Medicaid Supplemental and Directed Payment Programs and 1115 Waiver Update

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Supplemental & Directed Payment Program Funding

Approximately $11 Billion (All Funds) in Fiscal Year (FY) 2020

• Supplemental payments to providers are separate from claims payments

• Directed payments allow Medicaid MCOs to make payments to providers at the specific direction of HHSC

• Local government funding is used as the source of the non-federal share of funding

• Local taxes and Local Provider Participation Funds are methods used to transfer local funds to HHSC
# Supplemental & Directed Payment Programs

## Supplemental Payments
- Uncompensated Care (UC)*
- Graduate Medical Education (GME)
- Disproportionate Share Hospital Program (DSH)
- Delivery System Reform Incentive Payments (DSRIP)*

## Directed Payments
- Uniform Hospital Rate Increase Program (UHRIP)
- Quality Improvement Payment Program (QIPP)
- Network Access Improvement Program (NAIP)

*1115 Waiver Programs
Disproportionate Share Hospital (DSH) Payments

- Medicaid supplemental payment to qualifying hospitals that serve large numbers of Medicaid and uninsured individuals
- Affordable Care Act (ACA) reduces DSH payments to states
- Reduced DSH payments delayed until at least November 21, 2019
- Congress temporarily stopped the first of what will add up to $44 billion in cuts through federal FY 2025
Medicaid 1115 Demonstration Waiver

• Allows states to operate programs that test policy innovations likely to further the objectives of the Medicaid program
• Must be budget neutral to federal government
• Five year extension of the Medicaid waiver approved through Sept. 30, 2022
• Allowed roll out of Medicaid managed care across the state
• Supports funding for hospitals and for local entities to access additional federal match funds for:
  • Uncompensated Care
  • Delivery System Reform Incentive Payments
Budget Neutrality

• 1115 Waivers must be budget neutral to the federal government
• Federal Medicaid spending for a state cannot exceed what would have been spent without the waiver
• Budget Neutrality is a long-standing policy of Centers for Medicare and Medicaid Services (CMS)
• States and the federal government negotiate budget neutrality terms
• Budget neutrality is not based in statute, nor federal regulations
Budget Neutrality

Medicaid Expenditures

“Room” for other payment programs

With Waiver

Without Waiver

$ DSRI

Directed Payments

UC

$
Future 1115 Waiver Renewals

• CMS will rebase Without Waiver (WOW) cost baselines for all renewals starting in January 2021

• Limit unused savings rollover to most recent 5-year period

• Ongoing discussions with CMS are needed for guidance to determine budget neutrality flexibility
Local Provider Participation Fund (LPPF)

- Optional method of finance for local governments to generate and collect local funding for Texas Medicaid supplemental and directed payment programs
- Local jurisdictions operating an LPPF assess mandatory payments on nonpublic hospitals based on their annual net patient revenue
- LPPF governmental body determines the assessment rate annually, which is applied to the net patient revenue from all paying hospitals in district, county, or municipality
- Currently 26 LPPFs operating
1115 Waiver Programs: Uncompensated Care (UC) Pool

**UC participants:**
- Are paid twice per year for charity care costs provided to the uninsured
- Submit cost information to HHSC to receive a UC payment
- Eligible providers include: hospitals (public & private), ambulance (public), physician groups, dental (public)

**Status of UC Pool:**
- UC Pool size is $3.87 billion for state FY 2020-2021
- More than 300 Texas hospitals participate
- As of October 2019, payments to providers are based on amount of charity care provided for the uninsured
- Payments used to be based on the amount of a provider’s Medicaid shortfall and unreimbursed costs treating uninsured
Delivery System Reform Incentive Payment (DSRIP) Overview

**DSRIP Program**

- Provides incentive payments to participating providers to improve health outcomes
- 300 participating providers across the state, including:
  - Hospitals
  - Community Mental Health Centers (CMHC)
  - Physician Practices associated with Academic Health Science Centers (AHSC)
  - Local Health Departments (LHD)
DSRIP Overview


Participating providers earn incentive payments by:

- Improving performance on select health outcome measures
- Reporting on population health measures and number of individuals served

Common quality measures:

- Chronic disease management
- Primary care and prevention
- Patient navigation, care transitions, and emergency department diversion
- Improved maternal care and safety
DSRIP Common Core Activities

- Care Management, including disease self-management education
- Screening and follow-up services
- Manage individuals at risk for complications, comorbidities, use of emergency room
- Services to address social drivers of health
- Expanded practice access (e.g., increased hours, telemedicine)
- Vaccinations for target populations
- Enhanced coordination between primary care, urgent care, & emergency departments
- Navigation services
- Certified Community Behavioral Health Clinic care model
DSRIP Payments by Provider Type

$16.3B in Total Payments for Demonstration Years (DYs) 1-8*

- Hospitals: $10,985,874,703 (67%)
- Community Mental Health Centers: $2,564,246,482 (16%)
- Physician Practices: $2,038,409,401 (13%)
- Local Health Departments: $711,544,136 (4%)

*As of Oct. 2019. Intergovernmental transfers (IGTs) are source of match for DSRIP.
People Served by DSRIP

DSRIP projects served 11.7 million people and provided 29.4 million encounters (DYs 3-6)*

*Figures may be duplicated across projects
DSRIP Transition

• Waiver Special Terms and Conditions (STCs) required Texas to submit a DSRIP Transition Plan (STC 37)

• Waiver renewal approval letter from CMS specifies:

  “Texas’ DSRIP program will transition to a more strategic systemic effort focusing on health system performance measurement and improvement that achieves sustainable and effective delivery system reform.”

