



Report on Mental Health Appropriations and the 1115 Texas Medicaid Transformation Waiver

As Required by

**2018-19 General Appropriations Act,
Senate Bill 1, 85th Legislature,
Regular Session, 2017 (Article II,
Health and Human Services
Commission, Rider 72)**

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Executive Summary

The *Mental Health Appropriations and the 1115 Texas Medicaid Transformation Waiver* report is submitted in compliance with the 2018-19 General Appropriations Act, Senate Bill 1, 85th Legislature, Regular Session, 2017 (Article II, Health and Human Services Commission [HHSC], Rider 72).

Rider 72 requires a report describing the amount of general revenue used by local mental health authorities (LMHAs) in fiscal year 2018 to draw down additional federal funds through the 1115 Texas Medicaid Transformation Waiver. This waiver enabled the state to expand the managed care delivery system and created a funding pool for Delivery System Reform Incentive Payment (DSRIP) projects to provide incentive payments to providers for delivery system reforms.

DSRIP projects under the 1115 Texas Medicaid Transformation Waiver are funded at the Medicaid federal matching rate with the non-federal share of funds coming from local or state public entities. These funds are known as intergovernmental transfer (IGT) payments.

In fiscal year 2018, 38 LMHAs used IGT funds to draw down \$281,938,080 in federal funding for 260 DSRIP projects. The LMHAs used \$177,761,494 in HHSC general revenue funds as IGT funding in fiscal year 2018. This marked an increase from fiscal year 2017, when the LMHAs reported using \$151,685,701 in HHSC general revenue as IGT funding. LMHAs are eligible to draw down federal funds based on the performance of DSRIP projects, which are designed to improve the experience of healthcare, improve population health, or reduce the cost of health care without compromising quality.

1. Introduction

Rider 72 directs HHSC to submit a report annually, by December 1, to the Legislative Budget Board and the Governor on efforts to leverage community mental health services general revenue funds to obtain federal funds.

Data for the fiscal year 2018 report was provided by HHSC and LMHAs. HHSC provided the total IGT, federal funds, and all funds payments for 1115 Medicaid Transformation Waiver projects. LMHAs provided the amount of general revenue funds used as match to draw federal funds for DSRIP projects.

In addition to its reporting component, Rider 72 directs HHSC to require, by contract, that general revenue funds provided for community mental health adult, child, and crisis services be used, to the extent possible, to draw down additional federal funds through the 1115 Texas Medicaid Transformation Waiver or other federal matching opportunities.

HHSC contracts with LMHAs to provide these services. The contracts are known as performance agreements and LMHAs are obligated under the rider to provide mental health services under the agreement's terms.

2. Background

The 82nd Legislature, Regular Session, 2011, directed HHSC to expand Medicaid managed care to achieve program savings and preserve hospital access to funding consistent with the maximum payment allowed under Medicaid, known as the federal Upper Payment Limit. HHSC determined a Medicaid waiver was the best approach to meet legislative mandates, preserve funding, expand managed care, achieve savings, and improve quality.

In December 2011, HHSC obtained federal approval for a Section 1115 research and demonstration waiver, known as the 1115 Texas Medicaid Transformation Waiver. This waiver enabled the state to expand the managed care delivery system and create two funding pools: uncompensated care and DSRIP. The uncompensated care funding pool is used to reimburse providers for uncompensated care costs. The DSRIP funding pool is used to provide incentive payments to providers who implement and operate delivery system reforms through DSRIP projects.

In December 2017, HHSC received a five-year renewal of the waiver through September 30, 2022, including extension of the uncompensated care funding pool for five years and the DSRIP funding pool for four years.

The DSRIP funding pool is part of an incentive program designed to support coordinated care and quality improvements through 20 regional healthcare partnerships, comprised of local public entities, healthcare providers, and other stakeholders. DSRIP projects are designed to improve the experience of care, improve population health, or reduce the cost of healthcare without compromising quality.

