



1115 Waiver Is Critical for Texas' Health Care Safety Net

Texas' current Medicaid 1115 Waiver and its funding, worth approximately \$25 billion over five years, **expires Sept. 30, 2022**. Texas hospitals strongly support the waiver and its ability to protect the health care safety net and improve health care delivery and outcomes for Texans. Hospitals that serve vulnerable, uninsured individuals rely on the funding to maintain financial vitality and stability. Without it, critical health care access could be severely compromised.

The waiver has been key to successful health care delivery reform, with funding for Texas worth **\$64.6 billion through the life of the waiver**. A "one-size fits all" approach doesn't work for a state as large and diverse as Texas, but the flexibility inherent in the waiver has afforded the state the authority to test innovative solutions to improve Medicaid service delivery and contain costs.

Critical Supplemental Medicaid Payments

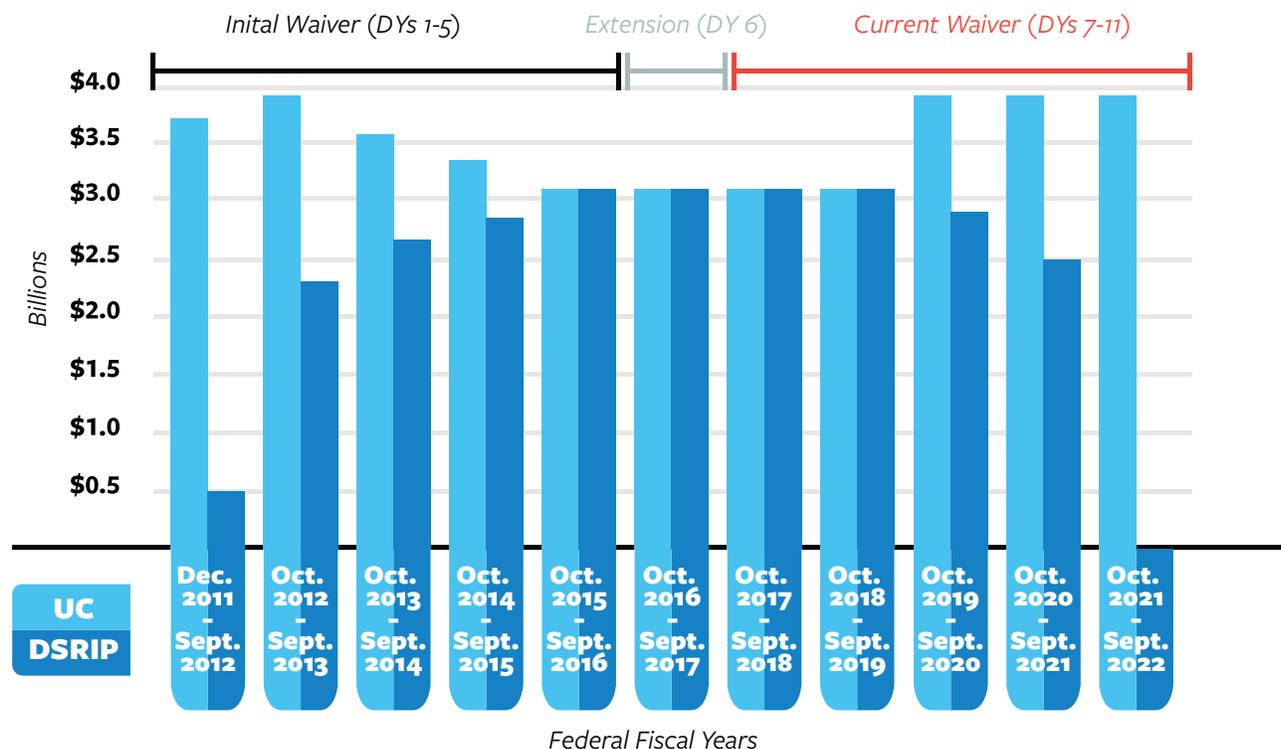
The waiver provides billions of dollars a year in supplemental payments to Texas hospitals and other health care providers through two pools of funding – **Uncompensated Care** and **Delivery System Reform Incentive Payment**. The current waiver requires changes for the funding pools and payments.

UC has provided nearly \$27 billion since 2012 to help offset the costs of providing care for the uninsured. In October 2019, the methodologies to determine the size of the UC pool and calculate UC payments changed to be based on hospitals' uninsured charity care costs, as reported on the Centers for Medicare & Medicaid Services' Medicare Cost Report. Medicaid shortfall and bad debt costs are no longer considered for the calculation of payments.

DSRIP has provided approximately \$20 billion since 2012 to incentivize hospitals and other providers to collaborate regionally to drive innovations in care delivery and infrastructure development that improve access to quality care. DSRIP funding began to wind down in October 2019. Funding will be eliminated entirely by October 2021.

As with all Medicaid payments, a state contribution is required to draw down federal dollars. In Texas, the state share for supplemental Medicaid payments is generated by hospitals, either through public hospitals' tax revenue or local provider participation funds.

1115 Waiver Funding Pools: 2011 - 2022





Waiver Challenges Going Forward

DSRIP Transition: DSRIP has transformed health care delivery in Texas and improved outcomes for some of the state’s most complex health care concerns. Patients served through DSRIP — 40% of whom are uninsured — are better able to manage their diabetes and control high blood pressure. DSRIP hospitals have reported increased access to primary and preventive care, increased emergency department diversion and enhanced behavioral health services.



As DSRIP funding phases out, a strong, clear transition is critical for the future of the health care safety net in Texas.

Texas hospitals’ priorities for the DSRIP transition include:

- Ensuring access to care for the uninsured.
- Building DSRIP successes into existing Medicaid managed care structures.
- Preserving and maximizing federal payments for hospitals and other providers.
- Rewarding collaboration and partnerships among local providers.

Budget Neutrality: A long-standing requirement of 1115 waivers is that they must be “budget neutral” to the federal government. In other words, Texas can’t spend more federal Medicaid dollars with the waiver than it would without the waiver. CMS is seeking to change the way it calculates budget neutrality for the next waiver renewal, which could potentially result in fewer dollars available for supplemental payments. THA continues to work with state officials to pinpoint specific impact these changes will have going forward.

WHAT’S THE BIG PICTURE?

Even with a waiver renewal through 2022, funding variables create a difficult and uncertain financial landscape for Texas hospitals.

This unpredictability threatens hospitals’ ability to plan appropriately and, *if unresolved*, could **seriously impact the delivery of health care** throughout the state with the closure of hospitals — particularly in already hard-hit rural areas — and service reductions.



Additional information on the Medicaid 1115 Waiver is available from www.tha.org/waiver.