

# Texas Secures Approval for Cost-Saving Medicaid Improvements

In December 2011, Texas received approval from the Centers for Medicare and Medicaid Services (CMS) for a waiver that allows the state to expand Medicaid managed care while preserving hospital funding, provides incentive payments for health care improvements, and directs more funding to hospitals that serve large numbers of uninsured patients. Called the Texas Health Care Transformation and Quality Improvement Program 1115 Waiver, this waiver replaces the current Upper Payment Limit (UPL) program and will be in effect until September 2016.

"Participation in the 1115 Waiver process is essential for hospital districts and counties that have funded an Upper Payment Limit program to continue to receive federal funds," said Jim Allison, general counsel of the County Judges and Commissioners Association of Texas. "Indigent health care counties should observe the development of the waiver program and determine whether federal match will be available for their health care expenditures. We will continue to monitor and advise counties on this important program."

For the first year, no change is required for hospitals. They continue receiving funding as they had under the UPL program. Starting October 2012 (the second year), any entity that wants to continue with or begin participating in the waiver programs must engage in development and transition activities. This participation is a requirement for funding eligibility at any time in the waiver program.

Under the waiver, there are two funding pools—the Uncompensated Care (UC) pool and the Delivery System Reform Incentive Payment (DSRIP) pools. As in the UPL program, receipt of funding from either pool requires a state match.

**UC Pool Payments** are designed to help offset uncompensated care costs provided by the hospital or other providers to Medicaid-eligible or uninsured individuals. To qualify for a UC payment, a hospital

must submit an annual UC application providing cost and payment data on services eligible for reimbursement.

Uncompensated care amounts will be based on:

- Uncompensated Medicaid costs and uninsured patients' costs not covered by disproportionate share hospital.
- Medicaid non-hospital uncompensated care costs (such as physician, clinic, and pharmacy defined by the UC Application).

**DSRIP Pool Payments** are hospital incentive payments to develop qualifying programs or strategies supporting hospitals' efforts to enhance access to health care and increase quality of care, cost-effectiveness of care provided, and the health of patients and families served. Programs or strategies eligible for incentive payments must be included in plans submitted to the state.

Eligibility to receive payments from either of these funding pools will require participation in a Regional Healthcare Partnership (RHP). Entities providing Intergovernmental Transfer (IGT) funding will work with other IGT-providing entities in geographical regions as Regional Healthcare Partnerships (RHPs). The RHP regions will be developed throughout the state. Each RHP is required to submit a RHP plan for the last four years of the waiver (October 2012 to September 2016) as a funding requirement.

Each RHP will include the IGT providers in an area and other hospital and health care providers. Each RHP will be "anchored" by a public hospital or by the governmental entity providing IGT. The "anchor" will be responsible for administrative functions, including coordinating with other participating entities in the development of the RHP plan and serving as the single point of contact for HHSC reporting requirements. At a minimum, the RHP plans will identify the participating partners, community needs, proposed projects, and funding distribution.

There are four program categories from which RHPs may select to receive DSRIP funding. HHSC is working collaboratively with hospitals and organizations to create an expanded list of programs for each category. Once approved by CMS, the list will be made available to RHPs and serve as the basis for RHP plan development.

## What does this new waiver mean to me (as a county, hospital authority or district, or county judge or commissioner)?

If you currently participate in UPL and want to continue doing so, you will need to join a RHP, participate in the process for developing a plan, and identify use of your local funding (for UC and/or DSRIP projects) under the plan, in place of the old UPL program.

If you do not currently participate in UPL but want to participate in the waiver funding, you will need to join a RHP, participate in the process for developing a plan, identify what local funds you may want to use in the program, and identify use of your local funding (for UC and/or DSRIP projects) under the plan, in place of the old UPL program.

If you do not currently participate in UPL but want to learn more, you should contact one of the groups listed at the conclusion of this article for more information.

## What are the benefits of participating in a RHP?

By providing local funds as a state match under the waiver, you can allocate funding for qualifying local hospital providers to get paid for UC costs and improvements in health care initiatives with federally matched funds. This would help improve and increase access to care, quality and cost effectiveness of care, and health care coordination in your community. The people in your community will have more health care and supportive services avail-

able, which should increase the overall health of your community. DSRIP projects may result in less indigent dependency on hospital and emergency care.

**If my community contributes local funding to the project, will someone else control how our community funds are spent?**

No. Counties and other entities providing state share will control how their funds are used in the waiver. At the state level, Texas will need to have a specific distribution of funds between UC and DSRIP funding. This distribution will probably be required at the RHP level where each community's funding choices would align. Otherwise, local communities choose projects from an approved list (e.g. increase primary care access) for their communities. The anchoring entity serves as the single point of contact for the RHP plan submission and HHSC reporting of metrics. It will also host meetings for IGT providers to discuss projects, public review of RHP plan, and other stakeholder engagement, and identify IGT funds for UC and DSRIP payments.

**If we join, do we need to obligate funds for four years under the RHP plan?**

No. You'll need to estimate an annual amount for the four-year plan. Both the state and CMS understand that counties cannot obligate funds for four years, and the actual amount of IGT available may change from year to year. The waiver leverages county funds. There are no new funding requirements.


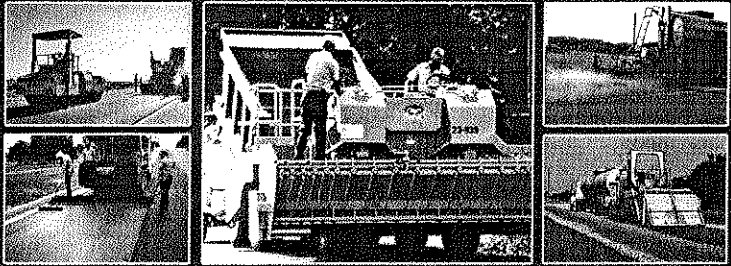
**How can I get more information? Is there someone or a group I can work with?**

For general information on the waiver and a link to waiver documents, please visit the HHSC website waiver section at: <http://www.hhsc.state.tx.us/1115-waivers.html>

HHSC has been collaborating with certain groups to provide information and serve as conduit for questions and input. Contact information for these groups is below. You may also contact HHSC directly at [TXHealthcareTransformation@hhsc.state.tx.us](mailto:TXHealthcareTransformation@hhsc.state.tx.us). ★

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<b>County Judges &amp; Commissioners Association of Texas (CJCAT)</b> Jim Allison <a href="mailto:j.allison@allison-bess.com">j.allison@allison-bess.com</a> 512-482-0701	<b>Texas Indigent Health Care Association (TIHCA)</b> Bride Roberts <a href="mailto:broberts@wchcd.org">broberts@wchcd.org</a> 512-248-3252

Information provided by Linda Huynh, Quality & Cost Containment, Medicaid CHIP Division, Texas Health and Human Services Commission, 512-491-1197

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