



Presentation to the House County Affairs Committee: Texas 1115 Transformation Waiver Extension Update

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1115 Transformation Waiver: Overview

- The 1115 waiver allows Texas to achieve innovative solutions to complex problems.
 - Texas Dual Eligible Integrated Care Pilot – March 1, 2015
 - Community First Choice – June 1, 2015
 - Managed care for children’s dental services lowered costs by 20% per enrollee while exceeding national standards (above 90th percentile) for annual dental visits in FY 2013.
 - STAR Kids, a comprehensive managed care program to better coordinate care for children and youth with disabilities, will start in FY 2017.
- Five-year waiver through September 2016 with expected cost savings of \$8.65 billion

Demonstration Year (DY) 1 (FFY 2012)	DY 2 (FFY 2013)	DY 3 (FFY 2014)	DY 4 (FFY 2015)	DY 5 (FFY 2016)
\$ 1,967,189,962	\$ 902,820,723	\$ 1,256,893,411	\$ 2,390,617,966	\$ 2,132,610,367

1115 Transformation Waiver: Overview

- Waiver goals:
 - Expand Medicaid managed care statewide
 - Develop and maintain a coordinated care delivery system
 - Improve health outcomes while containing costs
 - Protect and leverage federal match dollars to improve the healthcare infrastructure
 - Transition to quality-based payment systems across managed care and hospitals

1115 Transformation Waiver: Overview

Three major components:

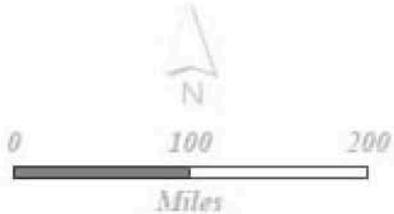
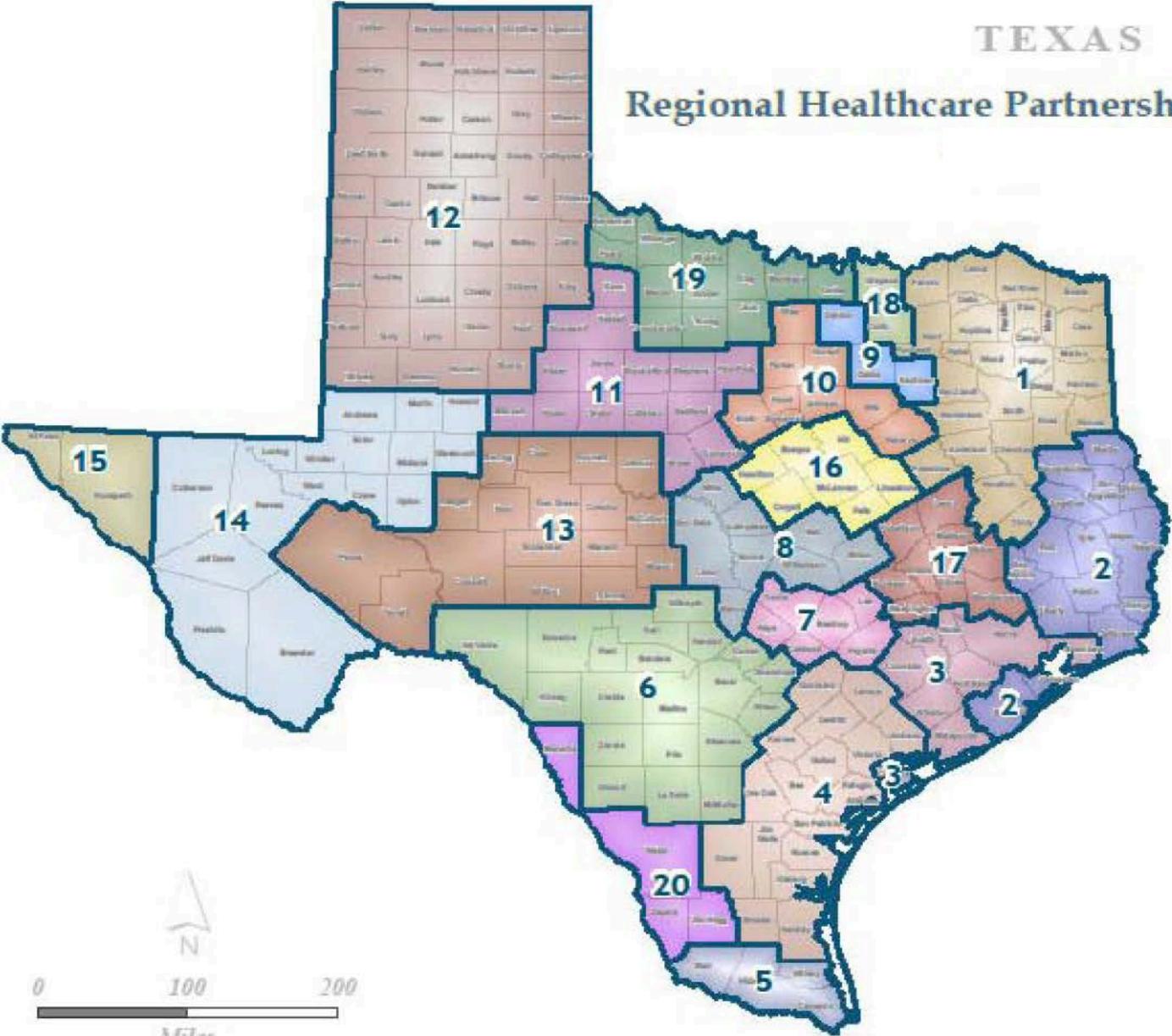
- Statewide Medicaid managed care through the STAR, STAR+PLUS, and Children's Medicaid Dental Services programs
 - Including carve in of inpatient hospital, pharmacy and children's dental services
- Uncompensated Care (UC) pool
 - Replaces Upper Payment Limit (UPL) program for hospital and physician payments.
 - Reimburses costs for care provided to individuals who have no third-party coverage for hospital and other services and Medicaid shortfall
- Delivery System Reform Incentive Payment (DSRIP) pool
 - New incentive program to support coordinated care and quality improvement through 20 Regional Healthcare Partnerships
 - Targets Medicaid recipients and low-income uninsured individuals.

