



Presentation to the House Appropriations Committee on the Section 1115 Demonstration Waiver: Texas Healthcare Transformation and Quality Improvement Program

Health and Human Services Commission

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Transformation Waiver**

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Transformation Waiver Overview

- Managed care expansion
 - Allows statewide Medicaid managed care services (STAR, STAR+PLUS, and Children's Medicaid Dental Services) while preserving historical upper payment limit (UPL) funding
- Hospital financing component
 - Preserves UPL hospital funding under a new methodology
 - Creates Regional Healthcare Partnerships (RHPs)
- Five year waiver 2011 – 2016

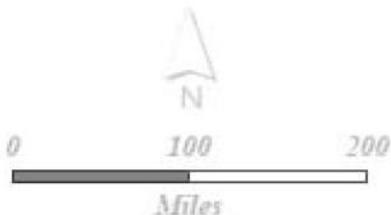
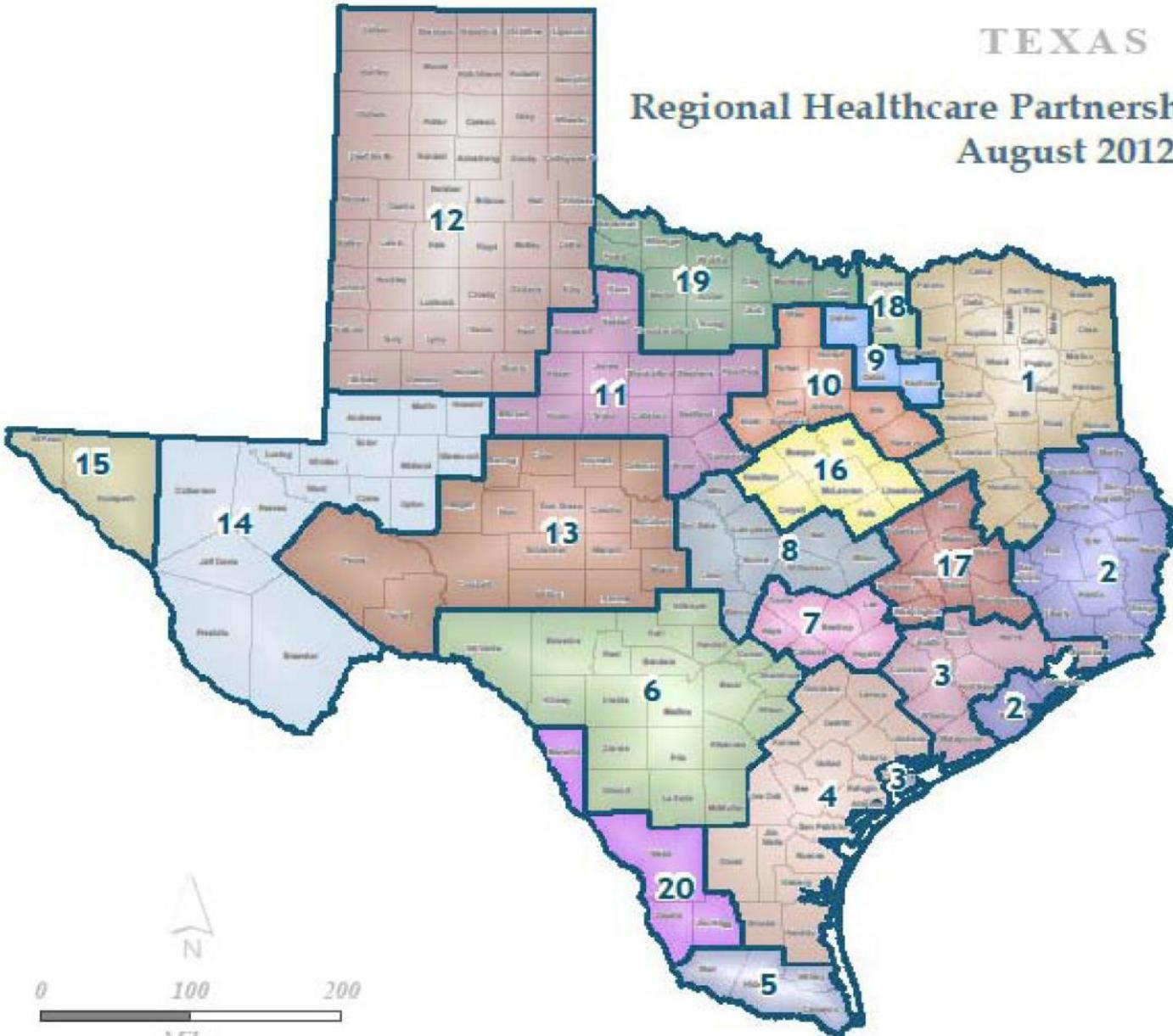
- Under the waiver, historical UPL funds and new funds are earned by hospitals and other providers through two pools
 - Uncompensated Care (UC) Pool
 - Replaces UPL
 - Costs for care provided to individuals who have no third party coverage for inpatient and outpatient hospital and other services
 - Delivery System Reform Incentive Payment (DSRIP) Pool
 - New incentive program to support coordinated care and quality improvements through 20 RHPs
 - Goals: transform delivery systems to improve care for individuals (including access, quality, and health outcomes), improve health for the population, and lower costs through efficiencies and improvements
 - Targets Medicaid recipients and low income uninsured individuals