Projects are funded at the Medicaid federal matching rate. The non-federal share, IGT funds, comes from local public entities, such as public hospital districts and LMHAs. DSRIP funds are earned based on achievement of project-specific metrics each year, which might include establishing project infrastructure, serving additional clients, and demonstrating improvements in certain outcomes.

Examples of DSRIP projects include projects supporting system reform outcomes such as:

- Improving care for individuals (including access, quality, and health outcomes);
- Improving health for the population; and
- Lowering costs through efficiencies and improvements.

3. Contractual Requirements

HHSC requires LMHAs to maximize financial resources, including federal funding, to the extent possible in LMHA performance agreements. These agreements enable LMHAs to expend general revenue for DSRIP projects. DSRIP projects must include evidence-based or evidence-informed strategies linked to data-driven strategic improvement goals. DSRIP projects must primarily relate to one or more of the following priority transformative areas:

- Provide alternatives to inappropriate settings of care (e.g., potentially preventable inpatient psychiatric care, emergency departments, jails, juvenile detention);
- Improve and expand the behavioral health workforce;
- Integrate mental health and substance use disorder services with physical health and other community-based supports; and
- Prevent long-term or permanent out-of-home placement for children with severe emotional disturbance.

LMHAs operated 260 projects in Waiver Demonstration Year 7 from October 1, 2017 through September 30, 2018.

4. DSRIP Participation

HHSC allocated 10 percent of DSRIP funds to community mental health centers and behavioral health-focused projects. LMHAs receiving general revenue funding currently operate 260 projects with varying topics:

- Crisis stabilization
- Alternatives to hospitalization for individuals with a mental health diagnosis
- Behavioral health integration with physical health
- Expanding community settings where behavioral health services might be provided
- Implementing technology-assisted behavioral health services
- Implementing targeted behavioral health interventions to prevent unnecessary use of services in other settings, such as the emergency room or criminal justice system

Efforts to Leverage General Revenue Funds

Based on fiscal year 2018, HHSC DSRIP project payment data and LMHA-reported data, LMHAs used more than \$177 million in general revenue funds to leverage federal matching funds for DSRIP projects. Appendix A provides a summary of general revenue funds used by each LMHA for IGT payments in fiscal year 2018.

Table 1, below, shows the payment amounts received by LMHAs in fiscal year 2018, including IGT payments from all IGT sources, federal funds, and all funds.

Table 1. LMHA DSRIP Payments in FY 2018¹

| IGT Amount Paid (All IGT Sources) | Payments Received (Federal Funds) | Payments Received (All Funds) |
|--|--|--------------------------------------|
| \$213,733,650 | \$281,938,080 | \$495,671,730 |

¹ Texas Health and Human Services Commission, HHSC 1115 Texas Healthcare Transformation Waiver DSRIP Project Payment Database. Retrieved August 2018. Demonstration Year 5-7 payments made in January, March, and July 2018.

5. Conclusion

Rider 72 authorizes LMHAs to use general revenue funds appropriated for community mental health services to leverage federal funds through the 1115 Texas Medicaid Transformation Waiver.

In fiscal year 2018, LMHAs received \$281.9 million in federal matching funds for DSRIP projects by leveraging \$177.8 million in state general revenue from HHSC and \$35.9 million from other funding sources.

List of Acronyms

| Acronym | Full Name |
|----------------|--|
| DSRIP | Delivery System Reform Incentive Payment |
| HHSC | Health and Human Services Commission |
| IGT | Intergovernmental Transfer |
| LMHA | Local Mental Health Authority |
| MHMR | Mental Health and Mental Retardation |

