



TEXAS HOSPITAL ASSOCIATION

THA TAKEAWAYS

Medicaid 1115 Waiver Extension: What Does It Mean for Texas Hospitals and Patients?

On May 2, the Centers for Medicare & Medicaid Services approved a 15-month extension of Texas' innovative and cost effective Medicaid 1115 waiver, allowing it to continue through December 2017. Continuation of the waiver is essential for maintaining quality, accessible health care services across Texas.

This agreement between the state and federal governments continues the waiver's three primary activities that have been in place since 2011:

1. Allow the state to implement statewide managed care enrollment for most Medicaid beneficiaries;
2. Provide a funding mechanism to reimburse hospitals for some of their uncompensated care costs stemming from caring for those without health insurance and from underpayment from the Medicaid program; and
3. Incentivize hospitals and other health care providers and groups to collaborate on projects to improve access to care and reduce health care costs in local communities. This piece of the waiver is called the Delivery System Reform Incentive Payment program, or DSRIP. There are nearly 1,500 DSRIP projects across the state, about one-third of which are focused on improving access to behavioral health care services, i.e. through co-location of behavioral and physical health services, extended clinic hours and delivery of new services such as crisis stabilization.

Under the terms of the 15-month extension:

- The uncompensated care funding mechanism and DSRIP program both will be funded with federal dollars at \$3.1 billion for 12 months; these payments are contingent on local hospitals providing an intergovernmental transfer of matching funds.
- UC and DSRIP funding for months 13-15 will be prorated at an additional amount;
- No changes will be made to the managed care arrangement; and
- No changes will be made to current DSRIP projects.

The Texas Medicaid 1115 waiver is highly cost effective. For each year, expenditures have been significantly less than they would have been in the absence of the waiver. Over the waiver's five-year term, savings have exceeded \$8.7 billion. The goal of Texas hospitals is to reinvest these savings into continuing the waiver and its successful programs and services.

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