



Presentation to the Senate Committee on Finance on the 1115 Texas Healthcare Transformation and Quality Improvement Program

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Historical Overview

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.



Medicaid Managed Care

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.



January 2021 Approval

CMS approved a 10-year extension.

- January 15, 2021 - Centers for Medicare and Medicaid Services (CMS) approved a 10-year extension of the 1115 Transformation Waiver.
- April 16, 2021 - CMS rescinded their approval letter issued on January 15, 2021.
- May 14, 2021 - Texas Office of the Attorney General sought legal redress and filed a complaint in federal court.
- August 20, 2021 - Court ordered, through a preliminary injunction, that the waiver approval was in effect.
- April 22, 2022 - CMS withdrew their rescission letter and confirmed the January 2021 Special Terms and Conditions as in effect.
- May 10, 2022 - Stipulation of Dismissal was filed with the court, closing out the litigation.



Budget Neutrality

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 Delivery System Reform Incentive Payments (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.



Budget Neutrality

Key Principles (cont.)

- Budget Neutrality is calculated by
 - First, estimating the “Without Waiver” (WOW) limit
 - Initially this is an estimate of what a Fee For Service (FFS) Medicaid program would have paid
 - In a mature waiver, like Texas’, it is based upon our actual Medicaid managed care expenditures
 - Directed payment program funding using federal fiscal year 2022 data is included
 - Potential adjustments are included for COVID-19 adverse impacts to enrollment and expenditures
 - Second, the “With Waiver” (WW) actual expenditures are subtracted
- If $WOW > WW$, this constitutes Budget Neutrality “room” and allows for rate increases, cost growth, future innovation
- If $WW > WOW$, federal matching funds will not be paid for any expenditures above the WOW



Budget Neutrality

Key Principles (cont.)

- Rebasing with actual data is required to ensure that limits are realistic and accurate
- Under the 1115 Waiver that was approved, DSRIP Transition Programs and Public Health Provider funding is sustainable
- Without a renegotiated waiver, DSRIP transition funding would not have been sustainable, and Texas would have had a \$3 billion cut in healthcare funding each year



Budget Neutrality

Key Principles (cont.)

- CMS revised its policy in 2016 and began to phase-down accumulated savings and rebase per capita spending limits based on actual spending.
- In addition, CMS will only allow a state to carry forward savings from the most recent five-year approval period.
- This federal policy may limit the addition or expansion of new or existing programs in the future, especially in the first couple of years after a rebasing period (including rate increases).



Financial Support for Providers

Supplemental Payment Programs

- Delivery System Reform Incentive Payment Program (DSRIP) – ended on September 30, 2021
- Uncompensated Care Program (UC) – Maintained through 2030; pool will be resized twice
- Public Health Provider Charity Care Program (PHP-CCP) – New funding pool from 2022-2030; pool will be resized twice

Directed Payment Programs (DPPs)

- Comprehensive Hospital Increased Reimbursement Program (CHIRP)
- Quality Incentive Payment Program (QIPP)
- Texas Incentives for Physicians and Professional Services (TIPPS)
- Directed Payment Program for Behavioral Health Services (DPP BHS)
- Rural Access for Primary and Preventive Services (RAPPS)



Financial Support for Providers Cont'd

Supplemental Payment Programs

- Fixed pool sizes
- Reimburses costs for uninsured/charity care

Directed Payment Programs

- Fluctuating size (dependent upon caseload, utilization)
- Reimburses for Medicaid services for Medicaid beneficiaries
- Advances a quality goal or strategy



Financial Support for Providers Cont'd

Texas Transition Plan 2022 and Beyond

	DY 10 (FFY 21)	DY 11 (FFY 22)	DY 12 + (FFY XX)
UC Pool Payments	\$ 3,873,206,193	\$ 3,873,206,193	\$ 4,512,075,400
DSRIP Payments	\$ 2,490,000,000	-	-
PHP CCP Payments		\$ 500,000,000	\$ 500,000,000
NAIP ¹	\$ 537,693,283	\$ 491,375,364	\$ 250,000,000
QIPP	\$ 971,897,174	\$ 997,322,319	\$ 1,100,000,000
DSRIP Transition Programs:			
UHRIP ¹ & CHIRP	\$ 3,178,431,342	\$ 5,956,281,077	\$ 5,200,000,000
TIPPS		\$ 670,123,256	\$ 696,000,000
RAPPS		\$ 12,583,984	\$ 33,000,000
DPP BHS		\$ 188,443,115	\$ 238,000,000
Totals	\$ 11,051,227,992	\$ 12,689,335,309	\$ 12,529,075,400

Both Network Access Improvement Program (NAIP) and Uniform Hospital Rate Increase Program (UHRIP) are larger than initially projected for FY 2021 as a result of increased caseload associated with the Public Health Emergency enhanced FMAP.

