

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-01-16
Baltimore, Maryland 21244-1850



State Demonstrations Group

JAN 19 2018

Stephanie Muth
Associate Commissioner, Medicaid/CHIP
Medical and Social Services Division
Texas Health and Human Services Commission
4900 Lamar Boulevard
Austin, TX 78751

Dear Ms. Muth:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved Protocols J (Program Funding and Mechanics Protocol) and R (Measure Bundles Protocol) for Texas' section 1115(a) demonstration project, entitled "Texas Healthcare Transformation and Quality Improvement Program" (Project Number 11-W-00278/6). This approval is effective from October 1, 2017 through September 30, 2019. The state will provide to CMS, by July 31, 2019, updated protocols for demonstration years 9 and 10 for CMS review and approval.

In the approval letter issued for the extension of Texas' 1115 demonstration, CMS noted a number of areas in the Delivery System Reform Incentive Payment (DSRIP) program protocols that needed enhancement and refining to meet CMS expectations for robustness. We are pleased that Texas and CMS were able to effectively collaborate in short time to lay out the operational mechanics in the protocols to meaningfully incentivize quality improvement on measure sets representing important areas of health delivery in Texas. Per the requirements noted in CMS' letter, Texas has improved its measure bundles to focus more on outcome measures, added a robust and comprehensive attribution methodology, refined the process by which providers may distribute funding across measure bundles, included a suitable and accountable performance and payment methodology for providers with high or maximized performance baselines, and enhanced how providers will specify, link, and report core activities to outcomes.

CMS would like to begin working with the state on the content of its Transition Plan for DSRIP, specified in Special Term and Condition (STC) 37 of its 1115 demonstration. We propose to meet by June 30, 2018 so we may outline our mutual goals and expectations for the upcoming deliverable. CMS expects that the future terms of the DSRIP protocols for demonstration years 9 and 10 will help Texas address the content and milestones contemplated as part of the Transition Plan. We call attention to the due date in STC 37 of October 1, 2019 for a draft transition plan to be submitted by the state which will include milestones to assure sustainability of the state's delivery system reform efforts absent DSRIP funding, and note associated deferrals in FFP for

DSRIP funding if these milestones are not achieved. We believe that the protocols approved through this letter will set a strong baseline for the next era of delivery system reform within Texas, and the Transition Plan will help Texas lay out its strategy for continuing its delivery system reform efforts.

Your project officer is Mr. Eli Greenfield, who may be reached at (410) 786-6157 and through e-mail at Eli.Greenfield@cms.hhs.gov. Communications regarding program matters and official correspondence concerning the demonstration should be submitted to Mr. Greenfield at the following address:

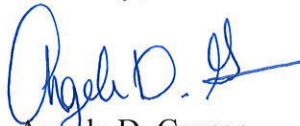
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Official communications regarding this demonstration should be sent simultaneously to Ms. Garner and Mr. Bill Brooks, Associate Regional Administrator (ARA) for the Division of Medicaid and Children's Health, in our Dallas Regional Office. Mr. Brooks' contact information is as follows:

Centers for Medicare & Medicaid Services
1301 Young St. Suite 714
Dallas, TX 75202
Telephone: (214) 767-4461
E-mail: Bill.Brooks@cms.hhs.gov

If you have any questions regarding this approval, please contact Ms. Judith Cash, Acting Director, State Demonstrations Group, Center for Medicaid & CHIP Services at (410) 786-9686.

Sincerely,



Angela D. Garner
Director
Division of System Reform Demonstrations

cc: Bill Brooks, CMS ARA Dallas Region