



Texas Association of Community Health Centers

October 9, 2015

UPDATE ON TEXAS' 1115 TRANSFORMATION WAIVER RENEWAL

On September 30, the Texas Health and Human Services Commission (HHSC) submitted its application to the Centers for Medicare and Medicaid Services (CMS) for a 5-year extension of Texas' 1115 Transformation Waiver. The original 5-year waiver expires on September 30, 2016 and the waiver renewal, if approved, will extend through September 30, 2021. HHSC's waiver renewal proposal continues all the major components of the current waiver: statewide Medicaid managed care, the Delivery System Reform Incentive Payment (DSRIP) funding pool and the Uncompensated Care (UC) funding pool for hospital uncompensated care.

HHSC cites several areas of success and need as justification for the waiver extension. For example, HHSC outlines the initial successes of DSRIP projects in coordinating and transforming care at the local level, but stresses the need for more time to fully realize the goals of the projects as they move beyond the implementation phase. HHSC also cites cost savings in the statewide managed care model and increased uncompensated care costs as reasons for CMS to extend the waiver. HHSC plans to further align DSRIP goals with Medicaid managed care quality strategies and value-based payment efforts in the upcoming years of the waiver, if renewed.

The waiver renewal application also includes specific funding requests for the DSRIP and UC pools. Under the current waiver, the UC pool declines over the course of the waiver from its highest point at \$3.9 billion to \$3.1 billion in year five, as the DSRIP pool gradually increases over time. However, in the waiver renewal application, HHSC is requesting level funding to continue DSRIP projects (\$3.1 billion per year) and increased funding in the UC pool at \$5.8 billion in 2017, \$6.6 billion in 2018 and \$7.4 billion in 2019 and beyond. HHSC cites increased uncompensated care costs in Texas as driving the need for more UC funds.

However, Texas declined to expand Medicaid under the Affordable Care Act, and CMS has indicated that they will not provide UC funding through state 1115 waivers to cover services that would have been covered by Medicaid had the state expanded. Additionally, CMS has indicated that they won't approve UC funding used to make up for losses hospitals incur from lower-than-cost state Medicaid reimbursement rates. Earlier this year, CMS substantially reduced a similar uncompensated care pool in Florida's 1115 waiver due to these issues. Therefore, it is unclear how much UC funding Texas can expect for CMS to approve moving forward, assuming the other components of the waiver renewal will be approved.

For a deeper analysis on Medicaid expansion and how it relates to the 1115 waiver renewal, see the report published by TACHC and TAFP [here](#).

For more information on the 1115 waiver and to view the renewal application, go [here](#).

Contact [Shelby Massey](#) with any questions.

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