UHRIP reflects 11 months of costs for FFY21. FFY22 DPP figures are estimated based on SFY22 premiums since rates are developed on SFY basis.

DPP sizes for Demonstration Year (DY) 12 are baseline estimates and will vary depending on caseload growth.



Key Implementation Milestones

Date	Deliverable
September 1, 2021	CHIRP, TIPPS, DPP BHS, and RAPPS Start; QIPP Continues
September 30, 2021	DSRIP Ends
October 1, 2021	PHP-CCP Starts
September 1, 2022	UC Pool Resized
October 1, 2022	Budget Neutrality rebased
October 1, 2022	PHP-CCP Transitions to Charity Care Only
September 1, 2023	PHP-CCP Resized
September 1, 2027	PHP-CCP Resized
September 1, 2027	UC Pool Resized
October 1, 2027	Budget Neutrality rebased
September 30, 2030	Waiver Ends





Appendix



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DSRIP

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.



Successful DSRIP Transition to State Directed Payments

- Comprehensive Hospital Increased Reimbursement Program (CHIRP)
- Quality Incentive Payment Program (QIPP)
- Texas Incentives for Physicians and Professional Services (TIPPS)
- Rural Access Primary and Preventive Services (RAPPS)
- DPP for Behavioral Health Services (DPP BHS)



Successful DSRIP Transition to State Directed Payments

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 Managed Care Organizations to
 - Update their claims system by June 1, 2022; and
 - Reprocess all claims impacted within 120 days from April 1, 2022.



Uncompensated Care

Uncompensated Care (UC) & Public Health Provider Charity Care Program (PHP-CCP)

- Uncompensated Care payments transitioned to charity care on October 1, 2019 (\$3.87 billion).
- Public Health Providers Charity Care Program launched October 1, 2021 (\$500 million).



Uncompensated Care Pool Resizing

The UC Pool will be resized twice.

- First re-sizing started this year to take effect in Fiscal Year (FY) 2023.
 - The new total pool size for Demonstration Year (DY) 12 to DY 16 is expected to be \$4.5 billion.
 - In recognition that the PHE will impact FY 20 and FY 21 cost report data, re-sizing used the 2019 cost reports and the 2017 Disproportionate Share Hospital (DSH) payment data.
- Second re-sizing will take effect in FY 2028.
 - Sizing will use the 2025 cost reports and 2023 DSH payment data.
- Re-sizing allows for adjustments to uncompensated care pool based on actual charity care.



Public Health Provider Charity Care Program Resizing

The PHP-CCP Pool will be resized twice.

- \$500 million in All Funds for DY 11 and DY 12
- Program will transition to charity care only for DY 12 and after
- Pool will be re-sized based upon actual charity care for DY 13 and again in DY 17
- Re-sizing allows for adjustments to uncompensated care pool based on actual charity care.



Monitoring & Reporting

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.



External Evaluation

New Evaluation Design for the Extension

- **Purpose:** Provide insight into whether the state is progressing on the overarching goals of the Demonstration
- **Main components:**
 - Medicaid Managed Care
 - Supplemental Payment Pools
 - Uncompensated Care
 - Public Health Providers Charity Care
 - Cost outcomes for the demonstration as a whole



Comprehensive Hospital Increased Reimbursement Program (CHIRP)

- **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.



Quality Incentive Payment Program (QIPP)

- **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.



Texas Incentives for Physicians and Professional Services (TIPPS)

- **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.



Directed Payment Program for Behavioral Health Services (DPP BHS)

- **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.



Rural Access to Primary and Preventive Services (RAPPS)

- **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.



Public Health Providers

Public Health Provider-Charity Care Program (PHP-CCP)

- Began on October 1, 2021.
- Offsets costs associated with care, including behavioral health, immunizations, chronic disease prevention, and other preventive services for the uninsured
- Public providers only
- State share is financed by certified public expenditures
- Year 1 & 2 will be up to \$500 million



Uncompensated Care Pool

Uncompensated Care (UC)

- Began FY 2012.
- Transitioned to charity care in FY 20.
- Reduces the actual uncompensated cost of medical services provided to uninsured individuals who meet a provider's charity care policy.
- Providers include public and private hospitals, public ambulance providers, government dental providers, and physician practice groups.
- State share is financed by local governments.
- FY 22 is \$3.87 billion.