Appendix A. General Revenue Used as IGT in Fiscal Year 2018

| Community Mental Health Center² | IGT Total³ | General Revenue⁴ |
|---|------------------------------|------------------------------------|
| Abilene Regional MHMR | \$1,312,640.24 | \$1,312,640.24 |
| Anderson Cherokee Community MHMR Center | \$307,235.86 | \$180,830.23 |
| Andrews Center | \$1,814,473.69 | \$1,814,473.69 |
| Austin Travis County MHMR Center | \$16,724,846.54 | \$16,724,846.54 |
| Bluebonnet Trails Community MHMR Center | \$7,629,319.72 | \$7,629,319.72 |
| Border Region MHMR Community Center | \$3,462,424.69 | \$3,462,424.69 |
| Burke Center | \$4,685,443.02 | \$3,045,537.70 |
| Camino Real Community Services | \$3,314,864.32 | \$1,814,864.32 |
| Central Counties Center for MHMR Services | \$5,017,997.75 | \$5,017,997.75 |
| Central Plains Center for MHMR | \$630,982.91 | \$630,000.00 |
| Center for Life Resources | \$519,011.09 | \$519,011.09 |
| Coastal Plains Community MHMR Center | \$1,764,214.70 | \$1,764,214.70 |
| Collin County (LifePath) | \$6,104,064.76 | \$6,104,064.76 |
| Denton County MHMR Center | \$4,635,085.05 | \$0.00 |
| El Paso Community MHMR | \$8,152,094.22 | \$8,152,094.22 |
| Gulf Bend MHMR Center | \$1,736,208.31 | \$1,736,208.31 |

² The Center for Health Care Services is not included in this list as this LMHA did not use IGT as local match for DSRIP projects.

³ Texas Health and Human Services Commission, HHSC 1115 Texas Healthcare Transformation Waiver DSRIP Project Payment Database. Retrieved August 2018. Demonstration Year 5-7 payments made in January, March, and July 2018.

⁴ LMHA-reported data regarding general revenue funds used as local match for DSRIP. August 2018.

| Community Mental Health Center² | IGT Total³ | General Revenue⁴ |
|---|------------------------------|------------------------------------|
| Heart of Texas Region MHMR Center | \$2,374,878.74 | \$2,088,351.52 |
| Helen Farabee Centers | \$1,993,201.10 | \$1,993,201.10 |
| Hill Country Community MHMR | \$9,601,590.32 | \$4,715,046.82 |
| Lakes Regional MHMR Center | \$5,104,228.99 | \$5,104,228.99 |
| Lubbock Regional MHMR Center | \$2,096,518.24 | \$2,096,518.24 |
| MHMR Authority of Brazos Valley | \$544,594.82 | \$544,594.82 |
| MHMR of Tarrant County | \$17,043,190.34 | \$14,032,520.17 |
| MHMR Services for the Concho Valley | \$890,366.33 | \$482,592.87 |
| MHMR Services of Texoma | \$1,877,665.34 | \$57,913.78 |
| Nueces County MHMR Community Center | \$2,267,865.00 | \$2,267,865.00 |
| Pecan Valley MHMR Region | \$3,675,416.48 | \$3,675,416.48 |
| Permian Basin Community Centers | \$2,988,805.89 | \$2,988,805.89 |
| Sabine Valley Regional MHMR Center | \$5,655,807.40 | \$4,440,826.89 |
| Spindletop Center | \$4,614,804.06 | \$4,614,804.06 |
| Texana Center | \$5,245,369.94 | \$2,913,449.28 |
| Texas Panhandle MHMR | \$2,526,432.26 | \$2,526,432.26 |
| The Center for Health Care Services | \$12,278,572.11 | \$7,041,766.00 |
| The Gulf Coast Center | \$2,815,273.84 | \$2,815,273.84 |
| The Harris Center for Mental Health & IDD | \$40,796,576.87 | \$40,796,576.87 |
| Tri-County Behavioral Healthcare | \$2,225,240.22 | \$2,225,240.22 |
| Tropical Texas Behavioral Health | \$17,591,294.06 | \$8,716,490.15 |
| West Texas Centers for MHMR | \$1,715,050.94 | \$1,715,050.94 |
| Total | \$213,733,650.16 | \$177,761,494.15 |