



Title: New hospital district CFO reports on program ending, refund headaches

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# New hospital district CFO reports on program ending, refund headaches

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New Deaf Smith Hospital District Chief Financial Officer Paul Gafford had some sobering news in his first presentation for number crunching directors at the district board's regular

meeting August 25. It might well be characterized under the ill-omened heading of "we're with the government and we're here to 'help' you."

Touching on Medicaid supplemental payments, he related: "The U.S. Court of Appeals de-

cision to overturn the decision of **Children's Hospital Association of Texas v. Azar** in August of 2019 is expected to effectively lower Deaf Smith Hospital District's reimbursement rates commencing in Demonstration Year 8 of the 1115 waiver period.

This has resulted in a \$597,681 payback due Fiscal 2019 DSH exam. Currently, DSH and UCC receipts are down \$800,000 from Fiscal 2020."

What that means is that the local district is the victim of government programs being halted and taking back money they had given.

Board members discussed the possibility of returning those funds via the 2021-2022 budget rather than carrying that

debt load into the projected new 2022-2023 fiscal year budget.

Gafford reported bad news that the 1115 Waiver Delivery System Reform Incentive Payment (DSRIP) program incentivizing hospitals and other providers to improve access to care and how care is delivered, targeting Medicaid enrollees and low income uninsured individuals has now ended.

The State of Texas HHSC elected to end the DSRIP program in April 2022 and opted instead to replace it with the Comprehensive Hospital Increase Program, (CHIRP), and the Rural Access to Primary and Preventative Services (RAPPS) program.

The 1115 waiver reimbursed hospitals like Hereford Regional Medical Center for the "uncompensated care" they provide to patients without health insurance and paid for innovative health care projects that serve low-income Texans, often for mental health services. The extension — worth billions of dollars a year — nationally would have continued hospital reimbursements until September 2030, but the innovation fund was allowed to expire.

A waiver extension would have helped the state to continue support for much-needed health

Please see **CFO REPORTS | 2**

## CFO reports —

**CONTINUED FROM PAGE 1**

care improvements and would have continued stable funding for hospitals that serve large numbers of uninsured patients.

Rural Access to Primary and Preventive Services (RAPPS) is a payment plan for rural health clinics that incentivizes the provision of primary and preventive services to individuals enrolled in the STAR, STAR PLUS, and STAR Kids Medicaid managed care programs.

The program includes two components, with Component 1 providing a uniform dollar increase in the form of prospective, monthly payments to all participating rural health clinics. The amount of the increase varies by rural health clinic class. Component 1 structure measures include reporting on electronic health record use, telemedicine/telehealth capabilities, and ensuring access to care for Medicaid clients.

Component 2 is a uniform percent rate increase for certain services to incentivize preventive care and services to manage individuals' chronic conditions.

Gafford told hospital board members that "\$500,000 is budgeted in receipts from these programs."

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Hospital District CEO Jeff Barnhart was troubled by the developments.

"This is not friendly toward rural hospitals. Our fight is getting harder losing supplemental payments and attempting to deal with insurance companies that don't want to pay us for our work," he said.

"This money will go back to the state of Texas. It will eventually be paid back to the federal government. This was due to a lawsuit settlement over the way uncompensated care was figured. This will affect most Texas hospitals. The Medicaid supplement payment program

expired. The CHIRP and RAPP were meant to replace this funding. Problem is, it won't totally cover what we got from Delivery System Reform Incentive Payment."

Those words on programs ending weren't exactly icing on the cake following Dr. Trevor Rohm's medical staff report in which he remarked on problems in collecting from managed Medicare, Humana and United Healthcare Medicare.

"They are hard to deal with and it is a real problem for us. Humana has rules and if they don't like how we do things they don't pay. That leaves us with an appeals process and lots of time on the phone. We spend real money on patient care and we don't get paid. When we don't get paid, we go bankrupt. We're being pushed to do observation. Still, we do what we feel is best

for the patient," Dr. Rohm remarked.

Dr. Rohm observed Hereford Regional Medical Center "has finally been able to release all of our sick people and we have swing beds back."

He reported that the hospital provided 250 free sports physicals in one day for the Hereford High School athletic program, that "great work is being done with the Medicare Wellness Program" and that strep cases "went crazy since school started and it's harder to get into the clinic."

He also reported on obstetrics cases and doctors, and said 20-30 babies are being delivered monthly.

Touching further on insurance hassles, Barnhart commented, "We are playing the insurance game every day and getting burned. We deal with insurance hassles on a daily basis."

Gafford gave the chief financial officer's report for June, saying he would owe the July report since he was new on the job.

"Inpatient revenue for the nine months ended June 30 has an unfavorable budget variance of \$444,800, but exceeded June 2021 by \$81,400. There were 15 medical/surgical inpatient admissions and 20 OB admissions in June 2022, compared to 12 and 34 in 2021. Thus, medical, surgical, labor and delivery revenue is comparable with June of 2021.

"Net patient revenue for June is \$1.75 million of which \$1.63

million is expected to be collected from patients. The rest is timing differences in the Medicaid Supplemental payments. Operating expenses exceeded operating revenues for the month of June 2022, reflecting an operating loss of \$866,500. Non-operating revenue of \$492,650 brings the net loss to \$373,900 for the month," Gafford said.

Commenting on the balance sheet, Gafford said, "Cash and cash equivalents totaled \$20,776,640 at the end of the month, a decrease of \$490,200 from the prior month, and an increase of \$592,800 from the prior year. Gross patient accounts receivable increased from the prior month by \$705,300. Overall, the balance sheet looks strong."

The board voted unanimously to approve financial statements and statistical reports relating to income, expenses and budgeted operations for the period ending June 30, 2022.

In routine business, board members voted unanimously to add Gafford to signature cards for First Bank Southwest and First Financial Bank and to remove Javier Vallejo, previous CFO from signature cards for the two banks.

In his CEO report Barnhart updated the board on physician recruitment and there was some discussion of finding additional accommodations for potential

medical staff when they are visiting or initially working here.

Chief Nursing Officer Candice Smith in her report stated



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that the hospital is “working through a nursing challenge” and is in the process of recruiting three Filipino nurses in a process that could take up to a year. Should the nurses come to the local hospital they would be obligated to four years of service. Mrs. Smith also related that the hospital would be obligated for housing for the nurses for 30 days.

“We’re dealing with challenges in pharmacy, for some medical items, antibiotics, and saline products. We’re also facing challenges with insurance companies.

“We have new telemetry monitors for rooms—we’re excited about the equipment, which includes an alarm system to prevent its leaving the building or going through laundry,” she said.