

Texas Health Care Transformation and Quality Improvement Program 1115 Waiver

Background

The 2011 Texas Legislature directed HHSC to expand managed care to achieve savings and to preserve hospital access to funding consistent with upper payment limit (UPL) funding. The best approach to meet legislative mandates and to preserve funding, expand managed care, achieve savings, and improve quality is to negotiate a five-year 1115 waiver that will begin September 1, 2011.

Waiver Summary

The 1115 waiver provides flexibility for Texas to expand risk-based managed care statewide and preserve UPL funding.

• Waiver Goals

- Expand risk-based managed care statewide.
 - Support the development and maintenance of a coordinated care delivery system.
 - Improve outcomes while containing cost growth.
 - Protect and leverage financing to improve and prepare the health care infrastructure to increase access to services.
 - Transition to quality based payment systems in managed care and in hospital payments.
 - Provide a mechanism for investments in delivery system reform including improved coordination in the current indigent care system in advance of health care reform.
- This waiver incorporates current managed care programs and provides authority for managed care expansions in September 2011 and March 2012.
 - Texas is requesting the authority to create a funding pool under the demonstration that will protect UPL funding by including trended historic UPL funds and additional new funds (such as managed care savings) into a waiver pool. That pool would be distributed to hospitals through two sub-pools:
 - An uncompensated care sub-pool that pays hospitals based on uncompensated care costs reimbursable today and additional uncompensated care costs not being reimbursed today, such as costs for clinics and pharmacies. Payments will be based on costs, not charges.
 - A Delivery System Reform Incentive Payment Pool that will make payments for system improvements identified in Regional Healthcare Partnerships delivery system reform and improvement plans. These plans will be led by public hospitals that provide the state share of waiver pool funds. Plans will identify approaches, baseline data, and timelines for transforming and improving indigent and Medicaid health care systems to improve clients experience, increase quality, and better manage costs in Medicaid and indigent programs.
 - To provide system stability during the first year, Texas would have a one year phased implementation.

Benefits to Texas

- Protects current Texas UPL funds, and the waiver as submitted makes available additional funding for system investment over five years. Final additional funds are contingent upon negotiation.
 - UPL funding is highlighted as a potential federal budget target for reductions or elimination.
 - The waiver will transform UPL funds into waiver funds. The waiver is locked into a five-year term during which funding levels would be protected.
 - Allows for legislatively directed managed care expansion while protecting vital hospital UPL funds.
 - Local and state funds would continue to provide the state match for the program.

- Places decisions regarding health care delivery system improvements in the hands of local hospitals and hospital districts, rather than a top-down, one-size-fits-all approach.
 - New funding for investments in health care transformation will be paid to hospitals for regional health care service delivery improvements.
 - Public entities that contribute intergovernmental transfers (IGTs) will lead Regional Healthcare Partnerships. Through the partnerships, public and private hospitals, with other local stakeholders, will create coordinated health care delivery plans, using waiver funding for system transformation.
 - Plan development, system improvement metrics and reporting will serve as the basis for accountable, effective investments in health care and related waiver payments.

- Helps to drive down health care inflation by ensuring hospitals are paid based on actual uncompensated care costs, not charges. The current payments for charges drive health care inflation as those hospitals paid UPL based on charges increase charges to all payors, including Medicaid, Medicare and commercial plans.

- Achieves accountability and transparency for billions of dollars in Texas UPL funding. Under the waiver, payments must be based on services and contributions provided, either uncompensated care or contributions to regional health care improvements that will better manage indigent and Medicaid cost trends and improve the delivery system.