UC & DSRIP Pool Funding Distribution (All Funds)

Type of Pool	DY 1 (2011-2012)	DY 2 (2012- 2013)	DY 3 (2013- 2014)	DY 4 (2014-2015)	DY 5 (2015-2016)	Totals
UC	3,700,000,000	3,900,000,000	3,534,000,000	3,348,000,000	3,100,000,000	\$17,582,000,000
DSRIP	500,000,000	2,300,000,000	2,666,000,000	2,852,000,000	3,100,000,000	\$11,418,000,000
Total/DY	4,200,000,000	6,200,000,000	6,200,000,000	6,200,000,000	6,200,000,000	\$29,000,000,000
% UC	88%	63%	57%	54%	50%	60%
% DSRIP	12%	37%	43%	46%	50%	40%

TEXAS

Regional Healthcare Partnership (RHP) Regions August 2012



Map Prepared by: Strategic Division Support Department,
Texas Health and Human Services Commission,
August 7, 2012

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- 1,458 active DSRIP projects
 - 298 providers – hospitals (public and private), physician groups, community mental health centers, and local health departments
 - Major project focuses:
 - Over 25% - behavioral healthcare
 - 20% - access to primary care
 - 18% - chronic care management and helping patients with complex needs navigate the healthcare system
 - 9% - access to specialty care
 - 8% - health promotion and disease prevention
 - Over \$4.5 billion earned through January 2015

- The waiver expires on September 30, 2016.
- Per the Texas waiver terms:
 - HHSC submitted a required transition plan to the Centers for Medicare & Medicaid Services (CMS) in March 2015, based on the experience with the DSRIP pools, actual uncompensated care trends in the State, and investment in value based purchasing or other reform options.
 - HHSC must submit a renewal request to CMS no later than September 30, 2015, to request to extend/renew the waiver.
- HHSC will hold public meetings to get input on the renewal request around the state during July 2015.

- In the transition plan submitted in March, HHSC expressed the continued need for both UC and DSRIP funds in Texas.
- Texas' UC burden has not decreased, and the existing funding sources do not offset all UC costs for Medicaid and uninsured patients.

Texas Uncompensated Care - FY2014-FY2019						
<i>amounts in billions of dollars (actual and estimated)</i>						
Item	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
UC & DSH Demand	7.7	7.6	7.7	8.1	8.5	8.9
UC Pool (Existing)	(3.5)	(3.3)	(3.1)			
DSH (reflects ACA Cuts)	(1.7)	(1.7)	(1.8)	(1.6)	(1.2)	(1.2)
<i>UC Pool Required 2017-2019</i>				6.5	7.3	7.7

- Regarding DSRIP, more time is needed to evaluate project outcomes and lessons learned.
 - Projects were approved 1 ½ to 2 ½ years into the 5 year waiver, so still are relatively early in implementation.
 - Outcomes baseline data was reported in October 2014 to measure outcomes improvements in years 4 & 5 of the waiver.
 - Early results indicate many promising projects, but more information is needed to identify best practices and how to sustain and replicate them.

