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# 1115 Waiver

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**Texas Healthcare Transformation  
and Quality Improvement Program**

# Historical Overview

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Since 2011, the waiver has enabled the State to expand its use of Medicaid managed care to achieve program savings, while also preserving locally funded supplemental payments to hospitals.

- The goals of the demonstration are to:
  - Expand risk-based managed care statewide;
  - Support the development and maintenance of a coordinated care delivery system;
  - Improve outcomes while containing cost growth; and
  - Transition to quality-based payment systems across managed care and providers.



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# Medicaid Managed Care

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**The waiver is the federal authority that Texas uses to deliver Medicaid managed care.**

- The following programs are under the 1115 authority:
  - **STAR** - acute care services primarily to low-income families, children, and pregnant women.
  - **STAR+PLUS** - acute and long-term service and supports primarily to older adults and adults with disabilities.
  - **STAR Kids** - acute and long-term service and supports to children with disabilities.
  - **Children's dental program** - dental care to most children under the age of 21.



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# Budget Neutrality

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## Key Principles

- Expenditures authorized under the waiver must not exceed what they would otherwise be without the waiver.
- The extension preserves budget neutrality and creates room for DSRIP transition, including state directed payment and charity care programs.
- It sustains an estimated \$7 billion per year in vital budget neutrality for directed payment programs.



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# Budget Neutrality

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## Key Principles (cont.)

- Rebasing with actual data is also required.
  - Without waiver expenditures will be rebased and include directed payment program funding using fiscal year 2022 data.
  - Potential adjustments are included for COVID-19 adverse impacts to enrollment and expenditures.
- DSRIP Transition Programs and Public Health Provider funding is sustainable.



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# January 2021 Approval (1 of 2)

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## **CMS approved a 10-year extension.**

- On January 15, 2021, the Centers for Medicare and Medicaid Services (CMS) approved a 10-year extension of the 1115 Transformation Waiver.
- On April 16, 2021, the CMS rescinded their approval letter issued on January 15, 2021.
- On May 14, 2021, Texas Office of the Attorney General (OAG) sought legal redress and filed a complaint in federal court.



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# January 2021 Approval (2 of 2)

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## **CMS approved a 10-year extension.**

- On August 20, 2021, the court ordered, through a preliminary injunction, that the waiver approval was in effect.
- On April 22, 2022, CMS withdrew their rescission letter and confirmed the January 2021 Special Terms and Conditions as in effect.
- On May 10, 2022, a Stipulation of Dismissal was filed with the court, closing out the litigation.



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# DSRIP

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## **Delivery System Reform Incentive Payments**

- \$2.49 billion.
- Ended Sept. 30, 2021.
- DSRIP transition plan advances value-based care and other effective delivery system reforms.



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# Successful DSRIP Transition to State Directed Payments

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- **Comprehensive Hospital Increased Reimbursement Program (CHIRP)\*** \$4.7 billion
- **Quality Incentive Payment Program (QIPP)\*** \$1.1 billion
- **Texas Incentives for Physicians and Professional Services (TIPPS)** \$600 million
- **Rural Access Primary and Preventive Services (RAPPS)** \$11 million
- **DPP for Behavioral Health Services (DPP BHS)** \$175 million



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# Successful DSRIP Transition to State Directed Payments

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## Key Milestones

- CMS approved all State Directed Payment Programs.
- The final approvals were received March 25, 2022.
- All approvals are retroactive to September 1, 2021.
- HHSC directed MCOs to
  - Update their claims system by June 1, 2022; and
  - Reprocess all claims impacted within 120 days from April 1, 2022.



# Monitoring & Reporting

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**New Special Terms and Conditions emphasize the importance of monitoring and reporting.**

- COVID-19 public health emergency disrupted data collection
- Terms negotiated with CMS
  - Emphasize the responsibility of the state to provide oversight of funds;
  - Require additional reporting on sources of funds;
  - Require new Home and Community Based Services (HCBS) reporting;
  - Require a new HCBS Quality Assurance Report; and
  - Require more frequent monitoring reports.



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# Appendix

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# Comprehensive Hospital Increased Reimbursement Program (CHIRP)

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- **Concept:** Statewide program that provides for increased Medicaid payments to hospitals for inpatient and outpatient services covered under Medicaid managed care.
- **First Implemented:** September 1, 2021
  - CMS approval received March 25, 2022, retroactive to September 1, 2021.
- **Participants:** This is a voluntary program under STAR and STAR+PLUS.
- **Funding:** Estimated \$4.7 billion in All Funds for FY 2022.



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# Quality Incentive Payment Program (QIPP)

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- **Concept:** Statewide program that provides for increased Medicaid payments to nursing facilities based on the facilities' performance on required metrics.
- **First Implemented:** September 1, 2017
  - CMS approval received November 15, 2021, retroactive to September 1, 2021.
- **Participants:** This is a voluntary program under STAR+PLUS.
  - Public and private nursing facilities are allowed to participate.
  - Approximately 900 of 1,200 nursing facilities participate.
- **Funding:** Estimated \$1.1 billion AF for FY 2022.



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# Texas Incentives for Physicians and Professional Services (TIPPS)

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- **Concept:** Statewide program that provides for increased Medicaid payments for enrolled physician groups for health care services covered under Medicaid managed care.
- **First Implemented:** September 1, 2021
  - CMS approval received March 25, 2022, retroactive to September 1, 2021.
- **Participants:** This is a voluntary program under STAR, STAR+PLUS, and STAR Kids.
- **Funding:** Estimated \$600 million in All Funds for FY 2022.



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# Directed Payment Program for Behavioral Health Services (DPP BHS)

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- **Concept:** Statewide program that provides for increased Medicaid payments to Community Mental Health Centers (CMHCs) to incentivize the Certified Community Behavioral Health Clinic (CCBHC) model of care under Medicaid managed care.
- **First Implemented:** September 1, 2021
  - CMS approval received November 15, 2021, retroactive to September 1, 2021.
- **Participants:** This is a voluntary program for providers under STAR, STAR+PLUS, and STAR Kids.
- **Funding:** Estimated \$175 million in All Funds for FY 2022.



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# Rural Access to Primary and Preventive Services (RAPPS)

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- **Concept:** Statewide program that provides for increased Medicaid managed care payments to Rural Health Clinics and incentivizes primary and preventive services in rural areas.
- **First Implemented:** September 1, 2021
  - CMS approval received March 25, 2021, retroactive to September 1, 2021.
- **Participants:** This is a voluntary program for providers under STAR, STAR+PLUS, and STAR Kids.
- **Funding:** Estimated \$11.3 million in All Funds for FY 2022.



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