

THE MEDICAID 1115 WAIVER



IS A BUILDING BLOCK TO HEALTH CARE COVERAGE

In January 2021, the Centers for Medicare & Medicaid Services approved a 10-year extension of Texas' Medicaid 1115 Waiver. Originally set to expire October 2022, the extension continues the life of the current waiver through September 2030. The extension is a historic success for Texas, its health care providers and the health care safety net. Texas hospitals will continue to work with state and federal leaders to implement the waiver's changes and address the health care coverage gap in Texas.

THE HEALTH CARE LANDSCAPE



Before the pandemic, Texas had both the nation's largest uninsured population (5 million) and highest uninsured rate (18%). Unemployment and loss of job-based insurance exacerbates this problem. Federal law requires hospitals to provide emergency care to anyone who seeks it, regardless of their ability to pay. In 2020, Texas hospitals incurred more than \$4.6 billion in unreimbursed costs from treating Medicaid and uninsured individuals. This means that even after all payments (including base Medicaid and Medicare, other insurance, supplemental and directed payments) have been applied, Texas hospitals still incurred more than \$4.6 billion in care costs for which they were not reimbursed. This is an unsustainable business model.

FINANCING MECHANICS

Like all Medicaid payments, supplemental payments require the combination of a non-federal payment and federal payment. In Texas, hospitals themselves finance the non-federal contribution through intergovernmental transfers from public hospitals, taxing hospital districts and local provider participation funds.

5 million
Uninsured population

18%
Uninsured rate

\$4.6 billion
Uncompensated care

THE 1115 WAIVER

The waiver provides critical stability to Texas hospitals and the health care safety net.

Since its inception, the waiver has provided the state authority to expand Medicaid managed care and provided two funding pools to offset some of providers' uncompensated care costs and incentivize providers to design innovative health care delivery models to meet regional needs.

BENEFITS OF THE WAIVER EXTENSION



Continues the state's managed care authority.



Continues funding the existing UC pool to offset Medicaid underpayment and some of the costs providers incur for treating uninsured individuals.



Creates a new UC pool for local health departments and public community mental health centers.



Expands hospital supplemental Medicaid payment programs and creates new directed payment programs to ensure stable funding for providers.



Increases reporting and monitoring requirements, making the state responsible for overseeing providers' financing of "non-federal share" dollars.



Enables Texas to respond to the pandemic while also working with providers through the transition away from the DSRIP program.

DIRECTED PAYMENT PROGRAMS

Texas has proposed five new directed payment programs, subject to CMS approval, to improve care quality and access and to transition programs that are winding down. One of the original pools of waiver funding, Delivery System Reform Incentive Payment, is scheduled to end Sept. 30, 2021. While DSRIP was successful, CMS was clear that it was time limited and its delivery system innovations should transition into the state’s Medicaid managed care programs. HHSC’s DSRIP Transition Plan envisioned a series of new directed payment programs that will include milestones to measure their sustainability and accountability. The proposed DPPs (and an existing one*) provide payment enhancements to providers caring for Medicaid enrollees. DPPs are designed to incentivize quality and innovation in care delivery, and participating providers must report on a program’s quality metrics as a condition of participation.

Directed Payment Programs		Benefitting Providers	Estimated Size
Comprehensive Hospital Increased Reimbursement Program (CHIRP)		Hospitals	\$5.02 billion
Quality Incentive Payment Program (QIPP)*		Nursing facilities	\$1.1 billion
Texas Incentives for Physician and Professional Services (TIPPS)		Physician practice groups	\$600 million
Rural Access to Primary and Preventive Services (RAPPS)		Rural health clinics	\$18.7 million
Ambulance Average Commercial Reimbursement		Ambulance providers	\$150 million
Behavioral Health Services		Community mental health centers	\$43.5 million



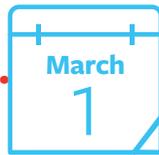
NEXT STEPS

CMS APPROVAL OF THE DIRECTED PAYMENT PROGRAMS

The waiver provides a framework for Texas and CMS to work together to approve the new DPPs. The DPPs will begin in federal fiscal year 2022 (Oct. 1, 2021). To meet that deadline, HHSC will develop the programs and accompanying regulatory rules. HHSC aims to send the details of the programs to CMS by the beginning of March. The programs will need to be integrated with managed care organizations in June to be effective on Oct. 1.



CMS approves Texas' waiver extension.



HHSC to submit initial draft programs and rules to CMS.



MCOs complete contract adjustments to implement DPPs.



DPPs become effective for providers.

A STATEWIDE HEALTH CARE COVERAGE SOLUTION

Texas hospitals look forward to working with state lawmakers and other stakeholders to build on the waiver extension and secure a budget-neutral health care coverage solution for Texas.

Increasing the number of Texans with affordable, comprehensive health care coverage means:

Better access to timely, medically necessary care in clinically appropriate care settings.	Reduced health care costs.
Better health outcomes.	A healthier, more productive workforce.
A more stable and efficient health care system.	A stronger economy.

Visit www.tha.org/waiver for additional information |  | 1108 Lavaca, Austin TX, 78701-2180

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