

1115 Waiver Is Critical for Texas Hospitals and Patients

For the past six years, the 1115 Medicaid waiver has been the key to successful health care delivery reform in Texas. A “one-size fits all” approach cannot meet the needs of a state as large and diverse as Texas, but the flexibility inherent in the 1115 waiver gives the state the authority to employ innovative solutions that improve Medicaid service delivery and generate cost savings.

Over five years, the 1115 waiver has yielded nearly \$9 billion in savings for the state and federal governments, while preserving supplemental funds that Texas hospitals historically received to help cover the unreimbursed costs of providing care to the uninsured and low-income populations.

The waiver revolutionized the Texas health system in two major ways:

- expanding risk-based Medicaid managed care to all 254 Texas counties; and
- establishing two new funding pools for hospitals to earn supplemental payments.

The majority of Texas hospitals receive funds from the waiver, which make up more than a quarter of all hospital payments:

Uncompensated Care Payments

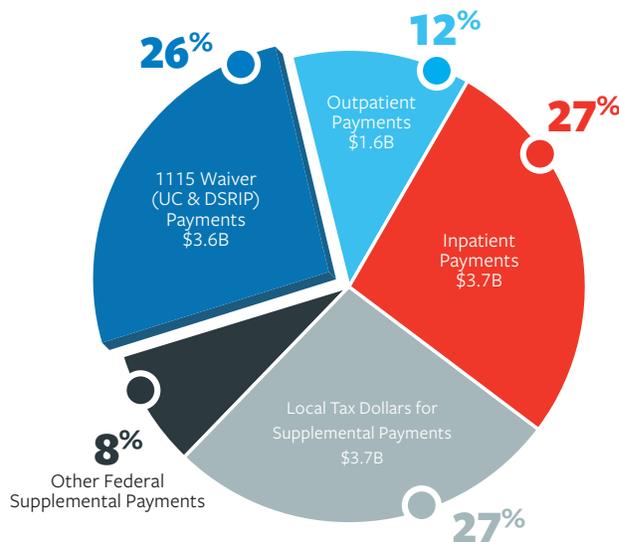
\$3.1 billion annually in cost-based payments to help offset Medicaid underpayment and the costs of care provided to Texans who have no health insurance.

Delivery System Reform Incentive Payments

\$3.1 billion annually in earned payments that incentivize approximately 300 hospitals and other providers statewide to collaborate and implement 1,500 locally driven projects to improve health care delivery through increased access, innovations in care and infrastructure development.

The state and federal governments share responsibility for financing payments. In Texas, local tax dollars that are levied by hospital districts and local municipalities provide the non-federal share.

2016 Estimated Texas Medicaid Hospital Payments and Supplemental Payments for Health Service Expenditures \$13.6 Billion (All Funds)



Source: Texas Health and Human Services Commission

The current waiver and its funding expire at the end of this year. Texas hospitals strongly support the state’s request that the Centers for Medicare & Medicaid Services **renew the current waiver** for an additional 21 months through September 2019.



In addition to ensuring Texas providers’ financial vitality and stability while Congress considers broader health reform, waiver renewal would:

Further incentivize transformation

and strengthen health care systems across the state by building on locally driven structure.

Maintain program flexibility to reflect the diversity of Texas’ 254 counties, 20 regions and almost 300 DSRIP providers.

Further integrate with Texas Medicaid managed care quality strategy and value-based payment efforts.

Streamline to reduce administrative burden on providers while focusing on collecting the most important information.

Improve project-level evaluation to identify the best practices to be sustained and replicated.

Continue to support the health care safety net for Medicaid and low-income uninsured Texans.