Delivery System Reform Incentive Payment (DSRIP) Program

- DSRIP is an incentive program to transform delivery systems through infrastructure development and testing innovative care models.
 - Improve care for individuals (including access, quality, and health outcomes)
 - Improve health for the population
 - Lower costs through efficiencies and improvements
- Projects are funded at the Medicaid federal match rate with the non-federal share of funds coming from a local or state public entity (Intergovernmental Transfers, or IGT).
- DSRIP funds are earned based on achievement of project-specific metrics each year.
 - Different than Medicaid fee-for-service or encounter-based payments
- Approximately \$7.1B in total DSRIP payments to date

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Regional Healthcare Partnership (RHP) Regions



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

1115 Waiver Extension Request: Overview

- By September 30, 2015, HHSC was required to submit to the federal Centers for Medicare and Medicaid Services (CMS) a request to extend the waiver.
- In September, HHSC requested to continue all three components of the waiver (statewide managed care, UC pool and DSRIP pool) for another five years.
- Texas has made progress related to all five waiver goals, and has proposed program improvements to make further progress toward those goals to support and strengthen the healthcare delivery system for low-income Texans.

1115 Waiver Extension Request: Managed Care

- HHSC requested to continue all of the existing managed care programs and initiatives that are authorized under the 1115 Transformation Waiver.
- HHSC did not request changes to the 1115 waiver related to managed care, but will continue to make managed care program improvements, including directives from the 84th Legislative Session.
 - Improved monitoring of MCO's network adequacy
 - Value based purchasing and aligning Medicaid quality strategies
 - Improved collaboration between managed care consumer support systems

1115 Waiver Extension Request: Funding Pools

- The 1115 waiver extension request on the funding pools:
 - To continue the demonstration year (DY) 5 funding level for DSRIP (\$3.1 billion annually)
 - An Uncompensated Care (UC) pool equal to the unmet need in Texas, adjusted to remain within budget neutrality each year (ranging from \$5.8 billion - \$7.4 billion per DY)
- The Centers for Medicare and Medicaid Services (CMS) is requiring Texas to submit a report next year prior to waiver extension related to how the two pools in the waiver interact with the Medicaid shortfall and what uncompensated care would be if Texas opted to expand Medicaid.
 - Health Management Associates is completing the study. HHSC is required to send a draft to CMS on July 15, 2016, with the final report required no later than August 31, 2016.

1115 Waiver Extension Request: Texas DSRIP Extension Principles

- 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 almost 300 DSRIP providers.
- Further **integrate with Texas Medicaid managed care** quality strategy and value based payment efforts.
- **Streamline** to relieve administrative burden on providers while focusing on collecting the most important information.
- Improve project-level evaluation to **identify the best practices** to be sustained and replicated.
- **Focus** on Medicaid and low-income uninsured Texans.

1115 Waiver Extension Request: 15-Month Approval

- In April, HHSC submitted a request to CMS for a 15-month extension at level funding from demonstration year (DY) 5 of the waiver during which negotiations will continue on a longer-term agreement.
- On May 2, 2016, HHSC received approval of this 15-month extension from CMS.
 - The 15-month extension maintains current funding levels for both UC and DSRIP.
 - During the extension period, HHSC and CMS will work on a longer term agreement.

1115 Waiver Extension Request: Changes to Waiver

- CMS and the state must agree on the size of the UC pool and DSRIP structure by the end of 2017.
- If no agreement, there is no DSRIP renewal except as a phase down to zero dollars – 25% starting each year beginning in 2018
- UC will be renewed but reduced if there is no agreement based on CMS principles, which include:
 - UC should not pay for costs that would otherwise be covered in a Medicaid expansion
 - UC should not pay for Medicaid shortfall

1115 Waiver Extension Request: Changes to Waiver

CMS Modification or New Provision	Current Waiver STC	HHSC Comments
<p>Compliance with Budget Neutrality Cap: The state must provide financial data demonstrating that the state has maintained and will maintain budget neutrality for the extension period. The state must provide five years of recent historical expenditure and enrollment data for Medicaid and demonstration population that are to be included in extension and a proposed budget neutrality test for the extension period based on recent data.</p>	<p>Budget neutrality based on difference between costs without waiver and costs with waiver for first five-year period.</p>	<ul style="list-style-type: none"> In the original waiver, the pool was generated in part from the aggregate amounts of Upper Payment Limit dollars that hospitals could have received. These formed the basis for savings and the pool funds for DSRIP and UC. Those dollars will now be generated differently - from our historical and from the study, and will be part of the BN, but the BN is being rebased - in accord with historical.
<p>Requires report evaluating Uncompensated Care (UC) Costs for the uninsured. Draft due July 15, 2016 and final report due August 30, 2016</p>	<p>No current provision.</p>	<p>Report may require inclusion of Medicaid shortfall.</p>