary rate increases related to the PHE.

- HHSC submits quarterly reports to meet the requirements of the rider above and Senate Bill 809, Eighty-seventh Legislature, 2021, which requires healthcare providers to report sources of COVID-19 relief funding.
- From the end of January 2020 through February 2022, nursing facilities reported receiving **\$746.9 million in federal COVID-19 funds**.
- Data is self-reported and does not encompass all providers.

# COVID-19 Federal Funding Reporting Requirement

| REPORTING PERIOD            | REPORTED COVID-19 FEDERAL FUNDING | NURSING FACILITIES RESPONDING |
|-----------------------------|-----------------------------------|-------------------------------|
| January 2020 to August 2021 | \$647,409,508                     | 1,140                         |
| September 2021              | \$14,812,946                      | 1,124                         |
| October 2021                | \$7,627,798                       | 1,076                         |
| November 2021               | \$12,618,744                      | 1,143                         |
| December 2021               | \$34,455,060                      | 1,083                         |
| January 2022                | \$17,272,798                      | 983                           |
| February 2022               | \$12,748,807                      | 861                           |
| <b>Total</b>                | <b>\$746,945,661</b>              |                               |

NOTES:

- (1) Data is self-reported monthly through a survey sent to the Health and Human Services Commission (HHSC). The responses do not represent all nursing facilities.
- (2) Amounts represent federal funding related to the COVID-19 pandemic provided to nursing facilities directly from the federal government, and exclude any pandemic-related funding received through the state.

SOURCE: Health and Human Services Commission, Coronavirus Disease (COVID-19) Public Health Emergency Reporting, as required by Senate Bill 809, Eighty-seventh Legislature, Regular Session, 2021, and the General Appropriations Act, 2022–23 Biennium, Article II, HHSC, Rider 143, Reporting Requirement: COVID-19 Funding to Nursing Facilities and Hospitals, June 1, 2022.



## LEGISLATIVE BUDGET BOARD

# Contact the LBB

Legislative Budget Board

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