• HHSC submitted draft plan to CMS on Sep. 30, 2019 and must obtain CMS approval of final plan by Mar. 31, 2020
## Draft DSRIP Transition Plan Goals

<table>
<thead>
<tr>
<th>Goals</th>
<th># of milestones</th>
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<tbody>
<tr>
<td>Advance Alternative Payment Models to Promote Healthcare Quality</td>
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<tr>
<td>Support Further Delivery System Reform</td>
<td>4</td>
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<tr>
<td>Explore Innovative Financing Models*</td>
<td>1</td>
</tr>
<tr>
<td>Cross-Focus Areas</td>
<td>1</td>
</tr>
<tr>
<td>Strengthen Supporting Infrastructure to Improve Health</td>
<td>2</td>
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</tbody>
</table>

*Incentivize MCOs to enter into quality-based alternative payment models.*
Draft Transition Plan Milestones

**September 2020**
- Update the Texas Value-Based Purchasing Roadmap to address strategies to sustain key DSRIP initiative areas
- Identify and submit to CMS any proposals for new programs, including state-directed payment programs, to sustain key DSRIP initiative areas in DY 11 of current Waiver period

**December 2020**
- Update the Texas Medicaid quality strategy to address program and stakeholder goals
- Review DSRIP activities as possible Medicaid state plan benefits and policy changes, and submit to CMS review results or approval requests, as necessary
- Assess the current capacity and use of telemedicine and telehealth, particularly in rural areas of Texas, to inform next steps to address access gaps
- Conduct a preliminary analysis of DY 7-8 DSRIP quality data and related core activities to outline lessons learned on health system performance measurement and improvement

**March 2021**
- Assess Texas’ current financial incentives for Medicaid MCOs and providers to enter into meaningful quality-based alternative payment models and identify potential opportunities to strengthen or align incentives
- Complete an assessment of which social factors are correlated with Texas Medicaid health outcomes
- Identify options for the Regional Healthcare Partnership structure post-DSRIP

**September 2021**
- Identify and submit to CMS any additional proposals for new programs to sustain key DSRIP initiative areas that would start in the next Waiver renewal period

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Ongoing, Active Stakeholder Engagement

2021 Texas Legislative Session

Key Focus Areas for Post-DSRIP Efforts

- Sustain access to critical health care services
- Behavioral health
- Primary care
- Patient navigation, care coordination, and care transitions, especially for patients with high costs and high utilization
- Chronic care management
- Health promotion and disease prevention

- Maternal health and birth outcomes, including in rural areas of the state
- Pediatric care
- Rural health care
- Integration of public health with Medicaid
- Telemedicine and telehealth
- Social drivers of health
Partner Engagement

- **Aug. 2019**
  - Comments submitted on draft DSRIP transition plan
  - Comments resulted in changes to draft plan and are informing milestone plans

- **Sep.-Oct. 2019**
  - Work sessions held with providers, associations, and representatives
  - Identified shared and unique considerations, priorities, and opportunities

- **Dec. 2019**
  - HHSC develops partner engagement plan to help achieve DSRIP transition plan milestones
Next Steps for HHSC

- Create detailed plan for completing each milestone in transition plan
- Develop partner engagement plan
- Collect data and analyze options for sustaining delivery system reforms
- Refine parameters with CMS
- Identify opportunities to promote collaboration between MCOs and providers
Appendix
## Local Provider Participation Funds (LPPF)

