



# **Presentation to the Senate Health and Human Services Committee: 1115 Transformation Waiver**

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# 1115 Transformation Waiver: Overview

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- In December 2011, Texas received federal approval of a five year 1115 waiver that would preserve Upper Payment Limit (UPL) funding under a new methodology, but allow for managed care expansion to additional areas of the state.
- 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).

# Uncompensated Care and DSRIP Pools

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- 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 and
    - Covers Medicaid shortfall and costs of care provided to low income individuals.
  - **Delivery System Reform Incentive Payment (DSRIP) Pool:**
    - A new incentive program to support coordinated care and quality improvements through 20 RHPs.
    - Goals include: 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 individuals.

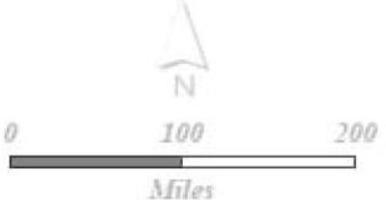
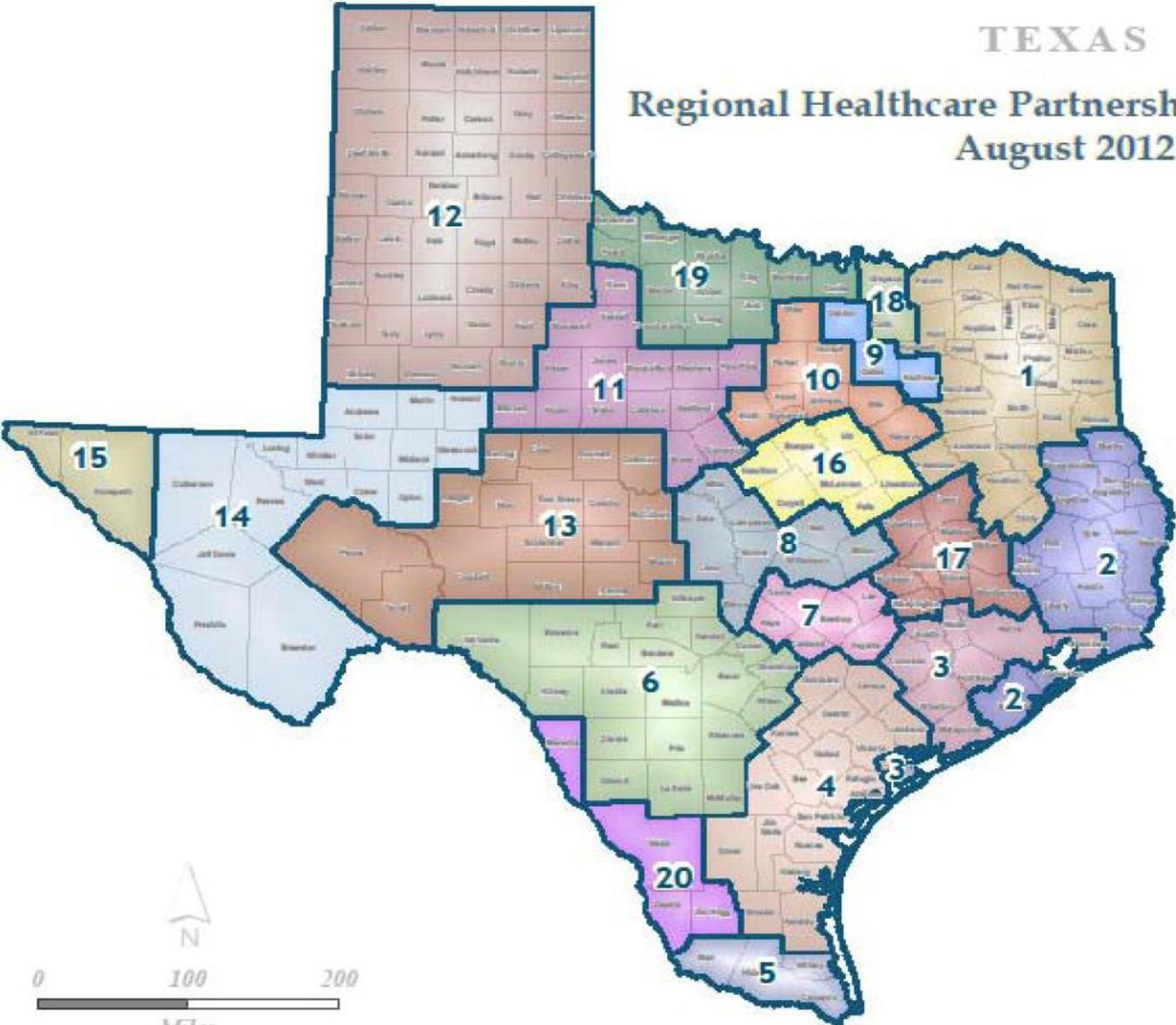
# Uncompensated Care and DSRIP Pools: Funding

## UC & DSRIP Pool Funding Distribution (All Funds)

Type of Pool	DY1 FFY 2012	DY2 FFY 2013	DY3 FFY 2014	DY4 FFY 2015	DY5 FFY 2016	Extension DY6 FFY 2017	Extension Partial DY7 Oct - Dec 2017
UC	\$3,700,000,000	\$3,900,000,000	\$3,534,000,000	\$3,348,000,000	\$3,100,000,000	\$3,100,000,000	\$775,000,000
DSRIP	\$500,000,000	\$2,300,000,000	\$2,666,000,000	\$2,852,000,000	\$3,100,000,000	\$3,100,000,000	\$775,000,000
Total	\$4,200,000,000	\$6,200,000,000	\$6,200,000,000	\$6,200,000,000	\$6,200,000,000	\$6,200,000,000	\$1,550,000,000
% UC	88%	63%	57%	54%	50%	50%	50%
% DSRIP	12%	37%	43%	46%	50%	50%	50%

