

## **Texas Update - Special Edition on Medicaid Reform**

December 12, 2007

### **In brief:**

- **The Texas Medicaid Reform process is moving very quickly.**
- **The most recent reform proposal has important implications for the future of the health care safety net, including how FOHCs are reimbursed in Medicaid.**
- **Health centers must be informed and prepared to act quickly in the coming weeks. Read on to learn how!**

On December 5, 2007, the Health and Human Services Commission submitted a Medicaid Reform Concept Paper to the Centers for Medicaid and Medicare Services (CMS). States submit concept papers as the initial stage in applying for a Section 1115 demonstration project.\*\* [Read the state's concept paper here.](#) This paper will serve as the basis for a full Medicaid reform proposal to be submitted in January 2008. The state is moving *very* quickly in setting up this new program to cover the uninsured in Texas.

**What does the Medicaid reform proposal do?** Briefly, the Texas Medicaid reform proposal could potentially create programs that provide health coverage for uninsured Texas adults under 200% FPL. The proposal creates a "Health Opportunity Pool" or "HOP". Medicaid funds that currently reimburse hospitals for uncompensated care will be redirected into the HOP which will re-distribute these dollars in the form of subsidies to low-income, uninsured adults so they can participate in employer sponsored insurance (ESI) or purchase health coverage in the private insurance market. The proposal also includes Medicaid "opt-out" programs where current Medicaid recipients can choose to participate in an employer sponsored plan with a government subsidy rather than participating in traditional Medicaid. Families with children covered under Medicaid or CHIP may be able to pool their subsidies to purchase family coverage through an employer. The goal of these Medicaid reform efforts is to reduce the number of uninsured in Texas by optimizing available Medicaid funds and encouraging a culture of insurance among Texas citizens.

**TACHC's Position:** TACHC supports efforts to provide more coverage to Texas's uninsured population but only to the extent that these efforts do not diminish or dilute efforts currently in place to provide health coverage and access to affordable, appropriate health care. At this time, there are many questions left unanswered by the concept paper, such as a definition of a basic health benefits package, the quality and extent of outreach and education to newly eligible populations, and the lack of proposals to address the state's primary care provider shortage or ensure people have access to a health provider, to fully evaluate whether current coverage and access programs will be negatively affected.

**Why is all this important to you?** Health centers are key community based safety net providers who currently provide health care homes to many of the people the state proposes to cover under the new program (uninsured adults under 200% FPL), providing crucial points of access to primary care in underserved communities. Expanded access to health coverage could be a

significant boon for many of your patients. Additionally, however, as a part of its proposal, HHSC has indicated its intent to request a waiver of cost based reimbursement for FOHCs and RHCs for Health Opportunity Pool subsidy beneficiaries. This means that for populations that are gaining coverage under this reform proposal, FQHCs will not be reimbursed at their costs even though Medicaid dollars are funding the coverage subsidies. TACHC is seriously concerned about this request, particularly considering there is language in SB 10 that we advocated for that should prohibit the state from making exactly this kind of request of CMS. We will keep you posted on our efforts to address this situation.

Now is the time to request clarification on these and other issues raised in the Medicaid reform concept paper so it is possible to evaluate the impact of the state's proposal on Texas' underserved populations and safety net providers. **The public can submit comments on this proposal to [medreform@hhsc.state.tx.us](mailto:medreform@hhsc.state.tx.us) by December 28.** TACHC will be providing comments and will share them with members when they are available.

### **Legislative Oversight of the Medicaid Reform Process**

Senate Bill 10, the state law that authorized HHSC to go forward with its Medicaid reform application, created a Joint Medicaid Reform Legislative Oversight Committee to oversee HHSC's progress on this issue. Here are the Oversight Committee members:

Senator Jane Nelson (R-Grapevine), Chair

Senator Robert Duncan (R-Lubbock)

Senator Kyle Janek (R-Houston)

Senator Judith Zaffirini (D-Laredo)

Representative John Davis (R-Clear Lake)

Representative Dianne White Delisi (R-Temple)

Representative Dawnna Dukes (D-Austin)

Representative John Zerwas (R-Richmond)

These eight legislators will be closely involved with the Medicaid reform process and will provide guidance to HHSC as they make key decisions such as the details of benefit packages and the administration of Health Opportunity Pool subsidies. *These legislators will have significant influence in determining the outcome of Texas Medicaid reform.*

### **What is TACHC doing?**

TACHC is monitoring all Legislative Oversight hearings, participating in Medicaid reform discussions with other advocates and safety net providers, and working directly with HHSC Medicaid reform staff and other government staff to resolve questions and offer detailed feedback on the state's proposals. We will keep you regularly updated on our efforts.

### **What can you do?**

**Stay informed:** Read the state's [concept paper](#) and submit your feedback to the state. Read [here](#) about how to submit your comments by December 28. Stay in communication with TACHC about how the reform proposals will affect your health center.

**Be prepared to act:** As proposals go forward, particularly those that jeopardize the FQHC prospective payment system, health centers will need to mobilize our grassroots efforts to ensure that our health centers remain viable in this new environment and that our patients retain access to care.

**Keep an eye out for action alerts!**

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**\*\* What is a Section 1115 demonstration project or "waiver"?** FamiliesUSA offers the following definition: Section 1115 of the Social Security Act allows the Secretary of the Department of Health and Human Services (HHS) to suspend certain laws or regulations that govern programs authorized by the Social Security Act, such as Medicaid and SCHIP, in the context of a state "research and demonstration project." A Section 1115 Medicaid or SCHIP demonstration project should "promote the objectives" of the Medicaid program. Section 1115 waiver projects are generally approved to operate for a five-year period and must maintain "budget neutrality." The budget neutrality requirement means that the waiver program cannot cost the federal government more than the state would have spent on Medicaid for people covered by the waiver if the waiver did not exist.