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Enacted Bill</th>
<th>Session Year</th>
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<tbody>
<tr>
<td>Cameron County</td>
<td>SB 1623</td>
<td>83R</td>
</tr>
<tr>
<td>Hidalgo County</td>
<td>SB 1623</td>
<td>83R</td>
</tr>
<tr>
<td>Webb County</td>
<td>SB 1623</td>
<td>83R</td>
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<tr>
<td>City of Beaumont</td>
<td>SB 1387</td>
<td>84R</td>
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<tr>
<td>Bell County</td>
<td>HB 2913</td>
<td>84R</td>
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<tr>
<td>Bowie County</td>
<td>SB 1587</td>
<td>84R</td>
</tr>
<tr>
<td>Brazos County</td>
<td>HB 3185</td>
<td>84R</td>
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<tr>
<td>Cherokee County (Deactivated)</td>
<td>SB 1587</td>
<td>84R</td>
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<tr>
<td>Gregg County</td>
<td>SB 1587</td>
<td>84R</td>
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<tr>
<td>Hays County</td>
<td>HB 3175</td>
<td>84R</td>
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<tr>
<td>McLennan County</td>
<td>HB 2809</td>
<td>84R</td>
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<tr>
<td>City of Amarillo Hospital District</td>
<td>SB 2117</td>
<td>85R</td>
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<tr>
<td>Angelina County</td>
<td>HB 2995</td>
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<tr>
<td>Dallas County</td>
<td>HB 4300</td>
<td>85R</td>
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<tr>
<td>Grayson County</td>
<td>HB 2062</td>
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<tr>
<td>Smith County</td>
<td>HB 2995</td>
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<tr>
<td>Tarrant County</td>
<td>SB 1462</td>
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<tr>
<td>Tom Green County</td>
<td>HB 3398</td>
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<tr>
<td>Williamson County</td>
<td>HB 3954</td>
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<tr>
<td>Lubbock County Hospital</td>
<td>SB 2448</td>
<td>86R</td>
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<tr>
<td>Statewide</td>
<td>HB 4289</td>
<td>86R</td>
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<tr>
<td>Ellis County</td>
<td>HB 4548</td>
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<tr>
<td>Bexar County Hospital District</td>
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<td>Harris County Hospital District</td>
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<td>Wichita County</td>
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<td>Travis County</td>
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<td>Taylor County</td>
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<tr>
<td>Nueces County Hospital District (Not established)</td>
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<tr>
<td>El Paso County Hospital District</td>
<td>SB 1751</td>
<td>86R</td>
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- **Cameron County**: SB 1623, 83R
- **Cherokee County**: SB 1587, 84R
- **Dallas County**: HB 4300, 85R
- **Ellis County**: HB 4548, 86R
- **Hidalgo County**: SB 1623, 83R
- **Hays County**: HB 3175, 84R
- **McLennan County**: HB 2809, 84R
- **Nueces County Hospital District**: SB 2315, 86R
- **Statewide**: HB 4289, 86R
- **Taylor County**: HB 1142, 86R
- **Webb County**: SB 1623, 83R
- **Wichita County**: SB 2286, 86R
- **Williams County**: HB 3954, 85R
- **Williamson County**: HB 3398, 85R
- **Lubbock County Hospital**: SB 2448, 86R
- **El Paso County Hospital District**: SB 1751, 86R
# Total DSRIP Payments

<table>
<thead>
<tr>
<th>Demonstration Year (DY)</th>
<th>Payments to Date*</th>
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<tbody>
<tr>
<td>DY1 (October 2011 - September 2012)</td>
<td>$ 0.48</td>
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<tr>
<td>DY2 (October 2012 - September 2013)</td>
<td>$ 1.93</td>
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<tr>
<td>DY3 (October 2013 - September 2014)</td>
<td>$ 2.54</td>
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<tr>
<td>DY4 (October 2014 - September 2015)</td>
<td>$ 2.68</td>
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<tr>
<td>DY5 (October 2015 - September 2016)</td>
<td>$ 2.84</td>
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<tr>
<td>DY6 (October 2016 - September 2017)</td>
<td>$ 2.87</td>
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<tr>
<td>DY7 (October 2017 - September 2018)</td>
<td>$ 2.70†</td>
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<tr>
<td>DY8 (October 2018 - September 2019)</td>
<td>$ 0.31†</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 16.35</strong></td>
</tr>
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</table>

*All payments shown in billions and as of Oct. 2019*

† Final incentive payments for a DY occur 1.5 years after the DY (final DY7 payment is July 2020, DY8 is July 2021)
1115 Waiver Extension

• Dec. 2017 - CMS granted a five-year extension of Texas' Healthcare Transformation 1115 waiver.
  ➢ Includes a four-year extension of DSRIP with funding phase-down

• Oct. 2019 - Waiver Special Terms and Conditions (STCs) required Texas to submit a DSRIP Transition Plan (STC 37)

• Oct. 2021 - DSRIP pool ends
# 1115 Waiver Extension

## DSRIP Pool Under Extension

<table>
<thead>
<tr>
<th>Demonstration Year (DY)</th>
<th>Pool Amount* (All Funds)</th>
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<tbody>
<tr>
<td>DY7 (10/1/17 – 9/30/18)</td>
<td>$3.10</td>
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<tr>
<td>DY8 (10/1/18 – 9/30/19)</td>
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<td>DY9 (10/1/19 – 9/30/20)</td>
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<tr>
<td>DY10 (10/1/20 – 9/30/21)</td>
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</tr>
<tr>
<td>DY11 (10/1/21 – 9/30/22)</td>
<td>$0</td>
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</tbody>
</table>

*All amounts shown in billions*