



Administrator
Washington, DC 20201

DEC 21 2017

Mr. Charles Smith
Executive Commissioner
Texas Health and Human Services Commissioner
4900 North Lamar Boulevard, MC-H425
Austin, Texas 78751

Dear Mr. Smith:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved your request to extend Texas' section 1115(a) demonstration project, entitled "Texas Healthcare Transformation and Quality Improvement Program" (Project Number 11-W-00278/6). **This approval is effective from January 1, 2018 through September 30, 2022, unless otherwise specified.**

This extension reflects changes to the demonstration for both Texas's Delivery System Reform Incentive Payment (DSRIP) program and its Uncompensated Care (UC) funding over the five-year demonstration period.

Texas DSRIP Program

Under the terms of this demonstration agreement, CMS will provide Texas with four years of additional federal matching funding for its DSRIP program. This will include two years of level funding, followed by two years of funding which will decrease each year. The fifth year of the extension, from October 1, 2021 through September 30, 2022, will not include any funding for DSRIP, to reflect the time-limited nature of DSRIP payments to support demonstrable delivery system transformation. Texas will be required to submit a transition plan outlining how it will further develop its delivery system reforms without DSRIP funding and/or phase out DSRIP-funded activities and meet mutually agreeable milestones to demonstrate its ongoing progress.

During this extension period, Texas' DSRIP program will transition to a more strategic systemic effort focusing on health system performance measurement and improvement that achieves sustainable and effective delivery system reform. While CMS and Texas are still actively discussing operational details of the program, CMS is committed to working with Texas in a timely manner to approve the two outstanding operational protocols necessary for Texas to implement its amended DSRIP program and claim federal matching funds.

In order to ensure that the DSRIP program results in sustainable and measurable changes in care delivery and quality, Texas's DSRIP implementation protocols (Attachments J and R) must address specifically how the state will: