



# **Presentation to House County Affairs Committee on Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver**

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# Background: Medicaid Waivers

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- State Medicaid services are established in the State Medicaid Plan.
- The Center for Medicare & Medicaid Services (CMS) allows for exceptions to the state plan based on a waiver process.
- Waivers are subject to CMS approval and must be budget neutral.

## Types of Waivers

- **1915(b) waivers allow:**
  - Comparability of services.
  - Freedom of choice.
  - Amount, duration, and scope of services.
  - Statewide services.
- **1915(c) waivers allow community based care.**
- **1115 waivers allow states to test innovative Medicaid services.**

# Background: Upper Payment Limit

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- Supplemental payments made to hospitals for inpatient and outpatient services.
- Upper Payment Limit (UPL) is the difference between what Medicaid reimbursed for the service and what Medicare would have paid.
- The non-federal portion of UPL payments is matched with intergovernmental transfers (IGT).
  - IGTs are funded through local tax funds.
- HHSC estimates that in FY 11, hospitals will receive \$2.7 billion in UPL payments.
- Current federal regulations do not allow UPL in a capitated managed care delivery system.

HHSC has applied for an 1115 waiver:

- **The waiver includes plans for:**
  - Statewide expansion of Medicaid managed care, while protecting federal supplemental hospital payment funds.
  - Creation of Regional Healthcare Partnerships (RHPs).
  - Transition to quality-based payment systems for managed care and hospitals.
  - Diversion of savings generated by the proposed changes into a pool to cover uncompensated care costs for hospitals and other providers.

# Purpose of the Healthcare Transformation Waiver

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- Protect hospital supplemental payments (i.e., UPL).
- Expand allowed reimbursement for uncompensated care.
- Incentivize delivery system improvements and improve access and system coordination.
- Allows RHPs, which will be partnerships anchored by public hospitals in coordination with local governments and other stakeholders.

# How the Waiver Will Work

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- Expands capitated managed care statewide.
  - Moves clients from fee-for-service to capitation.
- Promotes critical systemic design.
- Includes current STAR and STAR+PLUS populations.
  - Contiguous County Expansion in September 2011.
  - March 2012 expansion:
    - Dental services.
    - Prescription drug services
    - STAR+PLUS to El Paso and Lubbock Counties.
    - STAR to the Rio Grande Valley.

# Changes to UPL Under the Waiver

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- Under the Healthcare Transformation waiver, funding is redirected to:
  - Uncompensated Medicaid and indigent care.
  - Redesign investments to:
    - Improve care.
    - Support creation of a coordinated health system.
    - Contain costs.
- Hospitals would submit uncompensated care documentation to HHSC.
- Uncompensated care payments limited to actual costs.

- Under the waiver, HHSC will maintain a one year transition period and allocate waiver savings payments to two sub-pools:
  - Uncompensated Care Pool will defray the costs of care provided to individuals who have no third party coverage for the services provided by hospitals or other providers (beginning in first year).
  - Delivery System Reform Incentive Payments (DSRIP) will support coordinated care and quality improvements through RHPs and incentive payments to transform hospital care delivery systems (beginning in later waiver years).

# Uncompensated Care Pool Funds

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## Hospitals must:

- Provide non-federal share of the match via IGT.
- Submit a waiver application and uncompensated care certification report to HHSC.

## Uncompensated care amounts will be based on:

- Shortfalls not paid by disproportionate share hospitals (DSH).
- Uncompensated care costs and uninsured patients costs not covered by DSH.
- Medicaid non-hospital uncompensated care costs (such as clinic and pharmacy settings).

# Delivery System Reform Incentive Payment Pool

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The DSRIP pool consists of regional health partnerships (RHP).

RHPs help hospitals and local entities:

- Secure federal supplemental hospital funding.
- Develop local planning and system redesign.
- Identify the state share necessary to fund payments from the DSRIP pool.

Counties and local governments can:

- Create or join a RHP.
- Lead or participate in RHP planning efforts.
- Find new public funding sources for uncompensated care and DSRIP.
- Develop metrics for RHP projects.

# Executive Waiver Committee

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HHSC established an Executive Waiver Committee and invited local hospitals and county representatives that:

- Share and discuss waiver information.
- Provide input on waiver implementation.

The committee includes representatives from the four largest transferring hospitals, hospital associations, and the Texas Association of Counties.

Focus – Community participation on waiver impacts.