# TEXAS

## Regional Healthcare Partnership (RHP) Regions August 2012



# DSRIP Projects: Current Status

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- There are 1,451 active DSRIP projects.
- A total of 297 providers, including 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

# DSRIP Projects: Outcomes

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- DSRIP funds are earned based on achievement of project-specific metrics.
  - Over \$7.9 billion has been earned through July 2016.
- DSRIP projects have collectively provided nearly 6.5 million additional encounters and served over 5.2 million additional individuals (cumulative totals of DY3, 4 and 5 reporting to date) compared to the service levels they provided prior to implementing the projects.
- As of April 2016, DSRIP projects have over 2,000 quality outcome measures.
  - 81% of reported outcomes demonstrate improvement over prior year reporting.

# DSRIP Outcome Success in First Year of Reported Performance

DSRIP Category 3 Outcomes	Category 1 or 2 DSRIP Projects	P4P Outcomes Reporting PY1	PY1 Success Rate*	Median Improvement
Diabetes Care: HbA1C Poor Control (>9%)	107	84	74%	17%
Emergency Department Visits for Diabetes	23	15	93%	16%
Cancer Screening Rates (Breast, Cervical, or Colorectal)	46	64	69%	24%
Hospital Readmissions***	56	52	75%	10%
Follow Up After Hospitalization for Mental Illness (7-Day)	30	24	100%	12%
Palliative Care Processes	20	48	98%	33%

\*Success Rate: The percent of outcomes that received payment for reporting at least 25% achievement of their Performance Year 1 goal, out of all outcomes that reported a baseline and one year of performance.

\*\*Median Improvement: The median percentage of improvement between baseline and best possible outcome (0% or 100% depending on the outcome) for outcomes that reported at least 25% achievement of their Performance Year 1 goal.

\*\*\* 25 P4P outcomes have reported a baseline and 2 years of performance, with a an 88% success rate and median improvement of 15% which is an increase over PY1 success rate and improvement.

# Waiver Extension Request

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- 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.
  - 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.
- HHSC requested to continue all of the existing managed care programs and initiatives authorized under the 1115 Transformation Waiver.

# Extension Request for Managed Care

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- 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 84<sup>th</sup> Legislative Session such as:
  - Improved monitoring of MCO network adequacy,
  - Value based purchasing and aligning Medicaid quality strategies, and
  - Improved collaboration between managed care consumer support systems.

# Extension Request for Funding Pools

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- The extension request on the funding pools includes:
  - Continuing the demonstration year (DY) 5 funding level for DSRIP (\$3.1 billion annually) and
  - 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).
- CMS required Texas to submit an independent study prior to the 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.
  - The final report was submitted to CMS on August 31, 2016.

# 15-Month Waiver Extension Approval

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- In April 2016, HHSC submitted a request to CMS for a 15-month extension at the DY 5 funding level 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 as requested by HHSC.
  - During the extension period, HHSC and CMS will work on a longer term agreement.

# CMS Approach to Further Extension

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- As part of the 15 month extension, CMS required Texas agree to the following:
  - CMS and Texas will work over the next 15 months on an agreement to reform the state's UC pool and DSRIP.
  - If, by December 31, 2017, CMS and the state have not come to an agreement:
    - DSRIP will be phased down 25 percent each year thereafter.
    - HHSC sent letter to CMS on August 19, 2016 for Texas' proposed approach for longer term extension.
  - UC will not be renewed except at a reduced level consistent with CMS' principles for uncompensated care.

# 1332 State Innovation Waiver: Overview

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- Authorized by Section 1332 of the Affordable Care Act (ACA), the 1332 State Innovation Waiver permits states to request a 5-year renewable waiver of major ACA provisions, including:
  - Individual mandate,
  - Employer mandate,
  - Benefits and subsidies, and
  - Exchanges and Qualified Health Plans.
- A 1332 Waiver does not permit States to waive:
  - Guaranteed issue,
  - Ban on preexisting conditions, and
  - Annual/lifetime caps.

# 1332 State Innovation Waiver: States' Options

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- The 1332 waiver would allow States to:
  - Combine Medicaid and premium assistance into a single private marketplace,
  - Modify the premium subsidy calculation for those who move above or below 100% of FPL,
  - Treat income the same way across the Exchange and Medicaid,
  - Modify verification rules to be consistent across Medicaid and commercial market,
  - Implement consistent enrollment effective dates, and/or
  - Align definition of American Indian.

# 1332 State Innovation Waiver: Requirements

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- A 1332 waiver must:
  - Be federal-deficit neutral over a ten-year period,
  - Provide coverage at least as comprehensive as under the ACA,
  - Ensure that as many individuals, or more, will have coverage as under the ACA,
  - Have affordability standards equal to or greater than the ACA,
  - Allow alignment and coordination with Medicaid by changes to the commercial market, and
  - May be submitted concurrently with a Section 1115 State Demonstration Waiver; however, each waiver must be independently budget-neutral.

# 1332 State Innovation Waiver: Federal Guidance

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- Per Federal Guidance, 1332 waiver proposals from states in the Federally-Facilitated Marketplace (FFM) may not be feasible at this time because the FFM platform cannot accommodate different state eligibility rules.
  - The Treasury Department cannot accommodate different state rules regarding federal taxes and subsidies (states would need to seek a waiver of certain tax provisions and replace them with a state-administered tax program).
  - To apply, a state must have specific statutory authority.