

## Texas Medicaid 1115 Waiver Overview

### Background

- Initial waiver: December 2011 - September 2016; 15 month extension to December 2017.
- Expanded managed care; established Uncompensated Care (UC) and Delivery System Reform Incentive Payments (DSRIP) pools. Cumulative combined pool size: \$29.5 billion.
- UC pool qualifying providers: hospitals (inpatient, outpatient, physician, mid-levels, pharmacy, clinic costs), certain physician provider groups, government ambulance providers, and government dental providers.
- DSRIP pool qualifying providers: hospitals, physician practices affiliated with academic health science centers, community mental health centers, and local health departments.

### Renewal

- Renewal finalized on December 21, 2017 for five years from October 2017 to September 2022 - Demonstration Years (DY) 7 - 11.
- Managed care will continue statewide.
- Significant changes in UC and DSRIP pool sizes and administration required by CMS.

### UC Pool and Payment Changes

- Pool size will be approximately \$3.1 billion in DY 7 and DY 8. Pool sizes for DY 9 - 11 will be resized based on hospital charity care costs provided in Calendar Year (CY) 2017.
- HHSC and hospitals required to work together to accurately report charity care costs for 2017 for the resizing exercise, failing which the UC pool size will temporarily default to \$2.3 billion for DY 9 - 11. When the charity costs are eventually reported, the \$2.3 billion will be revised. If the charity costs are found to be less than \$2.3 billion, recoupments will occur as necessary. Additional payments will be available if charity costs are more than \$2.3 billion.
- Charity care costs will be determined by information in Worksheet S-10 of the Medicare hospital cost report (Form CMS-2552-10). For hospitals not required to complete the S-10, which are primarily children's, cancer, and rehabilitation hospitals, and Institutions of Mental Disease) and for non-hospital qualifying providers, an alternate methodology using CMS-approved cost reports will be used to determine charity costs.
- Beginning in DY 9, UC pool payments will be based on charity costs incurred by qualifying providers. Medicaid shortfall is not allowable to qualify for UC payments. Providers receiving both DSH and UC payments cannot be paid more than total eligible uncompensated costs.
- The UC payment protocol must include precise definitions of eligible uncompensated provider charity care costs for each qualifying provider type.

### UC Protocol and Rules Schedule

- Draft UC protocol was submitted to CMS on March 29, 2018. Approval expected in 90 days.
- Draft Texas Administrative Code rule on UC payments to be published by July 31, 2018.
- Revised draft UC applications to CMS by May 1, 2019. Approval required by August 31, 2019.
- Revised UC protocol to be implemented by October 1, 2019.
- Final Texas Administrative Code rule on UC payments to be published by January 30, 2019, and effective by September 30, 2019.
- **Failure to meet any of these deadlines will result in a 20% reduction in expenditure authority from the UC pool for the program year. The reductions are cumulative.**

### DSRIP

- The DSRIP funding pool has been extended four years, through September 30, 2021, with level funding of \$3.1 billion (all funds) in demonstration years (DY) 7-8. DSRIP funding decreases to \$2.91 billion in DY9 and \$2.49 billion in DY10.
- The DSRIP Program Funding and Mechanics Protocol (PFM) for DY7-8 was approved by CMS on January 19, 2018.
- The major change to DSRIP in DY7-8 is the movement from project-level reporting to targeted measure bundles and measures that are reported by DSRIP performing providers as a provider system.

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- For DY7-8, providers will:
  - Define their “system.”
  - Select measure bundles or measures to meet their “minimum point threshold.”
  - Establish CY17 baselines for selected measures.
  - Take steps to improve upon baselines in CY18-19 by closing the gap toward a high performance level or improvement over self.
  - Work to maintain a steady level of service to the Medicaid, low-income and/or uninsured (MLIU) population at the provider system level.
- For DY9-10, the DSRIP pool amounts decrease.
- The same overall framework will remain in place.
- In late 2018, HHSC will begin working with stakeholders to:
  - Determine how the reduced funding pools for DY9-10 will be distributed
  - Refresh the menu of Measure Bundles and measures for DY9-10
- HHSC must submit revised PFM to CMS by 3/31/19.
- HHSC must submit revised Measure Bundle Protocol to CMS by 7/31/19.
- The extension also requires HHSC to submit a draft DSRIP Transition Plan to CMS by October 1, 2019, to describe how the state will further develop its delivery system reform efforts when DSRIP funding is no longer available.
- The Transition Plan will include Texas’ planned milestones for making progress toward Value-Based Purchasing (VBP) and other initiatives when DSRIP ends.
  - For example, a milestone could related to VBP contractual targets for Medicaid MCOs in 2020-2021, or to other pay-for-quality efforts in Medicaid Managed Care.