- Florida has a Low Income Pool (LIP) that serves a similar purpose to Texas' UC pool.
- CMS granted Florida a one-year extension of its pool last year, but in April sent Florida a letter with the following three points.
 - Coverage rather than uncompensated care pools is the best way to secure affordable access to health care for low-income individuals, and UC pool funding should not pay for costs that would be covered in a Medicaid expansion.
 - Medicaid payments should support services provided to Medicaid beneficiaries and low-income uninsured individuals.
 - Provider payment rates must be sufficient to promote provider participation and access, and should support plans in managing and coordinating care.
- The Florida letter is consistent with HHSC conversations with CMS staff – CMS prefers higher Medicaid rates and coverage expansion to ongoing supplemental funds for uncompensated care.

CMS Letter to Florida

- CMS contacted the eight other states with UC pools, including Texas, to let them know CMS intends to use the three guiding principles in the FL letter as UC pools come up for renewal.
- CMS noted that each state’s situation is unique and the need for transition time.
- Texas has not received anything formal in writing from CMS regarding its UC pool. Rather, CMS staff indicated that the future of the pool will be handled as part of Texas’ waiver renewal negotiations.
 - CMS said it wants to better understand Texas specifics to inform negotiations and that it will require Texas to contract for an independent report of its UC program similar to the report that it required of FL.
- Timeline comparison between Florida and Texas LIP/UC pools:

	Pool Date Start	Pool End Date	One Year Pool Extension	Additional Transition Time
Florida	2006	6/2014	6/2015	<i>CMS noted in its April letter to FL that more transition time may be needed</i>
Texas	2012	9/2016	9/2017?	

Differences Between FL and TX

- While there are similarities between Texas' UC pool and Florida's LIP pool waivers, there are key differences.

Florida LIP Pool	Texas UC Pool
CMS concern: lack of transparency	Transparent, cost-based methodology developed with CMS
CMS concern: funds distributed based on access to local funds rather than services to Medicaid patients	While contingent on IGT, funds are distributed based on auditable UC costs for Medicaid patients and the uninsured
<p>\$2.2 billion in FY15:</p> <ul style="list-style-type: none"> \$1 billion for supplemental payments – primarily to hospitals, but also some for FQHCs and community health depts. Distribution each year is determined by the FL Legislature based on recommendations from the LIP Council \$963 million for self-funded hospital IGT rate enhancements \$204 million for teaching physician supplemental payment program 	<p>\$3.3 billion in FY15:</p> <ul style="list-style-type: none"> Cost-based methodology to offset uncompensated care costs for hospitals (public and private) and public physician groups, dental groups, and ambulance providers

Private Hospital Financing Issue

- CMS is concerned about how the non-federal share of private hospital UC and DSRIP payments is financed in Texas.
 - Public entities (e.g. hospital districts, counties) put up the non-federal share of UC and DSRIP payment through intergovernmental transfers (IGT).
 - The non-federal share of Medicaid payments must be public dollars. Private entities that receive Medicaid payments are not allowed to return a portion to the public entities that put up the non-federal share.
- CMS issued guidance in May 2014 concluding that the community benefits private hospitals provide to public entities in Texas may constitute impermissible provider-related donations, even though CMS has allowed this model of private hospital IGT financing in Texas since 2007.
- Based on review of four RHPs, CMS issued a deferral letter in September 2014 related to private hospital UC payments in several areas of the state.
- In January 2015 CMS lifted the deferral and gave Texas until December 2015 to address its concerns.

Texas Goals for the Waiver Renewal Period

- Continue to support the healthcare safety net for Medicaid and low income uninsured Texans.
- Further incentivize transformation and strengthen healthcare systems across the state by building on the Regional Healthcare Partnership (RHP) structure.
- Maintain program flexibility to reflect the diversity of Texas' 254 counties, 20 RHPs, and approximately 300 DSRIP providers.
- Improve project-level evaluation to identify the best practices in DSRIP to be sustained and replicated.
- Further integrate DSRIP efforts with Texas' Medicaid managed care quality strategy and other value based payment efforts.
- Work to streamline the DSRIP program to lessen the administrative burden on providers while focusing on collecting the most important types of information.