



TEACHING
HOSPITALS
of TEXAS

Local Provider Participation Funds: Key to Stable Hospital Funding

Since the Texas Legislature authorized the first Local Provider Participation Funds (LPPFs) in 2013, LPPFs have joined public hospital funding to become an integral part of Texas' Medicaid financing system. In addition to funds from public hospitals, LPPFs help bring \$7 billion a year in additional Medicaid funds to Texas hospitals to reduce the shortfall from below-cost Medicaid reimbursement, and in some cases, charity care costs.

Some local governments in Texas currently opt to use LPPFs from private hospitals to finance the required non-federal share of various hospital 1115 waiver-related supplemental and directed payment programs, specifically Uncompensated Care

(UC), Uniform Hospital Rate Increase Program (UHRIP), and in some cases, Delivery System Reform Incentive Payments (DSRIP).¹ In the absence of additional general revenue to fund Medicaid and uninsured care costs, and because only public funds can be used to finance Medicaid, LPPFs let private hospitals join public hospitals in supporting critical Medicaid financing.

However, in early December 2021, the Centers for Medicare & Medicaid Services (CMS) announced it would not approve supplemental payment programs that use current LPPF funding mechanisms, further stalling progress on Texas' waiver and delaying billions of dollars in Medicaid supplemental payments to providers.

KEY TAKEAWAYS

- With limited General Revenue appropriated for Medicaid, private hospital financing and existing public hospital financing are critical to ensuring access to high-quality health care for all Texans.
- THOT supports expedited resolution of the LPPF impasse and continuation of Medicaid funding for patient services.
- CMS should not abruptly disapprove historically used and approved LPPF funding.



- Any CMS requirements to change LPPFs should include a sufficient and clear timeline for a successful transition.

¹ Excludes the Disproportionate Share Hospital (DSH) program because its non-federal share is funded solely by state and public hospitals.

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