The Medicaid 1115 Waiver and Impact on Texas Hospitals and Patients

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5-year Medicaid 1115 waiver expires Sept. 30

- Statewide Medicaid managed care
  - Approx. 80 percent of Medicaid enrollees are in risk-based, capitated managed care plans
  - $8.65 billion in savings

- Delivery System Reform Incentive Payment Program
  - Approx $11.5 billion in earned payments to hospitals and other providers who meet established metrics

- Uncompensated Care payments
  - Approx $17.4 billion in payments to hospitals to partially offset costs associated with caring for the uninsured and Medicaid shortfall (difference between costs and reimbursement)
Temporary Waiver Extension

CMS agrees to temporary waiver extension through December 2017

- Same terms as Year 5 of the waiver
  - UC pool: $3.1 billion for 12 months
  - DSRIP pool: $3.1 billion for 12 months
  - Prorated UC and DSRIP payments for months 13-15
  - Continue DSRIP projects and statewide managed care
Nearly every Texas hospital has some uncompensated care.
Texas hospitals have such large uncompensated care for two reasons:

1. Large number of uninsured residents (19.1% of state’s population)

2. Large Medicaid shortfall (Medicaid reimbursement covers 58% of actual costs of providing care)
Importance of Supplemental Payments

Uncompensated Care Costs vs. Available Supplemental Payments*

(Source: THA Calculations Of THHSC Data from June 2015)

*assumes no UC payments through the waiver after 2017
Waiver: Impact on Patient Outcomes

Significant investment in improving care quality and outcomes through nearly 1,500 active DSRIP projects

- Reduce hospital readmissions;
- Reduce inappropriate use of emergency departments;
- Improve treatment plan compliance;
- Improve access to specialty care through telemedicine; and
- Improve management of complex conditions.
What’s Next?

- If state and CMS can’t agree on a UC pool that is consistent with CMS’ UC pool principles and a DSRIP that supports Texas’s commitment to managed care:
  - DSRIP will be phased out beginning at 25 percent in 2018 over four years;
  - UC pool will be limited to the costs of uncompensated and charity care for low-income individuals who are uninsured and cannot be covered through Medicaid or other insurance programs;
    - UC Pool in 2015 = $3.1B
    - **UC Pool under CMS Terms = Less than $2 Billion**
    - More than $1 Billion Reduction in UC Funds a Year
    - **UC Need in 2018 = $6.6 Billion**